

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



FILED

12/29/22
10:16 AM
A2205002

Application of Pacific Gas and Electric Company (U39E) for Approval of its Demand Response Programs, Pilots and Budgets for Program Years 2023-2027.	A.22-05-002
Application of San Diego Gas & Electric Company (U902E) Requesting Approval and Funding of its Demand Response Portfolio for Bridge Year 2023 and Program Years 2024-2027.	A.22-05-003
Application of Southern California Edison Company (U338E) for Approval of Demand Response Programs and Budgets for 2023-2027.	A.22-05-004

**OPENING COMMENTS OF OHMCONNECT, INC.
ON PROPOSED DECISION APPROVING DEMAND RESPONSE AUCTION
MECHANISM PILOT FOR PILOT YEAR 2024**

Maria Belenky
Manager, Market Development
OhmConnect, Inc.
371 3rd Street, 2nd Floor
Oakland, CA 94607
Telephone: (415) 697-1271
Email: maria@ohmconnect.com

Vidhya Prabhakaran
Katie Jorrie
DAVIS WRIGHT TREMAINE LLP
50 California Street, 23rd Floor
San Francisco, CA 94111
Tel. (415) 276-6500
Fax. (415) 276-6599
Email: vidhyaprabhakaran@dwt.com
Email: katiejorrie@dwt.com

December 29, 2022

Attorneys for OhmConnect, Inc.

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I. INTRODUCTION

Pursuant to Rule 14.3 of the California Public Utilities Commission’s (“Commission”) Rules of Practice and Procedure (“Rules”), OhmConnect, Inc. (“OhmConnect”) respectfully submits these comments on the *Proposed Decision Approving the Demand Response Auction Mechanism Pilot for Pilot Year 2024* (“Proposed Decision”), mailed on December 9, 2022 in the above-captioned proceeding.

OhmConnect supports the Commission’s decision to extend the Demand Response Auction Mechanism (“DRAM”) Pilot through 2024. OhmConnect also finds it sensible to require some form of cost-effectiveness analysis before the pilot can be transitioned to a permanent mechanism. However, the Proposed Decision does not explain how cost-effectiveness will be assessed nor which entity is best positioned to make such an assessment. The Commission should modify the Proposed Decision to clarify both of these issues.

II. THE COMMISSION REASONABLY APPROVES THE 2024 DRAM PILOT YEAR.

The Commission correctly concludes that a one-year extension is necessary “to avoid any potential negative consequences of a gap year such as temporary or permanent losses in customer enrollment and reduced investments by DRPs [demand response providers] in the California DR market.”¹ This extension is particularly sensible given that the Legislature has designated demand response as a “preferred resource” in the State’s energy Loading Order² and the future of the Auction Mechanism will be considered in the second phase of this proceeding.

III. THE PROPOSED DECISION SHOULD CLARIFY THE PROCESS BY WHICH COST-EFFECTIVENESS OF THE DRAM WILL BE ASSESSED.

The Commission should revise the Proposed Decision to adopt a process by which a cost-effectiveness measurement tool appropriate for the Auction Mechanism will be developed and applied. The Proposed Decision provides that “the Commission must be affirmatively shown in Phase II that the DRAM successfully served as a cost-effective and reliable demand response resource for Californians.”³ While this is sensible in concept, the Commission must specify *how* cost-effectiveness is to be assessed and by *whom*. The “how” question is important because not all methods to assess cost-effectiveness are applicable to the DRAM or would produce the same results. The “who” question is relevant because only a small subset of parties—and perhaps only Energy Division Staff—have access to the broad set of data that would be required to perform any cost-effectiveness calculations. The Commission should request that either Energy Division Staff or an independent consultant hired by Staff perform the assessment.

¹ Proposed Decision, at 21.

² SB 846, Section 12.

³ Proposed Decision, at 22.

As useful precedent, the Commission can reference the last decision extending the DRAM pilot through 2023, Decision (D.) 19-12-040, which included a lengthy discussion on DRAM cost-effectiveness. Importantly, the Commission rejected the application of the cost-effectiveness protocols to the Auction Mechanism, stating: “...we consider the four-year limited continuation of the mechanism to be in the pilot phase still and exempted from the cost-effectiveness requirement during this continuation.”⁴ Specifically, the Commission concluded: “The use of [cost-effectiveness Factors A-G] is not a suitable measurement of cost-effectiveness for the Auction Mechanism due to inaccessible data and uncertainty regarding valuation distortion.”⁵ Because the Commission exempted the extended DRAM from the cost-effectiveness requirement, it would be inappropriate to retroactively apply it to the pilot to determine the usefulness of a future DRAM design.

However, the Commission did support the determination of an alternate methodology to assess the cost-effectiveness of the pilot if it were ever to become a permanent program. Specifically, the Commission found that “...it is prudent that we continue to explore methods to measure the cost-effectiveness of the Auction Mechanism resources” to “have a cost-effectiveness measurement tool ready to implement” if the Auction Mechanism were to be made permanent.⁶ As such, it ordered the addition of this issue “...to the technical improvements the Energy Division-led refinement process should explore and develop for testing in the 2022 Auction Mechanism.”⁷ However, the Commission has not yet explored the creation of such a cost-effectiveness measurement tool.

⁴ Decision (D.) 19-12-040, *mimeo* at 42

⁵ *Id.* at 46.

⁶ *Id.*

⁷ *Id.*

Given the above—the fact that the DRAM pilot has been exempt from cost-effectiveness analysis and the reality that no alternate tool has yet been developed—as well as the lack of any discussion of cost-effectiveness in the Nexant Report evaluating the DRAM pilot, it is not clear what process a party in this proceeding should undertake to show the Commission that the DRAM has successfully served as a cost-effective resource. To provide the structure necessary to appropriately address this issue in Phase 2 of this proceeding, the Commission should revise the Proposed Decision to allow stakeholders to first identify an appropriate cost-effectiveness measurement methodology for the Auction Mechanism before making such an affirmative showing as part of Phase 2. This process can be included in the existing scope and schedule for Phase 2.⁸ Because opening testimony on the DRAM is not due until the end of May, the Commission should use the first few months of 2023 to seek proposals for how best to carry out a cost-effectiveness assessment. The cost-effectiveness assessment should then be completed by either Energy Division Staff or an independent consultant hired by Staff in time to permit parties to use its conclusions in their opening testimony.

IV. CONCLUSION

In addition to extending the DRAM Pilot through 2024, the Commission should provide clear guidance regarding how and by whom the cost-effectiveness of the DRAM should be measured in Phase 2.

⁸ See Assigned Commissioner’s Amended Scoping Memo and Ruling and Assigned Administrative Law Judges’ Ruling on Two Motions (issued December 19, 2022), at 9.

Respectfully submitted,

By: /s/

Vidhya Prabhakaran

Katie Jorrie

DAVIS WRIGHT TREMAINE LLP

50 California Street, 23rd Floor

San Francisco, CA 94111

Tel. (415) 276-6500

Fax. (415) 276-6599

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