

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



FILED

12/18/20
04:59 PM

Order Instituting Rulemaking to Establish
Policies, Processes, and Rules to Ensure
Reliable Electric Service in California in
the Event of an Extreme Weather Event in
2021.

Rulemaking 20-11-003
(Filed November 19, 2020)

**JOINT RESPONSE OF CPOWER AND ENEL X NORTH AMERICA, INC.
("JOINT DR PARTIES") TO THE PROPOSALS IN THE
ALJ'S RULING ISSUED ON DECEMBER 11, 2020**

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December 18, 2020

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CPower and Enel X North America, Inc. (Enel X) (Joint Demand Response (DR) Parties) respectfully submit this Joint Response to the proposals and questions posed in the Administrative Law Judge's (ALJ's) Email Ruling issued in this proceeding on December 11, 2020 (December 11 ALJ's Email Ruling). This Joint Response is timely filed and served pursuant to the Commission's Rules of Practice and Procedure and the December 11 ALJ's Ruling.

I.

**THE JOINT DR PARTIES STRONGLY OBJECT TO THE COMMISSION
SEEKING TO AUTHORIZE EXPEDITED PROCUREMENT OF GENERATION
RESOURCES BY SUMMER 2021 CONTRARY TO THE ACTUAL
RECOMMENDATION OF THE PRELIMINARY ROOT CAUSE ANALYSIS
AND THIS STATE'S CLEAN ENERGY GOALS.**

In posing both proposals and questions for expediting procurement of additional resources by summer 2021 to address the potential of another extreme weather event as occurred in August 2020, the December 11 ALJ's Ruling focuses almost entirely on the procurement of "resource types" associated with "existing power plants," "generation...at risk of retirement," "imported energy contracts," and "Utility Owned Generation."¹ Further, in doing so, the

¹ December 11 ALJ's Email Ruling, at p. 4. Outside of these named generator resources, there is one reference to "RA only contracts," but without resource specification, and one reference to "incremental energy storage capacity." *Id.*

December 11 ALJ’s Ruling relies on the Preliminary Root Cause Analysis – Mid-August 2020 Heat Storm report, published jointly by the California Independent System Operator (CAISO), the California Energy Commission (CEC), and this Commission in October 2020, requiring “actions” to include “expedit[ing] the regulatory and procurement processes to develop additional resources that can be online by 2021”²

However, the December 11 ALJ’s Ruling neglects to state the *full* content of the Preliminary Root Cause Analysis recommendation of which that phrase was a part. Namely, this language was part of Recommendation No. 3 included among the “[m]ost critical... immediate actions to prevent similar circumstances from threatening reliability in the near term” that was identified as needed “to ensure reliability for 2021 and beyond”³ as follows:

“Expedite the regulatory and procurement processes to develop additional resources that can be online by 2021. ***This will most likely focus on resources such as demand response and flexibility.*** This can complement the resources that are already under construction.”⁴

Yet, no mention is made of “demand response” or any other distribution energy resources in the December 11 ALJ’s Ruling. There is no basis for the Commission to ignore the very recommendations to which it signed on as required to “prevent” another power outage as occurred in August 2020 by omitting the very resources – demand response and flexibility, not electric generation resources – identified as those that could best address such circumstances.

In their Joint Opening Comments on this OIR filed on November 30, 2020, the Joint DR Parties recommended that the Commission order an expedited round of procurement by early 2021, given the need for resources to be online in time for Summer 2021 deliveries.⁵ The December 11 ALJ’s Ruling implies that urgent action on procurement is needed, but instead

² December 11 ALJ’s Email Ruling, at p. 3.

³ Preliminary Root Cause Analysis, at p. 14.

⁴ *Id.*, at p. 15; emphasis added.

⁵ Joint DR Parties Joint Opening Comments on OIR, at pp. 11-12.

focuses only on “existing power plants,” and appears to be offering a lifeline to “generation” that is “at risk” of retirement.

In response, the Joint DR Parties urge the Commission to focus its efforts on ensuring reliability with carbon-free resources in Summer 2021 and beyond, and thus call on the Commission to correct this oversight immediately by offering proposals for the procurement of additional demand response and distributed energy resources (DERs), including those that can increase flexibility in, e.g., combination with renewable resources and storage, by Summer 2021. The Joint DR Parties understand from the December 15, 2020 Prehearing Conference that the Energy Division Staff will be working on proposals for DR program modifications and a potential Emergency Load Reduction Program (ELRP) as suggested within the proposed scoping ruling, in addition to these efforts. However, third-party demand response and DERs should be considered at all phases of this emergency OIR and not deferred until later in the proceeding as there is considerable risk in not acting quickly to procure those resources.

II. RESPONSES TO PROPOSALS

A. Procurement Type Initial Proposal

For the reasons stated above, the Joint DR Parties strongly object to the Commission’s exclusion from this proposal of demand response or other DERs as needed near term procurement measures to provide the additional resources intended to prevent another outage as occurred in August 2020. To cure this deficiency, the Commission needs to issue a ruling immediately to address how DR and DERs will be procured for June 2021 alongside any other resource procurement decisions.

The Joint DR Parties echo their recommendations made in their November 30 Joint Opening Comments on the OIR and suggest that any near-term procurement authorization

decision authorize a supplemental Demand Response Auction Mechanism (DRAM) auction. The Joint DR Parties also strongly recommend that this solicitation revert to 2020 DRAM rules in order to have these additional MW be focused on attracting customers who will be available during the peak resource need periods this OIR is focused on, rather than risk customer disengagement with the new – and yet to be tested – delivered energy requirement implemented for 2021.

Additionally, any near-term procurement decision should authorize bilateral procurement of DR resources between load-serving entities and third-party providers. As the Load Impact Protocol (LIP) study process to qualify RA capacity would not make capacity available for Summer 2021, the Commission should consider a 1-year replacement of the LIP with the qualifying capacity methodology utilized in the DRAM.

B. Procurement Process Initial Proposal

Demand response resources are certainly among those that can be the subject of “authorized contracting vehicles,” including “bilateral negotiations.”⁶ As noted above, the Joint DR Parties recommend that DR and DER procurements be authorized, and in addition to these typical resource procurements that the Commission also move to authorize a supplemental DRAM solicitation. In their Opening Comments on the OIR, the California Efficiency and Demand Management Council (Council) proposed a timeline for these solicitations⁷ that the Joint DR Parties endorse.

III. CONCLUSION

The Joint DR Parties urge the Commission to reevaluate the proposals made in the December 11 ALJ’s Ruling either to include DR and DER procurement, consistent with

⁶ December 11 ALJ’s Email Ruling, at p. 4.

⁷ Council Reply Comments on OIR (December 10, 2020), at p. 5.

recommendations already made by the Joint DR Parties and the Council in their earlier comments on the OIR, or to immediately issue a new Ruling that does so. These changes are needed to ensure that the short term measures recommended by the Preliminary Root Cause Analysis to avoid another power outage in Summer 2021 are followed and realized in a timely manner.

Respectfully submitted,

December 18, 2020

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