

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

**REPLY COMMENTS OF THE PUBLIC ADVOCATES OFFICE
ON THE ORDER INSTITUTING RULEMAKING TO ENHANCE DEMAND
RESPONSE IN CALIFORNIA**

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I. INTRODUCTION

Pursuant to Rule 6.2 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure (Rules) and the September 29, 2025, *Order Instituting Rulemaking to Enhance Demand Response in California* (DR OIR),¹ the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) submits these Reply Comments to the DR OIR. Parties filed opening comments on the DR OIR on November 13, 2025. Cal Advocates' Reply Comments respond to proposals made by Pacific Gas and Electric Company (PG&E), the California Efficiency + Demand Management Council (CEDMC), and Leapfrog Power, Inc. (LEAP). Specifically, Cal Advocates recommends the Commission:

- Reject PGE's suggestion that the rulemaking's scope should include revising the DR cost-effectiveness rules and policies; and
- Reject CEDMC's and LEAP's proposed revisions to the third guiding principle on cost-effectiveness.

II. DISCUSSION

A. **Any proposed changes to the cost-effectiveness protocols should occur in Rulemaking (R.) 22-11-013 which considers Distributed Energy Resource program cost-effectiveness issues.**

The Commission should reject PG&E's recommendation that the scope of this DR OIR include changes to the Commission's cost-effectiveness rules and policies. PG&E suggests that the Demand Response (DR) cost-effectiveness analysis focus on the Ratepayer Impact Measure test rather than the currently utilized Total Resource Cost (TRC) test.² Rulemaking (R.) 22-11-013 is the appropriate forum to determine which standardized cost-effectiveness tests are used for Distributed Energy Resources (DERs),

¹ *Order Instituting Rulemaking to Enhance Demand Response in California* (DR OIR), September 29, 2025.

² *Submission of Opening Comments of Pacific Gas and Electric Company (U 39 E) to the Order Instituting Rulemaking to Enhance Demand Response in California*, November 13, 2025 (PGE Opening Comments) at A-10 - A-11.

like DR.³ R.22-11-013 was established to, among other things, “achieve consistency of cost-effectiveness assessments across DER customer programs[.]”⁴ As discussed below, it would be inefficient, procedurally inappropriate and a violation of due process for changes to Commission rules and policies applicable to all DERs to be contemplated in this proceeding.

The Commission has stated that its policy is to develop and utilize the “universal cost-effectiveness framework” established in the former DER cost-effectiveness proceeding.⁵ In that proceeding, the Commission established the TRC test for cost-effectiveness analysis of all DER resources.^{6, 7} Later, in Decision (D.) 24-07-015, issued within the current DER cost-effectiveness proceeding, the Commission affirmed its finding that the TRC test should be the universal test to assess cost-effectiveness for all DERs.⁸ The Commission adopted the TRC as the sole cost-effectiveness analysis tool after a multi-year process that included working groups, workshops, and multiple rounds of party comments on proposals.²

PG&E’s request seeks to change the universal application of the TRC cost-effectiveness tool and create a carveout whereby the Ratepayer Impact Measure test is

³ Rulemaking (R.) 22-11-013, *Order Instituting Rulemaking to Consider Distributed Energy Resource Program Cost-Effectiveness Issues, Data Use and Access, and Equipment Performance Standards*, November 23, 2022 (DER OIR), at 2.

⁴ DER OIR at 18.

⁵ Decision (D.) 19-05-019, *Decision Adopting Cost-Effectiveness Analysis Framework Policies for All Distributed Energy Resources*, Conclusion of Law 1, at 58; issued in Rulemaking 14-10-003.

⁶ D.19-05-019, Ordering Paragraph 1, at 65.

⁷ In fact, PG&E supported the use of the TRC as the universal DER cost-effectiveness test, unless the TRC is prohibited by statute. See, *Pacific Gas and Electric Company’s (U 39 M) Opening Comments on Proposed Decision Adopting Cost-Effectiveness Analysis Framework Policies for all Distributed Energy Resources*, April 15, 2019, at 3 – 4; issued in R.14-10-003. (“PG&E supports the IDER PD’s adoption of the Total Resource Cost (TRC) test as the primary cost-effectiveness test, but suggests the decision be revised so that it does not apply when statutory or other mandates make the TRC co-equal or subordinate to other tests for certain programs. The TRC is the primary test that is used in the IRP and is the only test that represents the total costs of resources; this perspective should be used in determining least cost portfolios to meet state goals.”)

⁸ Decision (D.) 24-07-015, *Decision Adopting the Societal Cost Test*, at 23; issued in R.22-11-013. (“The Commission will retain the TRC as the primary cost-effectiveness test.”)

