

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Oversee
The Resource Adequacy Program, Consider
Program Refinements, and Establish Annual
Local Procurement Obligations.

Rulemaking 11-10-023
(Filed October 20, 2011)

**REPLY COMMENTS OF ENERNOC, INC., ON THE
ENERGY DIVISION'S RESOURCE ADEQUACY WORKSHOP REPORT**

April 20, 2012

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EnerNOC, Inc. (EnerNOC) respectfully submits these Reply Comments to the Opening Comments filed on April 11, 2012, on the Energy Division Resource Adequacy (RA) Workshop Report. The Workshop Report was attached to the Administrative Law Judge's (ALJ's) Ruling issued in this proceeding on March 23, 2012 (March 23 ALJ's Ruling). These Reply Comments are filed and served pursuant to the Commission's Rules of Practice and Procedure and the March 23 ALJ's Ruling.

I.

**PARTIES WOULD BENEFIT FROM DIRECTION AS TO HOW THE COMMISSION
INTENDS TO MANAGE THE RELATIONSHIP AND COORDINATION OF
ISSUES COMMON TO THIS PROCEEDING AND OTHER DOCKETS.**

There are several active proceedings that have a direct or indirect relationship to the issues to be considered in this rulemaking. For example, the Long Term Procurement Plan (LTPP) Rulemaking (R.) 12-03-014 will examine unresolved issues of Tracks I and III from the predecessor LTPP R.10-05-006, as well as "Multi-Year Flexible Capacity Procurement Rules."¹ A similar proposal has been made by the California Independent System Operator (CAISO) in this RA Proceeding at the RA Workshop held on March 30, 2012. A Prehearing Conference (PHC) was held in R.12-03-014 on April 18, 2012, and a Scoping Memo is expected in the near-

¹ R.12-03-014, at p. 9.

term. The ALJ is the same for both R.12-03-014 and this proceeding and has indicated his awareness of the potential overlap in issues between the cases.

From EnerNOC's perspective, it is in the interest of economic and procedural efficiency to coordinate the common issues between the two rulemakings. As such, EnerNOC requests that the ALJ address and provide direction as soon as possible as to the forum in which these issues will be addressed from both policy and implementation perspectives. With respect to one of those issues, EnerNOC recommends that the examination of a flexible capacity RA requirement be examined in this proceeding, including CAISO's studies in support thereof.

II.
ENERNOC AGREES WITH OTHER PARTIES THAT THERE IS INSUFFICIENT INFORMATION TO DEVELOP A FLEXIBLE CAPACITY RA REQUIREMENT OR A MULTI-YEAR REQUIREMENT FOR 2013 OR BEYOND AT THIS TIME.

In their Opening Comments, many parties stated that insufficient information exists to adopt an RA requirement based on the CAISO's Flexible Capacity Product Proposals or to adopt a multi-year resource adequacy requirement at this time. EnerNOC agrees.

EnerNOC, therefore, supports exploration of these issues through a separate track of this proceeding, or a separate proceeding, for RA Compliance Year 2014 and beyond. However, EnerNOC also suggests that the Commission include discussion of a centralized capacity market alongside discussion of a multi-year resource adequacy requirement. Providing a mechanism to provide transparency of the market value of capacity and a means for capacity to be purchased and sold will be an important companion to a multi-year RA requirement.

Further, San Diego Gas & Electric Company (SDG&E) raised some valid concerns about the overall efficacy of the existing RA mechanism and the need to take a more comprehensive look at modifying this structure.² While SDG&E did not suggest any specific modifications in

² SDG&E Opening Comments, at pp. 1-5.

its Opening Comments, it would be worthwhile to explore this topic with SDG&E and other stakeholders.

III.

ENERNOC APPRECIATES THE NEED TO EVALUATE ENERGY DIVISION'S PROPOSAL FURTHER, BUT IS CONCERNED ABOUT A DELAY IN DETERMINING HOW DEMAND RESPONSE (DR) WILL QUALIFY FOR RESOURCE ADEQUACY.

While many parties have expressed concern with Energy Division's Maximum Capacity Contribution (MCC) Proposal, saying that it needs further development, EnerNOC was supportive of this Proposal.³ However, EnerNOC believes parties have raised some legitimate points about the classifications of certain resources that would benefit from further exploration. EnerNOC also agrees with the comments of Southern California Edison (SCE) that, while the Energy Division's MCC Proposal and CAISO's Flexible Capacity Proposals were described as non-competing, there are aspects of both proposals that appear intended to accomplish the same things, and may, therefore, be redundant.⁴

However, deferral of consideration of Energy Division's Proposal also defers consideration of how demand response (DR) resources that participate in the wholesale market will qualify for RA. SCE seems to prefer a continuation of a deduction of DR capacity from the demand-side of the RA equation, which is fine as long as DR is a retail program. However, the uncertainty arises when DR is acting as a supply resource in the wholesale market.

