

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



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Order Instituting Rulemaking to Enhance Demand
Response in California.

Rulemaking 25-09-004
(Filed September 18, 2025)

**REPLY COMMENTS OF THE UTILITY REFORM NETWORK ON THE ORDER
INSTITUTING RULEMAKING TO ENHANCE DEMAND RESPONSE IN
CALIFORNIA**



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1. INTRODUCTION

Pursuant to Rule 6.2 of the California Public Utilities Commission’s (“Commission”) Rule of Practice and Procedure and the *Order Instituting Rulemaking to Enhance Demand Response in California* (“OIR”), The Utility Reform Network (“TURN”) respectfully submits these reply comments in response to party comments filed on November 13, 2025.

Parties raised many important issues and provided additional technical detail on issues within the scope of the OIR. TURN does not address most of these issues here, as TURN agrees that the issues are properly within the scope of the Rulemaking and will need to be litigated. Given the large number of complex issues related to “valuation methodologies” and “resource adequacy valuation,” TURN cautions that the Commission will need to prioritize among these issues so as to address those that need to be resolved before the November 2026 deadline for the utilities to file their next round of demand response (“DR”) applications. With this in mind, TURN recommends that:

- The Commission include consideration of performance penalties within the scope;
- The Commission exclude the proposed “fuel switching” issue, as no showing of an urgent need to address this issue has been made.

2. PERFORMANCE PENALTIES SHOULD BE INCLUDED IN THE SCOPE.

Several parties proposed the inclusion of performance penalties in their opening comments. Olivine states that a “future framework should establish clear performance standards and meaningful penalties for non-performance.”¹ Cal Advocates argues that the scope of the proceeding should “establish guidelines and minimal standards for the application and development of Demand Response performance penalties.”² TURN agrees. As parties have stated, effective performance penalties are a key tool to ensure reliable and predictable DR services consistent with the first guiding principle. Adopting appropriate performance penalties should be included in the scope of this proceeding.

¹ Olivine Opening Comments, p. 5.

² Cal Advocates Opening Comments, p. 2.

3. A REVIEW OF THE DR PROHIBITED RESOURCES POLICY SHOULD BE EXCLUDED FROM THE SCOPE.

PG&E, SCE and CLECA recommend that “fuel switching” to renewable fuels should be included within the scope;³ but none of these parties provided any justification that there is a material problem with the existing fuel switching policies that warrants consideration of this topic.⁴

The Commission’s DR Prohibited Resources policy was adopted to prevent access to DR funds for backup generators powered by burning certain fossil-fueled resources.⁵ SCE and PG&E propose to revisit this policy to expand the criteria for these exemptions in the present proceeding. The utilities do not provide a valid justification for why such an expansion is necessary or in the public interest.

The Commission has put in place procedures that allow for “fuel switching” to eligible, clean fuels.⁶ Resolution E-4906 established exemptions for prohibited fuels and designated a California Air Resources Board (“CARB”) process for renewable fuel certification.⁷ To the extent that CARB has not completed such a process, parties should direct their concerns to CARB. It would not be appropriate for the Commission to create separate standards for an exemption, given that this is not contemplated in the governing resolution, and any exemption should be based on the rigorous air quality analyses that are within the purview of CARB. Moreover, it appears that CARB already has an established process for exemptions, since D.21-03-056 clarified that allowable fuels are those in CARB’s Low Carbon Fuel Standard Tier 2 Pathway.⁸

The utilities seem to suggest both that no process has been established and that the established process should be modified. PG&E states both that “CARB has not identified a

³ See, CLECA Opening Comments, p. 3; PG&E Opening Comments, pp. 15-16; SCE Opening Comments, pp. 8-9.

⁴ TURN notes that no party provided a “verification” of fact as required by Rule 6.2.

⁵ D.16-09-056, Ordering Para. 1.

⁶ See, Res. E-4906 and D.21-03-056.

⁷ Res. E-4906, Ordering Para. 47 (“Utilities shall include tariff changes that allow customers to update their attestations for fuel switching, specifically from fossil-based fuels to renewable fuels, provided such fuels has received renewable certification from the California Air Resources Board.”)

⁸ D.21-03-056, Attachment 1, p. 9.

program or standard” and that the “Commission should clarify the CARB program(s) and guidelines for determining eligible fuels.”⁹ SCE states that “there are no established standards for fuel switching” and that Resolution E-4906 may be “too narrow,” presumably due to the specific standards it imposes.¹⁰ To the extent that the utilities have substantive objections to the Commission’s process, they have not shown that reopening the issue is necessary as a general matter or appropriate as part of this proceeding.

The utilities’ proposal appears to be a solution in search of a problem. Notwithstanding utilities’ claims that the Prohibited Resources policy lacks “guidance or process” for exemption, the Commission has enumerated both the criteria and the process.¹¹ D.21-03-056 Attachment 1 states: “Allowable fuels are those that have met the agency’s Low Carbon Fuel Standard (LCFS) Tier 2 Pathway. Customers may update their required attestations upon making this operational change.”¹² The utilities themselves were expressly charged with developing the process for such changes to customer attestations. Ordering Paragraph 45 of Resolution E-4906 directed the utilities to update their tariffs “to allow customers to update their attestations when they switch from prohibited, fossil-based fuels to renewable fuels and vice-versa.”¹³

As the Commission may be aware, the valuation and use of Low Carbon Fuel Standard credits from renewable natural gas is highly contested. An issue this controversial, particularly one so remotely connected to the critical issues that should be resolved before the next round of DR applications, should not be shoehorned into this proceeding. To the extent that there are developing questions regarding renewable gas and hydrogen, they do not seem to be near-term issues. TURN recommends that the proposed “fuel switching” issue be excluded.

TURN appreciates the opportunity to file these comments and respectfully recommends that the Commission adopt TURN’s recommendations regarding the preliminary scope of this OIR.

⁹ PG&E Opening Comments, p. 15.

¹⁰ SCE Opening Comments, p. 9.

¹¹ *Id.*

¹² D.21-03-056, Attachment 1, p. 9.

¹³ Res. E-4906, Ordering Para. 45.

Respectfully submitted,

/s/

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