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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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| 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 |

**COMMENTS OF VOLTUS, INC. ON PROPOSED DECISION DIRECTING INVESTOR-OWNED UTILITIES TO TAKE ACTIONS TO PREPARE FOR POTENTIAL EXTREME WEATHER IN THE SUMMERS OF 2021 AND 2022**

Allison Bates Wannop, Esq.
Director of Legal and Regulatory Affairs
**Voltus, Inc.**
2443 Fillmore St.
San Francisco, CA 94115
(617) 548-6221
awannop@voltus.co

March 15, 2021

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Voltus, Inc. (Voltus) respectfully submits these comments on the March 5, 2021 Proposed Decision (PD) issued by California Public Utilities Commission (CPUC) in the above-captioned docket. These 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.

The PD professedly directs the utilities to "take specific actions to decrease peak and net peak demand . . . to avert the potential need for rotating outages that are similar to the events that occurred in summer 2020 in the summers of 2021 and 2022." Voltus asserts that, contrary to the stated intentions of the PD, the actions proposed by the PD will not measurably decrease peak and net peak demand for commercial and industrial (C&I) customers. Nor does the PD provide any analysis for disregarding proposals provided by Voltus or others that would have decreased demand. Therefore, in our opinion, the PD does not prescribe programs that will provide incremental grid stability in the event of an extreme weather event, or any other grid emergency.

## I. Background

Voltus is a demand response provider (DRP) in California for commercial and industrial customers, operating in every U.S. regional wholesale market. Based in San Francisco and Boston, Voltus serves thousands of customers across nine major North American energy markets and has secured over 2,000 MW of DERs to date. Voltus leverages our commercial and industrial (C&I) customers' operational flexibility to deliver energy, capacity, and ancillary services to wholesale and retail markets through a combination of flexible load, energy storage, energy efficiency, and distributed generation. In return, Voltus secures market revenues for these assets as a form of payment to incentivize our customers' participation in markets. Voltus currently has a total flexible load potential of 80 MW in California. During the Stage 3 system emergencies on August 14 and 15, Voltus helped reduce demand by ~50 MW through its deployed capacity in the CAISO market alone.

## II. Comments

### A. Prior Recommendations

Voltus has participated throughout this rulemaking, based on its belief that California would finally leverage demand response as a resource to the same extent as other wholesale markets like PJM and NYISO. Voltus filed comments individually and through the DR Coalition.

Voltus's comments advocated generally that DERs should be unencumbered and fairly compensated, to encourage full and fair development of these resources. Specific recommendations included:

- Holding a supplemental DRAM auction in early 2021 and/or 2022, and/or increasing the DRAM budget;[1]
- Equalizing Base Interruptible Program (BIP) penalties for usage above Firm-Service Levels (FSL) to be comparable to those paid by utilities, which are based on LMP;[2]
- Allowing FSL in the BIP to vary by month;[3]
- Removing the 8.3% per LSE cap on demand response capacity;[4]

[1] *See* Voltus Opening Comments at 5, 7, *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*, CPUC Docket No. 20-11-003 (filed Nov. 20, 2020).
[2] *Id*. at 6.
[3] *Id*.
[4] *Id*.

All of these recommendations could have been implemented by Summer 2021. All of these recommendations would have enabled demand reductions while creating economic benefits for California consumers in the form of reduced electricity costs. The PD completely ignores all of these proposals without the administrative courtesy of a discussion. Spectacularly, in a 71-page opinion ostensibly prescribing reduced demand, the Demand Response Auction Mechanism is not even mentioned despite widespread support for incremental budget.[5] This is in addition to ignoring reasonable ministerial requests, such as exempting third-party demand response from filing a Load Impact Protocol (LIP) for summer 2021 and minimizing burdensome DRAM reporting requirements like the quarterly status reports. [6]

**B. Proposed Decision**

In Voltus's view, from the perspective of the commercial and industrial demand response sector, the PD makes minor changes to some existing programs and establishes a completely unsatisfactory Emergency Load Reduction Program (ELRP). Voltus firmly believes, based on its considerable experience with the C&I sector, that these minor changes not will improve grid reliability in California for the reasons explained below.

The PD proposes year-round enrollment in the BIP and increases incentive payments for the SCE and PG&E programs. Yet BIP participants must still remain enrolled for at least 12 months and are not able to change FSL on a monthly basis. The penalties are significant ($4,500 to $12,000/MWh) and uncompromising. Though California experiences a range of natural disasters, the severe penalties are imposed regardless of the conditions under which the resource

[5] *See* Opening Brief of the DR Coalition at 5 (filed Feb. 5, 2021), https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M364/K582/364582272.PDF; Joint DR Parties Opening Brief at 11 (filed Feb. 5, 2021) https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M364/K583/364583255.PDF.
[6] *Voltus Opening Comments* at 6.

was unable to perform. These are significant adoption barriers for C&I sector participants, which are not overcome by the PD's proposed modifications.

