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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Enhance the Role
of Demand Response in Meeting the State's
Resource Planning Needs and Operational
Requirements.

Rulemaking 13-09-011
(Filed September 19, 2013)

**PACIFIC GAS AND ELECTRIC COMPANY'S (U 39-M) REPLY COMMENTS ON THE
ALTERNATIVE PROPOSED DECISION**

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I. INTRODUCTION

Pursuant to 14.3(d) of the Commission's Rules of Practice and Procedure, Pacific Gas and Electric Company (PG&E) provides its reply comments on the September 15, 2017 Alternative Proposed Decision (APD) discussion of an additional 2018 Demand Response Auction Mechanism (DRAM) solicitation for delivery in 2019 (2019 DRAM). In another pleading being filed concurrently with this one, PG&E is filing reply comments on the Proposed Decision in this proceeding.^{1/} Where the APD and PD are aligned on the issue of whether PG&E is to conduct a DRAM auction for 2019,^{2/} PG&E incorporates by reference its comments and the proposed modifications to the Findings of Fact (FOF), Conclusions of Law (COL), and Ordering Paragraphs (OP) as proposed in its opening joint comments.

PG&E believes that the PD correctly concluded that a 2019 DRAM is unnecessary. Accordingly, PG&E urges the Commission to reject the APD, as well as proposed modifications to the APD that would require a 2019 DRAM.

1/ R. 13-09-011.

2/ PD at p. 31 and APD at p. 31.

II. THE PD AND APD CORRECTLY DETERMINED THAT PG&E IS NOT REQUIRED TO CONDUCT A 2019 DRAM AUCTION

The comments of the Joint DR Parties, OhmConnect, eMotorWerks, and Stem (collectively referred to as “OMS”) seek to require PG&E to hold a 2019 DRAM.^{3/} The Joint DR Parties claim that PG&E’s statements regarding its lack of Resource Adequacy (RA) need in 2019 were unsubstantiated,^{4/} and both sets of comments argue that growth of third party demand response business opportunities necessitates an additional auction.^{5/} These arguments do not warrant revision to the APD. These reply comments address the following: (A) the Commission correctly determined that PG&E does not have an RA need for 2019; (B) the argument that a 2019 DRAM is reasonable and prudent is incorrect; (C) an additional DRAM auction is premature and not likely to offer further insights, and (D) the CAISO’s rationale for a 2019 DRAM is misguided.

A. PG&E Lacks a Need for RA in 2019

The Commission correctly stated that PG&E does not have a RA need in 2019,^{6/} and therefore does not need an additional DRAM auction.^{7/} OMS states that “the principles and policies for DR adopted in D.16-09-056 justify an additional DRAM auction in 2018 and supersede claims that additional RA is not needed in 2019,”^{8/} but they do not justify why PG&E should be mandated to procure more RA if additional RA is not needed in 2019. Further, OMS

3/ *Joint Opening Comments of CPower, Enernoc, Inc, and Energy Hub (“Joint DR Parties”) on the Proposed Decision and Alternate Proposed Decision Addressing Competitive Neutrality Cost Causation Principle, Demand Response Auction Mechanism, and New Models of Demand Response*, R.13-09-011, pp. 3, 6-7 (October 5, 2017); *Comments of OhmConnect, Inc., Electric Motorwerks, Inc, and Stem, Inc. on Proposed Decision and Alternate Proposed Decision Addressing Competitive Neutrality Cost Causation Principle, Demand Response Auction Mechanism, and New Models of Demand Response*, R.13-09-011, pp. 2, 6, 9 (October 5, 2017).

4/ Joint DR Parties Comments, p. 6.

5/ Joint DR Parties Comments, pp. 4-10; OMS Comments, pp. 5-7.

6/ APD at pp. 31 and 7 (FOF 31).

7/ PG&E provided this conclusion during its comments in response to ALJ questions posed in Decision Addressing Petitions for Modification, R.13-09-011, D.17-04-045. *See, Opening Comments of PG&E in Response to ALJ Questions in D. 17-04-045*; p. 1 (July 6, 2017); *Reply Comments of PG&E in Response to ALJ Questions in D. 17-04-045*, p. 2 (July 17, 2017).

8/ OhmConnect, eMotorWerks, and Stem Opening Comments, p. 5.

also refers to the Commission’s D.16-09-056, which found “strong support for growing the demand response auction mechanism.” However, this argument fails to cite fully to the Commission’s decision, which states that this growth should occur after the Commission’s assessment: “We agree that in considering whether to expand its role in the resource adequacy market, we should review whether the pilot met key objectives, especially those assessing third party and customer engagement, the competitiveness of prices, and reliability of the demand response.”^{9/} The Commission will not complete this review until mid-2018, and therefore it would violate D.16-09-056 to expand DRAM before completing this review.

B. Additional RA Purchases are Not Prudent and Reasonable

The California Energy Storage Alliance (CESA) agrees with the APD’s finding that “an additional auction would be prudent and reasonable,” while potentially extending the requirement for PG&E to hold a similar auction.^{10/} PG&E disagrees with both statements, because it is not clear how unnecessary procurement is prudent and reasonable, as this will unnecessarily increase costs to ratepayers. Other parties join in this conclusion, particularly without the completion of the Commission’s analysis.^{11/} Specifically, CLECA states, “Unnecessary procurement imposes an undue strain on all customers, distorts the market and exacerbates departing load issues. Procurement should be directed, authorized and undertaken

9/ D.16-09-056, p. 65.

