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**FILED**

09/22/22

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A2205002

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

Application of Pacific Gas and Electric Company (U39E) for Approval of its Demand Response Programs, Pilots and Budgets for Program Years 2023-2027.

Application 22-05-002

And Related Matters.

Application 22-05-003

Application 22-05-004

**ADMINISTRATIVE LAW JUDGE RULING DENYING MOTIONS FOR EVIDENTIARY HEARING AND ADDING ENERGY DIVISION RESEARCH PROPOSAL TO RECORD FOR PARTY COMMENT**

This ruling denies the joint motions filed by CPower and the California Efficiency + Demand Management Council for Evidentiary Hearings and Discovery in Phase 1 of this proceeding regarding the Demand Response Auction Mechanism and Nexant Report, as also denies the Joint Motion for Expedited Clarification of ALJ Toy's September 16, 2022 Ruling. It also enters into the proceeding record for party comment Energy Division's proposal to utilize \$750,000 for Demand Response research in the 2023 Bridge Year.

**1. Motions to Hold Evidentiary Hearings**

The Assigned Commissioner's Scoping Memo and Ruling (Scoping Memo) directed parties to hold a Meet and Confer by September 9, 2022, to determine the need for evidentiary hearings. On September 14, 2022, Southern California Edison Company notified the service list that a meet and confer conference was held on September 9, 2022, with no parties requesting evidentiary hearing on issues related to the Demand Response Auction Mechanism (DRAM). On

September 16, 2022, an Administrative Law Judge (ALJ) ruling was issued, cancelling evidentiary hearing and directing parties to file by September 26, 2022 a Joint Motion for Admission of Evidence (Exhibit Motion). On September 19, 2022, a late joint motion was filed by the California Efficiency + Demand Management Council (the Council) and CPower, requesting evidentiary hearings, due to concerns with exhibits other parties may seek to move into the record. On September 20, 2022, CPower and the Council submitted a further Joint Motion for Expedited Clarification of ALJ Toy's E-mail Ruling of September 16, 2022, seeking clarification regarding what documents may be included in the Exhibit Motion. The motion for evidentiary hearings is denied as the ALJ ruling of September 16, 2022 already disposed of the question of whether to hold evidentiary hearings at this phase of the proceeding. The question of evidentiary hearings at this phase of the proceeding will not be revisited. The Joint Motion for Expedited Clarification of ALJ Toy's E-mail Ruling of September 16, 2022 is also denied. Per the ALJ ruling of September 16, 2022, should any party have concerns with exhibits or testimony proposed to be moved into the record, the appropriate place to address those concerns is the Exhibit Motion or responses to the Exhibit Motion due to be filed on September 26, 2022. At that time, the ALJs will consider whether or not to receive exhibits into the evidentiary record, and as a part of that consideration will review party argument on the matter.

## **2. Energy Division Straw Proposal to Conduct Further Demand Response Research**

The Scoping Memo requested that parties comment on whether to provide \$750,000 to the Commission's Energy Division to continue demand response research. To aid the parties' consideration of this issue, the Energy Division has

prepared a straw proposal explaining how the funding will be used. Parties are instructed to use the below proposal to provide additional comments on the Energy Division research proposal by October 7, 2022. Any reply comments on the issue shall be due by October 14, 2022. Parties shall file any opening briefs on the Energy Division proposal with the upcoming Demand Response Auction Mechanism reply briefing due on October 28, 2022. Any reply briefing on the proposal shall be due by November 10, 2022.

**Energy Division Proposal for Continued Demand Response  
Potential Modeling and Related Research**

Energy Division staff propose to continue ratepayer-funded Demand Response (DR) research to inform planning and policies that address the needs of the evolving California grid. More specifically, staff propose \$750,000 as a DR research budget for the 2023 bridge year.

