

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA



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Application of Pacific Gas & Electric  
Company (U 39-E) 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

**JOINT REPLY COMMENTS OF CPOWER, ENEL X NORTH AMERICA, INC.,  
OHMCONNECT, INC., LEAPFROG POWER, INC., AND CALIFORNIA EFFICIENCY  
+ DEMAND MANAGEMENT COUNCIL ON PROPOSED DECISION ADDRESSING  
AUCTION MECHANISM, BASELINES, AND AUTO DEMAND RESPONSE FOR  
BATTERY STORAGE**

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June 25, 2019

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CPower, Enel X North America, Inc. (formerly known as EnerNOC, Inc.), OhmConnect, Inc., Leapfrog Power, Inc. and California Efficiency + Demand Management Council, hereinafter referred to collectively as the “Joint Parties,” respectfully submit these Joint Reply Comments on the Proposed Decision Addressing Auction Mechanism, Baselines, and Auto Demand Response for Battery Storage (Proposed Decision or PD), mailed in this proceeding (A.17-01-012, et al.) on May 31, 2019. These Joint Reply Comments are timely filed and served pursuant to Rule 14.3 of the Commission’s Rules of Practice and Procedure and the instructions accompanying the Proposed Decision.

**I.  
THE JOINT PARTIES’ REPLY COMMENTS**

**A. Solicitation and Year-Ahead Qualitative Capacity (QC) Information Should be Provided at the Contract Level and Performance Should be Assessed at the Contract Level.**

The Pacific Gas and Electric Company (PG&E) and Southern California Edison (SCE) proposals that QC data be provided at the resource level are highly problematic and inconsistent with the structure of the Demand Response Auction Mechanism (DRAM) contract.<sup>1</sup> It would be

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<sup>1</sup> PG&E Opening Comments, at p. 4 and SCE Opening Comments, at p. 4.

extremely difficult for DRAM Sellers to predict with any degree of accuracy the resource-level composition of their DRAM contracts at the time of the DRAM solicitation or in the year-ahead supply plan.<sup>2</sup> Any attempt to do so would lack so much precision that the result would be of little use to the investor-owned utilities (IOUs) and the Commission. Providing resource-level QC information in the month-ahead supply plan is reasonable.

In addition, the Joint Parties oppose PG&E's proposal that resource-level performance within a contract should be capped at each resource's QC.<sup>3</sup> As a general principle, the DRAM pro forma contract is for a specific amount of resource adequacy (RA) capacity, the delivery of which should be the primary concern to the IOU. Instead, PG&E's proposal appears to imply that delivery of the contracted amount of capacity is less important than the composition of the resources in the contract. This skewed set of priorities increases the risk that DRAM Sellers will fall short of their contractual requirements. The Commission should allow penalties to be assessed at the contract level to help ensure DRAM contracts are fulfilled.

**B. Data on Capacity Payments Made to DRAM Sellers' Customers is Inappropriate.**

The Joint Parties object to the last-minute SCE proposal to require DRAM Sellers to provide data on the percentage of the DRAM capacity payments allocated to their customers.<sup>4</sup> Ostensibly, this proposal is meant to introduce more transparency and "further assist the Commission in evaluating the cost-effectiveness of the DRAM."<sup>5</sup> However, the PD does not address DRAM cost-effectiveness. As PG&E notes, DRAM cost-effectiveness should be addressed in Step 2, so SCE's proposal is clearly premature.<sup>6</sup> Furthermore, the compensation structure for DRAM Sellers' customers has no bearing on the cost-effectiveness of a demand response (DR) program and is proprietary information for each DRAM Seller. The DR cost-effectiveness protocols do not account for the allocation of the capacity payments to DR customers, which is demonstrated in the IOUs' 2018-2022 DR program applications.

**C. IOUs Should Not Collect Data through the DRAM Sellers' Scheduling Coordinators.**

PG&E recommends that following the next Request for Offer (RFO), the Commission should allow the IOUs to collect data directly from the California Independent System Operator

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<sup>2</sup> Joint Parties' Opening Comments, at pp. 6-7.

<sup>3</sup> PG&E Opening Comments, at p. 9.

<sup>4</sup> SCE Opening Comments, at pp. 1-2.

<sup>5</sup> *Ibid.*

<sup>6</sup> PG&E Opening Comments, at p. 9.

(CAISO) to minimize the volume of data transferred and improve efficiency.<sup>7</sup> As PG&E notes, this would entail the DRAM Sellers' Scheduling Coordinators providing access to the IOUs' firewalled staff.<sup>8</sup> The Joint Parties have serious concerns about the IOUs bypassing DRAM Sellers to request data from Scheduling Coordinators. Instead, they should request this data from the DRAM Sellers.

**D. A Prorated Penalty Structured Based on Demonstrated Capacity Below 90% is Reasonable.**

The Joint Parties are mostly supportive of the Public Advocates Office's proposed penalty structure that capacity payments be made based on resources' demonstrated capacity (DC) rather than using any of the bands adopted in the PD.<sup>9</sup> This approach ensures that DRAM Sellers are being compensated for what they deliver. However, the Joint Parties continue to see a need for the 90-100% tolerance band in the PD to reflect day-to-day uncertainty factors associated with variability in weather, customer load, etc. The penalty structure should retain the current 90-100% tolerance band for compensation at the QC amount while prorating deliveries below 90% of QC. The Joint Parties agree that deliveries below 50% should not be compensated.

