

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



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Application of Pacific Gas and Electric
Company (U39E) for Approval of Demand
Response Programs, Pilots and Budgets for
Program Years 2018-2022.

Application 17-01-012
(Filed January 17, 2017)

And Related Matters.

Application 17-01-018
Application 17-01-019

**OPENING COMMENTS OF
CALIFORNIA EFFICIENCY + DEMAND MANAGEMENT COUNCIL ON
ADMINISTRATIVE LAW JUDGE'S RULING DIRECTING RESPONSES TO
QUESTIONS AND FILING OF PREVIOUS DEMAND RESPONSE BASELINE
DEVELOPMENT AND IMPLEMENTATION COSTS**

Dated: April 24, 2019

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**BEFORE THE PUBLIC UTILITIES COMMISSION
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I. INTRODUCTION

The California Efficiency + Demand Management Council (the “Council”) respectfully submits these Opening Comments on the Administrative Law Judge’s Ruling Directing Responses to Questions and Filing of Previous Demand Response Baseline Development and Implementation Costs, issued in this proceeding on April 8, 2019 (“ALJ Ruling”). These comments are timely filed pursuant to the California Public Utilities Commission’s (“CPUC” or “Commission”) Rules of Practice and Procedure and the ALJ Ruling.

II. BACKGROUND

The Council is a statewide trade association of non-utility companies that provide efficiency, demand response and data analytics products and services in California.¹ Our member companies employ many thousands of Californians throughout the state. They include implementation and evaluation experts, energy service companies, engineering and architecture firms, contractors, financing experts, workforce training entities, and manufacturers of energy

¹ More information about the Council, including the organization’s current membership, Board of Directors, and antitrust guidelines, can be found at <http://www.cedmc.org/>. The views expressed by the Council are not necessarily those of its individual members.

efficiency products and equipment. The mission of the Council is to support energy efficiency and demand management policies and programs for all Californians to create sustainable jobs, long-term economic vitality, stable and reasonably priced energy systems, and environmental improvement.

III. SUMMARY OF THE COUNCIL'S POSITION

The Council appreciates the opportunity to respond to the questions posed in the ALJ Ruling. A summary of our comments follows, and our full responses are provided in the subsequent section.

- DRAM resources are wholesale-only resources and are unaffected by inconsistencies between the IOUs' retail Demand Response ("DR") baseline and the California Independent System Operator's ("CAISO's") wholesale DR baselines.
- The DR Auction Mechanism ("DRAM") Purchase Agreement already allows for the use of all CAISO baseline options, so no Commission approval is necessary.
- Adopting the CAISO DR baselines for the IOUs' Capacity Bidding Program will ensure more accurate measurement of DR aggregator performance and encourage more customers to participate.
- The Commission should approve new retail DR baselines no later than early Autumn 2019 to allow for implementation in Summer 2020.
- The Meter Generator Output evaluation method should be addressed in the energy storage or distributed generation proceeding.
- Additional alternate baselines may be needed for future investor-owned utility ("IOU") DR programs to meet local distribution-level reliability needs.

IV. COUNCIL RESPONSES TO QUESTIONS IN THE ALJ RULING

The Council's responses to the questions posed in the ALJ Ruling are provided below.

1. **Through the 2018 demand response season, the wholesale baseline used by the CAISO was a 10-in-10 w/ Day of Adjustment with a 20 percent cap. The FERC recently-adopted wholesale settlement methods include: a) a day matching customer load 10-in-10 baseline with a 20 percent cap; b) a weather matching baseline with a 40 percent cap; and c) the use of control groups. The effective date of these new methods was November 2018. As noted in the Utilities presentation, these three options will begin to be used by the CAISO for settlement purposes for customers bidding demand response into the wholesale market through the demand response auction mechanism.**

a. Explain whether you agree with the Utilities that the interaction between these new wholesale baseline methods and the current retail baseline creates issues for calculating performance.

The Council respectfully notes that in addition to the three baselines mentioned above, the Federal Energy Regulatory Commission (“FERC”) recently adopted the 5-in-10 baseline for DR resources consisting of residential customers and the Meter Generator Output method for both residential and non-residential customers.