Since 2015, Commission staff have overseen Lawrence Berkeley National Laboratory's (LBNL's) production of three Demand Response Potential Studies, and related research, with the Phase 4 study due out late this year. Through this body of research, LBNL developed a supply curve modeling framework to represent the availability of system-level grid services from distributed resources in the three large investor-owned utilities (IOU) territories, built from large samples of individual customer smart meter load shape data. The studies assess the cost, and value, created from having a diverse set of flexible loads. Highlights include the 2025 California Demand Response Potential Study released in March 2017 which created a new DR services taxonomy of Shape, Shift, Shed and Shimmy, and a July 2020 report that forecasted the size and cost of the expected resource-base of a load shift service through 2030. (Studies can be found at <https://buildings.lbl.gov/potential-studies>).

These studies have been widely used by Commission decision-makers, market actors, and incorporated into reports by the California Energy Commission (CEC). In addition, the Commission's Integrated Resource Planning proceeding regularly incorporates the findings of these potential studies. Most recently, Senate Bill (SB) 846, which amends the Public Resources Code to potentially extend operation of the Diablo Canyon Powerplant, directs the CEC in consultation with the Commission and California Independent System Operator to adopt a goal for load shifting to reduce net peak electrical demand based on the findings of the LBNL Phase 3, July 2020 study.<sup>1</sup>

While the funding proposed predominantly supports potential studies, it also supports other DR research and technical assistance. For example, DR research funding supported LBNL's contributions to the Load Shift Working Group in 2018, where LBNL developed the Pay for Load Shape concept, performed technical analysis of the correlation between wholesale market prices and greenhouse gas emissions, and other contributions.

In 2023, if the proposed funding is approved in Phase I of this proceeding, it will be used for potential study updates for the next cycle of Integrated Resource Planning, as well as related research that supports Demand Response.

### **Background**

Development of the potential study methodology and approach is guided by a technical advisory group made up of market actors. Decision (D.) 12-04-045 first directed Commission staff to oversee DR research and authorized \$3 million for the contracted work.<sup>2</sup>

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<sup>1</sup> Public Resources Code Section 25302.7.

<sup>2</sup> D.12-04-045 at 168-169.

D.14-12-024, which adopted a settlement agreement involving demand response goals, first directed Energy Division staff to conduct a DR potential study. D.14-12-024 reasoned that: “[t]he Commission considers the DR potential, market assessment and technology studies, and the policy and planning support studies important to the success of DR programs. Because these studies (frequently referred to as research studies) informed Commission policies on DR programs, we direct that these studies be overseen directly by Commission staff.”<sup>3</sup>

D.17-12-003 authorized \$1 million per year for 2018-2022, or \$5 million total, for DR research, including the DR potential study and its integration with the Energy Efficiency Potential & Goals study. The decision noted that, “[t]he 2017 potential study was a successful exercise and provided valuable information to the Commission as well as the industry.”<sup>4</sup> (The integration with the Energy Efficiency Potential & Goals study was proposed in 2017 by the “Energy Division Staff Proposal on Limited Integration of Energy Efficiency and Demand Response Activities.” D.17-12-003 supported the staff proposal, elements of which were approved by a decision in the Energy Efficiency Rolling Portfolio Business Plan Application (A.) 17-01-013.

**IT IS RULED** that:

1. The Joint Motion for Evidentiary Hearing and Discovery filed by CPower and the California Efficiency + Demand Management Council (the Council) on September 19, 2022 is denied.

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<sup>3</sup> D.14-12-024 at 20.

<sup>4</sup> D.17-12-003 at 163.

2. The Joint Motion for Expedited Clarification of ALJ Toy's Email Ruling of September 16, 2022, filed on September 20, 2022 by CPower and the Council, is denied.

3. The parties are instructed to use the Energy Division Straw Proposal in this ruling to comment on Scoping Memo Issue 3.1.5, whether ratepayers should provide \$750,000 in 2023 for continued modeling of Demand Response potential and related research overseen by the Commission's Energy Division. Opening Comments shall be filed by October 7, 2022 and reply comments by October 14, 2022. Opening briefing on the issue is due on October 28, 2022 and may be filed with the reply briefing on the Demand Response Auction Mechanism. Reply briefs on this limited issue are due November 7, 2022.

This order is effective today.

Dated September 21, 2022, at San Francisco, California.

/s/ GARRETT TOY  
Garrett Toy  
Administrative Law Judge