If SCE's proposal is that, irrespective of whether DR is a demand- or supply-side resource, the capacity associated with DR will be deducted from the demand-side of the equation and count for resource adequacy, the Commission has indicated its desire to go in a different direction.⁵ The Commission has already decided that load impact protocols will be the manner

³ DRA, TURN and EnerNOC supported Energy Division's Proposal in their Opening Comments.

⁴ SCE Opening Comments ,at p. 5.

⁵ D.11-10-003, at pp. 13-16.

of determining the capacity associated with DR resources, irrespective of whether those resources participate in the wholesale market or continue as retail services.

EnerNOC's concern with a fifth bucket, as proposed by Energy Division, is how a new bucket, with an associated maximum threshold would integrate with the Commission's loading order policy. The Energy Division MCC Proposal identifies demand response in Bucket 2 as dispatchable with limited availability and a maximum contribution cap of 45%. EnerNOC agrees with that designation. However, continuing to kick the issue of RA qualification of DR down the road is counterproductive, especially when the Commission is making it abundantly clear that DR participation in the wholesale market is the future goal.⁶

**IV.
ENERNOC DOES NOT SUPPORT PG&E'S PROPOSAL TO DEFER STANDARD
CAPACITY PRODUCT CONSIDERATION OR PG&E'S AND SCE'S PROPOSAL
TO DEFER RA CAPACITY ALLOCATION FOR THIRD PARTIES
PARTICIPATING IN CAISO'S RELIABILITY DEMAND RESPONSE PRODUCT.**

PG&E proposes deferral of consideration of the Standard Capacity Product (SCP) in this proceeding.⁷ Yet, this issue is squarely within the scope of this proceeding. No proposal has been made in this proceeding relative to SCP nor has CAISO commenced a stakeholder process. EnerNOC agrees with PG&E that DR may not be a good fit for the SCP. However, EnerNOC's primary concern is to have a standardized means of transacting capacity between buyers and sellers in the wholesale market. SCP may not be the best fit for that purpose; however, the issue of easy transactions of RA capacity among market participants is of importance to EnerNOC and needs to be addressed.

Both SCE and PG&E propose deferral of the question of how third parties receive a portion of the RA credit associated with the cap associated with CAISO's Reliability Demand

⁶ D.12-04-045, at pp.13-15.

⁷ PG&E's Opening Comments ,at p. 5.

Response Product (RDRP).⁸ SCE suggests that the cap, established through a settlement that was adopted by the Commission in Decision (D.) 10-06-034, only applies to Commission-jurisdictional entities; therefore, third-party aggregators are free to enlist any amount of RDRP capacity and receive resource adequacy credit.

However, third-party aggregators have no use of RA capacity, in and of itself. This circumstance results from the fact that, because they do not serve load, they have no RA requirement. The value of RA capacity resulting from participation in RDRP to third-parties is to sell it to Commission-jurisdictional load-serving entities (LSEs) to meet their RA requirement. If that LSE receives, by virtue of an allocation, all of the RA capacity that they are permitted under the Settlement, the additional RA capacity provided to a third party aggregator has no value if the LSE cannot purchase the capacity. There is no reason to wait for the Federal Energy Regulatory Commission (FERC) to adopt the RDRP proposal or for a decision in the DR OIR (R.07-01-041). This issue is squarely within the scope of this proceeding and a proposal is pending.

**V.
ENERNOC SUPPORTS PG&E'S REQUEST FOR EXEMPTION FROM THE
LOCAL DELIVERABILITY RULES FOR 2013 FOR AMP, CBP AND DBP.**

PG&E requests an exemption from the local deliverability rules for 2013 for the aggregator managed portfolio (AMP), the capacity bidding program (CBP), and the demand bidding program (DBP) due to the timing associated with renegotiating contracts for local deliverability and for the timing associated with Commission approval of those contracts.⁹ EnerNOC supports PG&E's requests for the reasons given in their Opening Comments.

⁸ SCE's Opening Comments at pp. 13-14; PG&E'S Opening Comments, at p. 6.

⁹ PG&E's Opening Comments, at pp. 10-12.

**VI.
CONCLUSION**

For all of the foregoing reasons, EnerNOC urges the Commission to consider and adopt EnerNOC's positions stated herein and in its Opening Comments. EnerNOC also asks that close coordination be achieved between this proceeding and the LTPP rulemaking (R.12-03-014) on issues common to both.

Respectfully submitted,

April 20, 2012

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