² See, D.19-05-019 at 4 – 8.

used exclusively for DR.¹⁰ PG&E’s request would create an inefficient piecemeal approach to the application of cost-effectiveness tests across DER programs. Indeed PG&E acknowledges that R.22-11-013 is the “venue to address DER cost-effectiveness topics and prevent misalignment in cost effectiveness methodologies across load management solutions.”¹¹ PG&E provides no justification for why addressing the universal application of the TRC across DER resources should be raised in the current proceeding. Therefore, it would be procedurally inappropriate for the Commission to contemplate a change to the universal application of the TRC and enact a carveout for DR in this proceeding. Additionally, due process requires that the parties to R.22-11-013 receive notice and a reasonable opportunity to be heard on such changes to the universal applicability of the TRC.¹² If the Commission adopts PG&E’s request here, the parties to R.22-11-013 would be deprived of these due process rights. In order to consider PG&E’s request, due process requires that the cost-effectiveness rules and policy changes proposed by PG&E be considered in R.22-11-013, the DER cost-effectiveness proceeding, so that parties are aware that they are being contemplated and have the opportunity to comment.¹³

PG&E’s proposal to emphasize the Ratepayer Impact Measure test for DR rather than the TRC is also contrary to the second guiding principle, to establish standard and consistent valuation methodologies, in Energy Division’s Guiding Principles for Demand Response in California (Staff Proposal).¹⁴ As stated by Energy Division, standard and consistent valuation methodologies are “crucial for accurately valuing demand response

¹⁰ PGE Opening Comments at A-10 – A-11.

¹¹ PG&E Opening Comments at A-11.

¹² Despite being included in the service list for this proceeding, parties to R.22-11-013 may not anticipate that changes to the Commission’s policy that only one cost-effectiveness tool is to be used for all DERs would be considered in this proceeding, which only addresses DR.

¹³ This process would allow the Commission to make its determination based on a complete record.

¹⁴ See, *Principles for Demand Response in California Energy Division Staff Proposal*, September 8, 2025 (Staff Proposal), at 6-8.

as a resource considered in system planning”¹⁵ because they allow for “apples-to-apples comparisons [of all DERs] across programs.”¹⁶ Here, standardized tests for all DERs allow for a direct comparison of cost-effectiveness results across programs, and a deviation from that protocol only for DR resources would make comparisons more difficult – contrary to the goal of establishing standard and consistent valuation methodologies.

For these reasons, the Commission should reject PG&E’s recommendation to add to the scope of this proceeding revisions to the DR cost-effectiveness protocols to focus on the Ratepayer Impact Measure test.

B. The Commission should reject CEDMC and LEAP’s revisions to the DR OIR’s third guiding principle about cost-effectiveness.

Public Utilities Code 454.5 states, “[t]he electrical corporation shall first meet its unmet resource needs through all available energy efficiency and demand reduction resources that are cost effective, reliable, and feasible.”¹⁷ Both LEAP and CEDMC propose changes to the Staff Proposal’s third guiding principle that would remove cost-effectiveness requirements for certain DR resources. Specifically, LEAP and CEDMC suggest that the Commission make market competition an equivalent measure to determine ratepayer benefit.¹⁸ LEAP asserts that “... DR resources participating in competitive marketplaces or procurements have external forces that push their costs down...” and “... [t]he value of these market-driven forces are evident in the fact that third-party programs generally have had a lower cost structure...”.¹⁹ However, LEAP provides no evidence to substantiate or support its claims. Similarly, CEDMC states

¹⁵ Staff Proposal at 7.

¹⁶ Staff Proposal at 7.

¹⁷ Public Utilities Code section 454.5 (b)(9)(C)(i).

¹⁸ *Opening Comments of the California Efficiency + Demand Management Council on the Order Instituting Rulemaking to Enhance Demand Response in California*, November 13, 2025 (CEDMC Opening Comments) at 17; *Opening Comment of Leapfrog Power, Inc. on the Order Instituting Rulemaking to Enhance Demand Response in California* (LEAP Opening Comments) at 14.

¹⁹ LEAP Opening Comments at 13.

without evidence or support that, “there should be a recognition that third-party DR RA [Resource Adequacy] contracts are cost-effective just as any other RA contract, by way of being procured in a competitive market.”²⁰ Based on these unsupported statements, LEAP and CEDMC suggest that the Staff Proposal’s third guiding principle be amended to remove cost-effectiveness requirements for DR procured in a competitive market.^{21, 22}

Rule 6.2 requires that factual assertions made in comments to an Order Instituting Rulemaking be verified and if not verified, the comments will merely be given the weight of argument.²³ Here, neither CEDMC nor LEAP provide any support or evidence to validate or verify the assertion that market competition is equivalent to a cost-effectiveness test. Further, the Commission has not established that market competition is an adequate indication of, nor substitute for, cost-effectiveness. Therefore, rather than fact, the Commission must consider these claims mere argument because they are unsupported and unverified and would dramatically alter how cost effectiveness is defined and applied. CEDMC’s and LEAP’s suggested revisions to the Staff Proposal’s third guiding principle should be rejected.

III. CONCLUSION

For the reasons set forth above, the Commission should adopt Cal Advocates’ recommendations.

²⁰ CEDMC Opening Comments at 17.

²¹ CEDMC Opening Comments at 17. CEDMC recommends that the third guiding principle be amended as follows: (“Demand response resources in California shall ~~be meet~~ **cost-effectiveness requirements or be procured in a competitive market**, and demonstrate clear value by delivering measurable system and ratepayer benefits.”) Emphasis in original.

²² LEAP Opening Comments at 14. LEAP recommends that the third guiding principle be amended as follows: (“Demand response resources in California shall be cost-effective **by providing services at market-driven, competitively determined prices or otherwise demonstrating** clear value by delivering measurable system ratepayer benefits.”) Emphasis in original.

²³ See, Rule 6.2. (“... All comments which contain factual assertions shall be verified. Unverified factual assertions will be given only the weight of argument.”)

Respectfully submitted,

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