Inconsistency between the new wholesale DR baselines adopted by the CAISO and existing retail DR baselines should not “create issues” for calculating performance for DRAM resources. DRAM resources are wholesale products, and therefore do not rely on retail baselines. Neither the Qualifying Capacity (“QC”), nor the monthly Supply Plan capacity, nor the Demonstrated Capacity (“DC”) of a DRAM resource is based on a retail baseline. Regardless of what retail baselines are in effect, DRAM resources are therefore wholly unaffected. The current DRAM Purchase Agreement has the flexibility, with no additional changes or Commission action required, for a DRAM Seller to choose whatever baseline is allowed by the CAISO. Under Exhibit A – Definitions of the pro forma contract, a Capacity Baseline is defined as: “the CAISO baseline as applicable to the PDR(s) or RDRR(s) in the DRAM Resource, as specified in the CAISO Tariff.”²

The only IOU DR program that currently uses a retail and wholesale baseline is the Capacity Bidding Program (“CBP”). The CBP uses a 10-in-10 retail baseline, with a 40% day-of adjustment applied to individual customers within a resource, which are then aggregated up to the resource level. This baseline is used to assess the performance of the DR aggregator for purposes of calculating the capacity payment or penalty. When the IOU bids a CBP resource in the CAISO market, it has the same wholesale baseline options as other DR providers.

It is unclear whether this inconsistency between retail and wholesale baselines creates problems for the CBP from the perspective of calculating its capacity value. This lack of clarity results from the way in which the QC value is derived, as the QC value of the CBP for a given year is not directly based on its performance within that year. To be specific, the CBP QC is determined through an ex ante load impact analysis that incorporates the performance of the CBP

² 2019 DRAM Pro Forma, p. A-2. PDR stands for Proxy DR and RDRR stands for Reliability DR Resource.

through several prior years, normalized to 1-in-2 weather conditions. A single poor performance in a given month will therefore have little impact on the actual QC value of the CBP. The CBP capacity payment to the DR aggregator is determined by the retail baseline, but the wholesale market energy payment is determined by the CAISO baseline selected by the IOU as the DR provider. This is only a problem if the performance of the DR aggregator is being under- or over-valued by the retail baseline which, given the current “one-size-fits-all” baseline approach, is a real possibility.

The Council is very supportive of adopting some or all of the CAISO’s wholesale DR baselines as retail baselines for the CBP. As customers have load shape differences, some baselines are better tailored than others for each customer. The practice of using a one-size-fits-all baseline, unfortunately, really means “one-size-fits none”. The current retail CBP 10-in-10 baseline effectively limits the program to those customers with a consistent load from one day to the next, because it undervalues the load reduction of customers with more variable loads. In contrast, adopting a 5-in-10 baseline would allow customers with less consistent daily peak loads to participate. Similarly, a weather-matching baseline would likely attract more weather-sensitive customers, and provide greater value to the system.

The argument for additional CBP baseline options is especially compelling given that PG&E has opened its CBP to residential customers, and Decision (D.) 17-12-003 directed Southern California Edison Company (“SCE”) and San Diego Gas & Electric Company (“SDG&E”) to implement residential CBP pilot programs.³ This decision also concluded that new alternative baselines are necessary for residential CBP.⁴ Further, SCE noted in its Reply Brief the need for alternative baselines for residential CBP.⁵ In addition to attracting new customers to the CBP, adopting the CAISO wholesale DR baselines for the CBP would eliminate the inconsistency issue that is troubling the IOUs.

b. Explain whether the Commission should adopt or limit adoption of these methods for settlement purposes in the Auction Mechanism.

The DRAM is a wholesale resource, so it is unclear why any CAISO baseline options would be precluded from use for settlement purposes. As the Council explained above, there is

³ Decision 17, 12-003, December 21, 2017, Ordering Paragraph 22.

⁴ Ibid, p. 65, Finding of Fact 65, Conclusion of Law 31.

⁵ Southern California Edison Company’s Reply Brief, August 4, 2017, pp. 8-9.

no inconsistency between retail and wholesale baselines involving DRAM resources, since DRAM resources are wholesale-only products. We do not see a benefit to the program, to customers, or to any other interests from limiting the use of the existing CAISO baselines by DRAM resources. The DRAM Purchase Agreement already allows DRAM Sellers to use any CAISO baseline, as explained above and so the CAISO baselines are, by default, already adopted.