**E. Defaulting a DRAM Contract at 70% of QC is Unreasonable for a Pilot.**

The Joint Parties see PG&E's recommendation that an IOU be allowed to default a DRAM Seller if it delivers less than 70% of its QC for any two months to be overly aggressive.<sup>10</sup> The DRAM remains a pilot and, as such, overly rigorous penalties are premature. The right confluence of factors, especially when temperatures are mild, could conceivably result in delivery below 70% of QC. The PD struck a reasonable balance between probabilistic under-performance and under-performance caused by a systemic issue in setting the default threshold at 50%. If/when the DRAM becomes permanent, more rigorous default criteria would be understandable and appropriate. When DRAM was first created, it was intentionally designed to attract DR providers by eliminating many negative consequences for under- or non-performance. While a greater degree of rigor is now needed, the Commission should be avoid moving too quickly in this area.

**F. IOU Supply Plan Reviews Should be Completed on a Timely Basis.**

PG&E highlights problems it foresees in timely reviewing the large quantity of QC data that would be provided by the DRAM Sellers.<sup>11</sup> The Joint Parties are sympathetic to this argument

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<sup>7</sup> PG&E Opening Comments, at p. 2.

<sup>8</sup> *Ibid.*

<sup>9</sup> Public Advocates Office Opening Comments, at p. 6.

<sup>10</sup> PG&E Opening Comments, at p. 8.

<sup>11</sup> PG&E Opening Comments, at p. 2.

and support greater specificity regarding the information to be provided to an IOU. The Joint Parties also recommend that Sellers aim to submit supply plans to the utilities at least 10 days ahead of the original due date (i.e., at least 60 days ahead of the delivery month) in order to allow the IOU contracts management teams to review the data. The IOUs should aim to provide timely feedback so that disagreements between the parties can be rectified.

**G. Determining the Reasonableness of Supply Plans Should be Fleshed Out in Step 2.**

The Joint Parties agree with PG&E that several issues need to be addressed in the Proposed Decision's QC review guidelines—including the process for resolving disagreements between the Buyer and Seller. However, the Joint Parties are not supportive of PG&E's specific proposal to allow the IOUs to derate any supply plan it deems unreasonable and mandate that DRPs match it.<sup>12</sup> This process needs further definition and the Commission should explicitly address it in Step 2.

**H. Requiring Concurrent Tests of All Resources Within a sub-Load Aggregation Point (subLAP) Would Usurp the DRAM Sellers' Discretion of When to Dispatch Resources.**

PG&E recommends that DRAM Sellers be required to perform concurrent testing of all DRAM resources within the same subLAP to prevent one resource's overperformance from compensating for another resource's underperformance.<sup>13</sup> This recommendation ignores several key details that render it unworkable. For instance, this overrides the DRAM Seller's prerogative to decide its bidding operations or when it wants to dispatch each resource. Meeting the testing/dispatch requirements for each resource should not necessarily entail each resource within a subLAP being dispatched in the same month; there may be reasons why a DRAM Seller would want to dispatch some resources within a contract in a given month and other resources in a different month. In addition, PG&E does not address the case in which some resources of a contract in a subLAP have already been economically dispatched. This proposal is lacking in important details and should be rejected.

**I. A Qualitative Criterion for New Entrants is Preferable to a Set-Aside.**

The Joint Parties support PG&E's proposal to convert the new entrant set-aside to a qualitative criterion.<sup>14</sup> As PG&E states, it will allow the IOUs to select the most competitive bids.<sup>15</sup> PG&E's proposal for a 2% qualitative adder seems appropriate.

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<sup>12</sup> PG&E Opening Comments, at pp. 2-5.

<sup>13</sup> PG&E Opening Comments, at p. 6.

<sup>14</sup> PG&E Opening Comments, at p. 11.

<sup>15</sup> *Ibid.*

**J. The Incremental Costs of Assessing QC Data Further Highlights the Need to Truly Match the DRAM Budget with “Current” Levels.**

The Joint Parties’ concerns expressed in Opening Comments regarding the DRAM budget are further exacerbated by some of the IOUs’ requests for additional funding to implement the Proposed Decision’s QC proposal.<sup>16</sup> Both PG&E and San Diego Gas & Electric Company (SDG&E) point out in their opening comments the significant incremental cost associated with assessing DRAM Sellers’ QC data.<sup>17</sup> Combined with the current cost of IOU DRAM administration and the \$2.8 million cost of the independent consultant, the portion of the budget dedicated to capacity payments will be even lower than feared. The Joint Parties again respectfully urge the Commission to approve a \$27 million annual DRAM budget, funding that is truly consistent with the current level. One way to mitigate costs would be for the Commission to direct the IOUs to hire an independent monitor to perform this work for all IOUs which would likely be more cost-effective and would ensure a consistent assessment methodology.

**II.  
CONCLUSION**

The Joint Parties appreciate the opportunity to submit these Reply Comments.

Respectfully submitted,

June 25, 2019

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<sup>16</sup> Joint Parties Opening Comments, at pp. 1-4.

<sup>17</sup> PG&E Opening Comments, at p. 2 and SDG&E Opening Comments, at pp. 10-11.