The PD temporarily increases the reliability demand response procurement cap from 2 to 3%, but it does not change or even mention the 8.3% demand response cap per LSE. This significant limitation will continue to suppress the development of demand response.

The PD proposes a five-year out-of-market ELRP pilot, under which third-party DRPs can participate in Group A. Participants are paid based only on incremental load reduction and are not subject to penalties for underperformance. The PD does not propose a capacity or enrollment payment for the customer. In this construct, Voltus does not anticipate meaningful commercial and industrial participation where participants do not receive a capacity payment and cannot value stack.

**C. Recommendations for Final Decision**

For the reasons stated above, Voltus does not expect that the changes proposed in the PD will grow commercial and industrial demand flexibility as a grid resource in California. The PD is unfortunate since the California blackouts could have been avoided with demand response adoption rates comparable to other regions. For example, with demand response constituting 7.3% peak load—comparable to PJM's rate of demand response capacity[7]—California could nearly triple its demand response and bring approximately 3.5 GW of additional, clean capacity to the system.[8]

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[7] *See* PJM, *2021/2022 RPM Base Residual Auction Results,* at 2, 26, https://www.pjm.com/-/media/markets-ops/rpm/rpm-auction-info/2021-2022/2021-2022-base-residual-auction-report.ashx, (noting 11,125.8 MW of demand response out of ~152,647.4 MW 2021-22 peak load forecast).

[8] *See* CAISO, *2020 Summer Loads and Resources Assessment*, at 25, 28 (May 15 2020) https://www.caiso.com/Documents/2020SummerLoadsandResourcesAssessment.pdf (noting 1,339 MW for maximum available Reliability Demand Response Resource and Proxy Demand Resource, constituting ~2.75% of July projected summer capacity levels). If demand response were 7.3% of ~48,500 peak demand, demand response would provide ~3,500 MW to the system, over 2 GW more than the 2020 summer estimate.

Demand response should be a first a line of defense, ahead of the additional capacity procured pursuant to the Commission's February 17th ruling. In 2012, the Commission specified that demand resources are to be utilized first to meet load requirements before generation resources.[9] This PD is contrary to past Commission precedent.

In addition to short-term summer reliability concerns, energy flexibility is necessary to ensure California can achieve its long-term clean energy goals with minimum reliance on additional generation. And it does so while creating significant economic value for California residents and businesses.

To further both the reliability needs of the state and its long-term energy goals to decarbonize its electric sector, Voltus makes the following suggestions.

First, further changes to the BIP would make the program more attractive to large C&I participants with flexible loads. Third-party DRP BIP penalties should be made equivalent to LMP, comparable to what utilities pay. At a minimum BIP penalties should be reduced significantly from their current $4,500 to $12,000/MWh range. BIP should also be a monthly resource that allows FSLs to vary by month, rather than requiring a minimum 12-month commitment with non-varying FSLs. The PD provides no explanation of why a new five-year out-of-market pilot is preferable to reducing penalties or enhancing flexibility in a current program. This lack of evidentiary support for this pilot program proposal is unexplained in the PD.

[9] *See* Decision Approving Modified Bundled Procurement Plans, D. 12-01-033, at 21, (Jan. 18, 2012) *Order Instituting Rulemaking to Integrate and Refine Procurement Policies and Consider Long-Term Procurement Plans*, Docket R. 10-05-006 ("It appears necessary to reiterate here the centrality of the loading order, and to direct the utilities to procure all of their generation resources in the sequence set out in the loading order. While hitting a target for energy efficiency or demand response may satisfy other obligations of the utility, that does not constitute a ceiling on those resources for purposes of procurement.").

Second, the CPUC should extend the rulemaking to better explore rational and effective commercial and industrial demand response regulatory structures for summer 2022. As indicated above, the majority of the proposals put forth by various DR parties have not been addressed. And certainly, due process would dictate that those proposals at the very least be addressed fully in relationship to the efficacy of a new out-of-market program like the ELRP.

Further, if the Commission adopts the minimalist proposals set out in the PD, then due process dictates that the Commission explain why it found those proposed suite of solutions to be in the public interest, to the exclusion of numerous other proposals offered into evidence that would have increased reliability in the summer of 2021 and also created economic value for California ratepayers.

Respectfully Submitted,

Allison Bates Wannop

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