

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Integrate
and Refine Procurement Policies and
Consider Long-Term Procurement Plans.

Rulemaking 12-03-014
(Filed March 22, 2012)

**REPLY COMMENTS OF ENERNOC, INC., ON ENERGY DIVISION'S
LTPP STANDARD PLANNING ASSUMPTIONS STRAW PROPOSAL**

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EnerNOC, Inc. (EnerNOC) respectfully submits these Reply Comments on the Energy Division's Straw Proposal on Standard Planning Assumptions to be used in the Investor Owned Utilities (IOUs') Long Term Procurement Plans (LTPPs) ("Straw Proposal"). These Reply Comments are filed and served pursuant to the Commission's Rules of Practice and Procedure and the Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge ("Scoping Memo") issued in this proceeding on May 17, 2012.

**I.
SEVERAL PARTIES, ALONG WITH ENERNOC, URGE THAT THE STRAW
PROPOSAL'S PROBLEM STATEMENT AND GUIDING PRINCIPLES MUST BE
CHANGED TO INCORPORATE EXISTING STATE ENERGY POLICIES.**

In its Opening Comments, EnerNOC expressed concern that the Straw Proposal's Problem Statement and Guiding Principles were conspicuously silent as to explicit incorporation of the State's energy policies alongside the stated goals of providing reliable service at the lowest possible cost. The failure to incorporate the State's energy policies as an express guiding principle "undermin[es] those very policies, creating inefficient, duplicative investments, and placing unnecessary burdens on ratepayers."¹ This point was continued by EnerNOC in completing the "comment template," in which it stated that the Straw Proposal should neither replace energy

¹ EnerNOC Opening Comments, at p. 3.

policies with subjective judgment nor narrow the potential outcomes to favor certain technologies or services over others.²

EnerNOC was not alone in raising these concerns. In fact, the Opening Comments of several parties also object to the Straw Proposal's failure to incorporate State energy policies in its guidelines or problem statement. In this regard, the National Resources Defense Council and the Vote Solar Initiative (NRDC/Vote Solar) jointly commented that the Straw Proposal should explicitly include demand-side resources in its Guiding Principles, consistent with the "loading order."³ Similarly, a significant portion of the opening comments submitted by the California Environmental Justice Alliance (CEJA) was dedicated to the lack of discussion of specific energy policies as part of the Guiding Principles within the Straw Proposal. These policies include the Energy Action Plan II (EAP II) and the implementation of Assembly Bill (AB) 32, The Global Warming Solutions Act of 2006, the achievement of which relies heavily upon expanded energy efficiency measures.⁴ These concerns were further reflected in the opening comments of Women's Energy Matters (WEM).⁵

In fact, by failing to do so, the Straw Proposal appears to be predisposed toward "infrastructure," which implies physical facilities to provide generation or transmission. By so framing the analysis toward infrastructure, the Straw Proposal fails to recognize infrastructure alternatives in the form of energy efficiency and demand response.

The Sierra Club also raised a concern that the Straw Proposal's Problem Statement was skewed to favor traditional, fossil-fueled resources over other technologies.

"As currently proposed however, the problem statement is skewed toward development of additional fossil fuel infrastructure at the expense of other system

² EnerNOC Opening Comments, Appendix A.1.

³ NRDC/Vote Solar Opening Comments, at pp. 4-5.

⁴ CEJA Opening Comments, at pp. 1-6.

⁵ WEM Opening Comments, at p. 6.

resources such as efficiency and storage. In addition, the problem statement omits consideration of the achievement of the State’s environmental objectives and overall system benefits in scenario planning. As set forth below, we recommend the problem statement be modified to be outcome neutral and include consideration of California’s environmental objectives and overall system benefits.”⁶

Based on the opening comments, it is clear that the environmental community and EnerNOC are in agreement. The Straw Proposal’s Problem Statement and Guiding Principles must be revised to incorporate State energy policies such as the EAP II, the implementation of AB 32, achievement of the legislated renewable portfolio standard, and incorporation of newer technologies including storage, distributed generation, plug-in hybrid electric vehicles and smart building technologies. In turn, the Straw Proposal must then reflect the contributions that those policies and technologies would make to reducing the need for additional fossil-fueled generation as part of the long-term procurement planning process. As WEM said so succinctly, it is incumbent on the Commission to “[m]ake the loading order real.”⁷

II. THE STRAW PROPOSAL’S ASSUMPTIONS FOR DEMAND RESPONSE MUST BE REVISED

EnerNOC, along with other parties, expressed concerns in their Opening Comments with the assumptions in the Straw Proposal that would be the basis for estimating demand response (DR) contributions as either a demand-side (non-event based DR) or a supply-side (event-based DR) resource. The DR assumptions contained in the Straw Proposal must be revised so as not to under-estimate the potential for increases in DR over the planning period. EnerNOC’s Opening Comments stated that the Straw Proposal assumed no increase in non-event based DR and modest increases in event-based DR over the planning period. As a result of the Straw Proposal understating demand response contributions, EnerNOC is concerned that the analysis results will

⁶ Sierra Club Opening Comments, at p. 1.

⁷ Id.

conclude that additional infrastructure will be necessary. As noted below, these concerns were certainly shared by other parties as well.

A. Non-Event Based DR

The Straw Proposal assumed no increase in Non-Event Based DR over the planning period. EnerNOC recommended that Non-Event DR assumptions be increased by 10%, for the mid-range, to reflect the expected increased availability of critical peak or peak day pricing (CPP/PDP) tariffs to more and more customers.⁸ The Division of Ratepayer Advocates (DRA) proposed to increase the Non-Event Based DR estimate by 50 MW for all three utilities for 2014 and then on a linear basis through 2022.⁹ Either of these adjustments would be acceptable to EnerNOC.