2. A meter generator output is a performance evaluation method, used when a generation asset is located behind the resource’s revenue meter, in which the demand reduction value is based on the output of the generation asset. In its presentation, the Utilities contend that there may be consequences resulting from introducing this method.

a. Explain whether the Commission should address the issue in this proceeding or another proceeding.

The Council recommends that the Commission address meter generator output (“MGO”) as a performance evaluation method in the energy storage or distributed generation rulemaking. This approach would allow more parties with expertise and interest to constructively contribute to the record.

b. What should be the timing for determining solutions to the issues related to the meter generator output?

If the Commission chooses to address MGO in this proceeding, it should first address the expansion of the other CAISO baseline options at the retail level. Otherwise, if the Commission chooses to address MGO in another proceeding, MGO can be addressed in parallel with the other baseline options.

3. The Utilities contend that retail energy baseline influences retail capacity payment in the Capacity Bidding Program.

a. Explain whether you agree with the Utilities.

The IOUs are correct that the retail energy baseline influences retail capacity payment for the CBP. Rate Schedule E-CBP indicates that the CBP baseline is used to calculate performance during dispatches, which in turn determines the monthly capacity payment or penalty for each DR aggregator.

b. Explain whether the Commission should revise the current energy retail baseline and what the revisions should entail.

The Council's first preference is that the Commission adopt some or all of the CAISO wholesale DR baselines for the CBP, to allow for more accurate measurement of customer load reduction. It is unclear why there would be any benefit to precluding the use of multiple baseline options for CBP, especially, as discussed above, given PG&E's full implementation of residential CBP and SCE's and SDG&E's residential CBP pilots. If the Commission chooses to retain a single CBP baseline with revisions, the single most effective revision would be to make the baseline 5-in-10 rather than 10-in-10, so as to attract more customers. The current 10-in-10 baseline is less accurate for customers with inconsistent loads from one day to the next, which discourages these customers' enrollment in the CBP; this is particularly true for agricultural and pumping load, and weather-sensitive load. If the Commission is intent on the IOUs growing this program, it should adopt some or more of the CAISO baseline options.

The Council recommends that the Commission also consider the need for alternative baselines that are more specific to local distribution needs. Though this is not the focus of the ALJ Ruling, it is important to keep in mind that, should IOU DR programs be created to address local distribution-level reliability needs, customized baselines will likely be necessary as well.

c. If a revision is necessary, what timeline should the Commission adopt for developing and approving any such revision and why?

The Council reiterates its preference that additional retail energy baselines be adopted rather than simply revising the existing one. However, if the Commission chooses to only adopt revisions to the CBP energy retail baseline, it should do so quickly, to allow the IOUs sufficient time to implement the revised baseline for the Summer 2020 season. A December 2019 decision is unlikely to allow enough time; the July decision or a decision in early Autumn 2019 would likely suffice.

4. With respect to baselines for retail demand response programs, are there any other reasons the Commission should consider revising the current 10-in-10 baseline? What should any such revision entail and what timeline should the Commission adopt for developing and approving the revision?

Please see the Council's response to Question 3.b and 3.c above.

V. CONCLUSION

The Council appreciates the opportunity to respond to the ALJ Ruling and summarizes its primary recommendations below:

- DRAM resources are wholesale-only resources and are unaffected by inconsistencies between the IOUs' retail DR baseline and the CAISO's wholesale DR baselines.
- The DRAM Purchase Agreement already allows for the use of all CAISO baseline options, so no additional Commission approval is necessary.
- Adopting the CAISO DR baselines for the IOUs' Capacity Bidding Program will ensure more accurate measurement of DR aggregator performance and encourage more customers to participate.
- The Commission should approve new retail DR baselines no later than early Autumn 2019 to allow for implementation in Summer 2020.
- The Meter Generator Output evaluation method should be addressed in the energy storage or distributed generation proceeding.
- Additional alternate baselines may be needed for future IOU DR programs to meet local distribution-level reliability needs.

Dated: April 24, 2019

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