10/ *Comments of the California Energy Storage Alliance on Proposed Decision Adopting Steps for Implementing the Competitive Neutrality Cost Causation Principle, Declining to Hold an Auction in 2018 for the Demand Response Auction Mechanism, and Establishing a Working Group for the Creation of New Models of Demand Response Requiring an Auction*, R.13-09-011, pp. 6-7 (October 5, 2017).

11/ *See Comments of the California Large Energy Consumers Association on the Proposed Decision and the Alternate Proposed Decision*, R. 13-09-011, pp. 8-10 (“CLECA is also concerned over the implications for ratepayer costs by the prospect of needlessly spending additional dollars if there is no underlying Resource Adequacy need.”); *Comments of Olivine, Inc. on the Proposed Decision and Alternate Proposed Decision*, R. 13-09-011, p.3 (“To date there has not been a thorough evaluation of any of the DRAM procurements. Olivine believes that the Commission should be very wary about continuing to approve monies for DRAM prior to the completion of these evaluations.”)

on the basis of customer electricity needs first and foremost; all other considerations should be secondary.”^{12/} PG&E could not agree more.

C. An Additional DRAM Auction is Premature and is Not Likely to Offer Further Insights

PG&E agrees with SDG&E’s comments that much of the same evidence used to reject a 2019 DRAM in the PD is used to support the solicitation in the APD.^{13/} These conclusions are at odds, and the APD’s argument that the 203 MW already procured for the 2018-2019 DRAM falls short of the 1 GW ceiling^{14/} predetermines the Energy Division’s analysis in favor of a permanent DRAM is made without the analysis and evidence that D.16-09-056 requires. Several parties supported an additional auction without waiting for the Energy Division’s analysis,^{15/} but the PD, the IOUs,^{16/} Olivine,^{17/} and CLECA^{18/} question what evidence could be gained with an additional auction, particularly without applying lessons learned. Not only is the Commission’s analysis necessary to provide such evidence, but the goal of holding an auction to develop “further insights into the evolving state of the market” further assumes an additional auction will better inform this analysis.^{19/}

PG&E disagrees that gaining further insights from the APD’s proposed additional auction is a realistic outcome. PG&E agrees with SDG&E that a 2019 DRAM with “parameters used in previous auctions will likely lead to the exact same outcome of the previous auctions. *More* data will be available, but not *new* information.”^{20/} Olivine also supports the PD in stating that the problems of market consolidation discussed in the Independent Evaluator’s report should be taken seriously, and that these issues should be properly evaluated and addressed prior to

12/ CLECA Opening Comments, p. 9.

13/ SDG&E Opening Comments on the APD, pp. 1-2.

14/ APD, p. 38.

15/ CALSEIA, pp. 1-2; CESA, pp. 6-7; Joint DR Parties.

16/ PG&E p. 4; SCE, p. 3; and SDG&E comments on the APD, pp. 5-6.

17/ Olivine, p. 3.

18/ CLECA, p. 9.

19/ APD, p. 37.

20/ SDG&E Opening Comments on the APD, p. 5.

ordering another DRAM.^{21/} Even if the Commission rejects these arguments, PG&E agrees with ORA that there is a clear timing issue with the assumption that this additional auction would inform the analysis given the schedules discussed.^{22/}

D. The CAISO’s Rationale for a 2019 DRAM is Misguided

PG&E offers corrections to the CAISO’s comments. The CAISO seems to mistake the PD’s discussion of rejecting a 2018 auction for 2019 deliveries (“2019 DRAM”), as “eliminating the DRAM” altogether.^{23/} The Utilities recently concluded the 2018-2019 DRAM, which provides more than 200 MW of DRAM capacity in 2019, and the Energy Division's analysis on whether to continue transitioning the DRAM pilot to a permanent mechanism in 2020 would not result in the gap the CAISO's statements appear to be concerned about. The CAISO’s rationale for supporting a 2019 DRAM is therefore unsubstantiated, and should be respectfully disregarded.

III. CONCLUSION

PG&E appreciates the opportunity to file reply comments on the APD served on September 15, 2017. As indicated, the APD should be rejected for reasons provided herein and the PD should be adopted with modifications as called for by joint comments filed by PG&E and SCE on October 5, 2017.

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21/ Olivine Opening Comments, p. 3.

22/ ORA Opening Comments, p. 10, states that the Energy Division’s analysis is due by June 1, 2018, while the advice letters seeking contract approval would fall at the end of June 2018. PG&E thoroughly agrees that delaying the Energy Division’s analysis to incorporate such results could impact the timing of DRAM becoming a permanent mechanism.

23/ CAISO Opening Comments, pp. 1-2 2. (“The Commission should continue the DRAM for another year while establishing a clear policy on how demand response capacity will be procured in the future.”).

Respectfully Submitted,

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