B. Event-Based DR

In their Opening Comments, many parties, along with EnerNOC, urged that changes needed to be made to the Event-Based DR projections, which, depending upon the utility, were either held constant or grew at modest rates over the planning period.¹⁰ At a minimum, Event-Based DR assumptions should include estimates for DR related to Smart Grid implementation efforts that are underway and likely to continue over the planning period. In addition, there are efforts to integrate event-based DR into the wholesale market, for the purpose of expanding the ability for DR to offer services. CAISO's stated need for flexible capacity resources should incorporate DR and other non-fossil participation, as DR has been found, in studies in adjacent

⁸ EnerNOC Opening Comments, at pp. 3-5.

⁹ DRA Opening Comments, at pp. 7-8.

¹⁰ See, e.g.: Alliance for Retail Energy Markets /Direct Access Customer Coalition (AREM/DACC) Opening Comments, at p. 4; DRA Opening Comments, at pp. 10-11; Sierra Club Opening Comments, at p. 13.

control areas, to be one of the most cost-effective resources for the purpose of renewable integration.¹¹

The Alliance for Retail Energy Markets and the Direct Access Customer Coalition (AREM/DACC) raised the potential for increased Event-Based DR as a result of a Commission-stated desire to move “toward a more robust competitive demand response market provided through third parties and bid into CAISO markets.”¹² DRA mentions bolstering the Straw Proposal’s assumptions to include peak-time rebates (PTR) and enhanced event-based DR as a result of automatic metering infrastructure (AMI) devices.¹³ The Sierra Club expresses a desire to see Event-Based DR reflected at a level of 5% of peak demand, consistent with the EAP II goal.¹⁴

Clearly, there is a sizeable concern as to the potential for understating the Event-Based DR potential and overstating the need for fossil resources, if the critiques offered by these parties are ignored. Therefore, EnerNOC recommends incorporating some reasonable assumptions for Event-Based DR growth over this period to include Smart Grid-enabled DR, wholesale market opportunities and, at a minimum, maintain a relationship of 5% of DR relative to estimated peak demand. Planning assumptions for long-term resources should be consistent with stated energy policy goals.

C. Utility Proposals Understate the Potential for Event-Based DR in the Mid-Range Case

San Diego Gas & Electric Company (SDG&E) was supportive of the Straw Proposal’s Mid-Range Case, but expressed concern with the high and low-range assumptions as being too

¹¹ See: <http://www.nrel.gov/wind/systemsintegration/wwsis.html>

¹² AREM/DACC Opening Comments, at p. 4.

¹³ DRA Opening Comments, at pp. 10-11.

¹⁴ Sierra Club Opening Comments, at p. 13.

narrow.¹⁵ Pacific Gas & Electric Company (PG&E) believed the high-, low- and mid-range scenarios should coincide with the high-, low- and mid-range scenarios related to PTR¹⁶. Southern California Edison (SCE) accepted the Straw Proposal as reasonable.¹⁷

For the reasons expressed above, use of the load impact protocols as the basis for forecasting a mid-range scenario for Event-Based DR, without any, or very little, expected growth in DR potential over this period, will underestimate DR and overestimate new resource needs. The use of this “no growth scenario” as the mid-range assumption at a point time when so many initiatives are underway to expand DR penetration is not only counter-intuitive but cannot be used as the most probable scenario for long-term resource planning. In essence, it is a low scenario book ended by a lower scenario and a somewhat higher scenario. EnerNOC does not disagree that the ranges between the scenarios should be expanded to accommodate uncertainty. However, EnerNOC does not agree with using the Straw Proposal’s mid-range scenario as a probable or most-likely scenario when, in fact, it is likely to understate DR penetration.

III. ENERNOC SUPPORTS THE COMMENTS OF PARTIES WHO WISH TO REVIEW AND COMMENT UPON THE CALIFORNIA ENERGY COMMISSION’S REPORT

Several parties noted that the ED proposes to rely on a not-yet completed California Energy Commission (CEC) report that will identify the magnitude of the savings associated with all types of energy efficiency. Specifically, EnerNOC supports the opening comments by NRDC/Vote Solar and the Sierra Club, which state that, since the CEC report is not yet completed, the Commission should allow all parties sufficient time to provide substantive

¹⁵ SDG&E Opening Comments, Attachment A, at p. 11.

¹⁶ PG&E Opening Comments, Attachment A, at pp. 8-9.

¹⁷ SCE Opening Comments, at p. 8.

comments on the incremental energy efficiency estimates.¹⁸ EnerNOC further notes that, in the meantime, the results of the 2012 Energy Efficiency (EE) potential study conducted by Navigant Consulting will help to inform the CEC's broader analysis of incremental energy efficiency.

IV. CONCLUSION

For these reasons, EnerNOC again respectfully requests that modifications to the Energy Division Straw Proposal problem statement, guiding principles, and assumptions be made as identified and supported here and in EnerNOC's Opening Comments. The assumptions for event-based and non-event based DR must also be modified as they will otherwise understate DR potential growth over the planning period. The Opening Comments of several parties further underscore and support the need for such changes.

Respectfully submitted,

June 11, 2012

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¹⁸ NRDC/VoteSolar Opening Comments, at p. 5; Sierra Club Opening Comments, at p. 8.