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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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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 SEEKING PARTY COMMENT ON DEMAND RESPONSE AUCTION MECHANISM QUESTIONS AND PROVIDING UPDATED PUBLIC VERSION OF THE DEMAND RESPONSE AUCTION MECHANISM EVALUATION REPORT

Pursuant to the Assigned Commissioner’s Ruling issued on January 27, 2023 in this proceeding, this ruling seeks party comment on questions related to the Demand Response Auction Mechanism (DRAM) and provides parties with an updated publicly available version of the DRAM Evaluation Report (Updated Nexant Report). The Updated Nexant Report can be found in Attachment 1 of this ruling.

1. Procedural Background

On May 2, 2022, Pacific Gas and Electric Company (PG&E) (A. 22-05-002), San Diego Gas and Electric Company (SDG&E) (A.22-05-003), and Southern California Edison Company (SCE) (A.22-05-004) filed their respective 2023-2027 Demand Response (DR) portfolio applications. Pursuant to Rule 7.4, an Administrative Law Judge (ALJ) Ruling issued on May 25, 2022, consolidated these applications (A.22-05-002 et al.).

On June 24, 2022, the DRAM Evaluation Report submitted by Resource Innovations (formerly known as Nexant) in partnership with Gridwell Consulting (Nexant Team), evaluating DRAM from 2018 to 2021, (Nexant Report) was released to the public.

On July 5, 2022, the Assigned Commissioner's Scoping Memo and Ruling divided this proceeding into two phases. Phase I would address the Utilities' 2023 Bridge Year funding requests and Phase II would address the Utilities' Applications for the years 2024-2027, as well as the future of DRAM. The Assigned Commissioner's Scoping Memo and Ruling identified scoping issues for Phase I, including a one-year extension of DRAM for 2024 deliveries, and added the Nexant Report to the proceeding record.

The Amended Scoping Memo establishing the scoping issues and procedural schedule for Phase II, including the future of DRAM beyond 2024, was issued on December 19, 2022.

On July 14, 2022, an ALJ ruling was issued stating that there would be a later opportunity for parties to comment on the Nexant Report when the proceeding addressed the future of DRAM beyond 2024 in Phase II.

On January 13, 2023, the Commission approved the DRAM pilot for pilot year 2024 in Decision (D.) 23-01-006. In addition, D.23-01-006 noted that the DRAM pilot could simply be allowed to sunset, and stated that in order to transition the DRAM out of pilot status, the record developed in Phase II must show at a minimum that DRAM achieved a sufficient level of success in meeting the six criteria adopted in D.16-09-056 for determining the success of the pilot.¹

¹ D.23-01-006 at 20, 22.

On January 27, 2023, an Assigned Commissioner’s Ruling was issued directing responses on various Phase II Demand Response Application questions, and noted that in the future an additional ruling would be issued providing a revised Nexant Report and DRAM-specific questions for party comment.²

1.1. Updated Version of the Nexant Report

Various parties have expressed concerns over the amount of redacted data in the Nexant Report. CPower, the California Efficiency + Demand Management Council (CEDMC) and Leapfrog, Inc. (Leap) argue that the accuracy of the analysis in the Nexant Report could not be known and that parties had no way to rebut claims made in the Nexant Report.³ Furthermore, CEDMC, CPower, Leap, and Voltus (collectively, the “Joint Parties”) argue that Decision 16-09-056 required that the DRAM pilot review process ensure transparency and due process to stakeholders, and that those protections have not been preserved thus far.⁴

In response to these concerns, the Commission is providing an updated public version of the Nexant Report with a reduced number of redactions, as Attachment 1 to this ruling. In this updated Nexant Report (Updated Nexant Report) each DRAM seller’s data is presented in either an anonymized or aggregated format where needed in order to protect proprietary and market sensitive information. Parties may file comments on this Updated Nexant Report, which is attached to this ruling. The reduced amount of redactions provides

² Assigned Commissioner’s Ruling, January 27, 2023, at 4.

³ See CEDMC Opening Briefs, at 3; CPower and CEDMC Joint Motion for Clarification of September 16, 2022 Ruling.

⁴ Joint Parties Reply Comments on Proposed Decision approving DRAM pilot for pilot year 2024, at 4.

parties with increased understanding of the conclusions and findings contained in the Updated Nexant Report and should be utilized by parties to inform their testimony, comments, and briefs.

1.2. DRAM Questions

As noted in the January 27, 2023 Assigned Commissioner's Ruling in this proceeding, here are additional questions the Commission believes will aid in developing the record in this proceeding. Please note that comments on Question 1A and 1B, related to sharing data used in the Updated Nexant Report, shall be due at an earlier date than the other questions below. Comments on Questions 1A and 1B shall be due by March 30, 2023, and any replies shall be due April 14, 2023. All other comments and testimony on the below questions are due on May 31, 2023 and may be served with parties' initial DRAM testimony or filed in separate comments due on the same date.

1. If the Commission were to consider allowing the parties to request additional information on the Updated Nexant Report, it may be prudent to set certain boundaries on the sharing of data and evaluation results to protect market-sensitive information. In the event that the request for additional information is granted, should the Commission adopt the following provisions?
 - a. Each DRAM seller would be provided with an individualized version of the Updated Nexant Report with their respective results unredacted, and all data specific to each seller used in the evaluation would be provided to the respective DRAM seller but not other sellers.
 - b. The confidential version of the Updated Nexant Report and all data used in the evaluation would be provided to the Commission's Public Advocates' Office, and any other non-market participant that is a party to this proceeding upon request that agrees to sign a Non-Disclosure Agreement with the

Commission. Requests for the Non-Disclosure Agreement form shall be directed to the Commission's Legal Division.⁵ Requests for the confidential Updated Nexant Report and evaluation data shall be directed to the Commission's Energy Division staff.

2. In responding to the questions listed below, parties should assume that DRAM is continued in some form (such as, a pilot or adopted as a permanent program)⁶:
 - a. **RQMD.** What standards should be established for the completeness, accuracy, and timeliness of Revenue Quality Meter Data (RQMD) deliveries, and what incentives and/or penalties should be associated?
 - b. **Auto DR Incentive.** According to D. 18-11-029 (p. 48), "Customers of the Auction Pilot, being a demand response pilot, are considered eligible to receive Auto Demand Response control incentives. Control incentive policies for a permanent auction mechanism will be considered and determined following the completion of the Auction Pilot evaluation." Should DRAM customers continue to be eligible for Auto DR control incentives?
 - c. **QC Method.** For the 2025 Resource Adequacy (RA) year and beyond, should DRAM resources be required to use the long-term Qualifying Capacity (QC) methodology for supply-side DR resources that may be adopted by the Commission in the RA proceeding for the 24-hour slice framework?
 - d. **Solicitation.** Should past performance of DR resources of Demand Response Providers (DRPs) be incorporated as a bid selection criterion in IOUs'?

⁵ Requests for the Non-Disclosure Agreement forms shall be directed to Elizabeth Dorman (elizabeth.dorman@cpuc.ca.gov).

⁶ This hypothetical regarding DRAM continuation should not be construed as indicative of any future Commission determinations.

solicitation process? If so, what performance metrics should be used, how should the historic performance data be obtained by the IOU, and how should the performance metric data be factored into the IOU's bid selection process?

- e. **Aggregation Size.** RA filings by DR providers indicate that there are many DR resources (each identified by CAISO with a unique Resource ID) with QC values that are less than 1 Megawatt (MW). Experience suggests that there is significant administrative and IT overhead and expense (born by the utility and Commission staff, funded by the ratepayer) associated with the handling of a large number of Resource IDs operated by a DR provider within a sub-Load Aggregation Point (SLAP). Should the QC of DRAM resource be subject to an aggregation standard or minimum size requirement established by the Commission? If so, what should the requirement be (*e.g.*, only one Resource ID per unique combination of SLAP/DRP/program, or minimum QC of 1 MW per Resource ID)?
- f. **Capacity Invoicing.** The Commission adopted a requirement that a third-party DRP must complete a test each quarter in which all its resources within the same SLAP are dispatched concurrently.⁷ The same decisions exempted 2023 and 2024 DRAM resources from this test requirement. Going forward, should the Demonstrated Capacity (DC) invoicing requirements for DRAM resources be aligned with the test requirement for other third-party DR resources, such that during a test or market dispatch used for DC invoicing, a DRAM seller would be required to dispatch all its resources within the same SLAP concurrently?

⁷ D.20-06-031, Ordering Paragraph (OP) 13; D.22-06-050 OP 12

- g. **Capacity Invoicing.** D.19-07-009 required that beginning with 2020 DRAM deliveries, DC invoices must be based on either market dispatches or capacity test events in at least 50 percent of the contracted months, with one month being August. However, this means that the months with DC invoices based on tests or market dispatches may not align with the RA availability requirement.⁶ To achieve better alignment, should the Commission require that all DC invoices be based on tests or market dispatches during the RA availability months (*i.e.*, disallow invoices based on Must-Offer Obligation bids)? Are there other factors that justify elimination of invoices based on Must-Offer Obligation?
- h. **Capacity Invoicing.** Currently, DRAM sellers are allowed to use the maximum hourly load reduction from any test or market dispatch during the showing month for their DC invoicing, regardless of the duration of the test or market dispatch.
- i. Should DRAM sellers be required to use the *average* hourly load reduction from a test or market dispatch instead? If so, should there be a minimum duration requirement (*e.g.*, four consecutive hours)?
 - ii. Alternatively, should DRAM sellers be required to use the average or minimum hourly load reduction across all dispatches (test or market) during the *entire* showing month when calculating DC to be invoiced for that month?

IT IS RULED that:

1. Attachment 1, the Demand Response Auction Mechanism Evaluation Report, is added to the proceeding record. Parties are directed to use the

document to inform their testimony and comments regarding the Demand Response Auction Mechanism.

2. Parties shall file comments on questions 1A-1B above, pertaining to the release of Nexant Report data, no later than March 30, 2023. Replies shall be due April 14, 2023.

3. Parties shall file comments on the Updated Nexant Report and responses to questions 2A-2H contained in this ruling no later than May 31, 2023.

This order is effective today.

Dated March 3, 2023, at San Francisco, California.

/s/ GARRETT TOY
Garrett Toy
Administrative Law Judge

Attachment 1