BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Enhance the Role of Demand Response in Meeting the State's Resource Planning Needs and Operational Requirements.	Rulemaking 13-09-011

CLEAN COALITION'S COMMENTS ON PHASE 2 FOUNDATIONAL QUESTIONS

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I. Introduction

The Clean Coalition is a California-based nonprofit organization whose mission is to accelerate the transition to local energy systems through innovative policies and programs that deliver cost-effective renewable energy, strengthen local economies, foster environmental sustainability, and provide energy resilience. To achieve this mission, the Clean Coalition promotes proven best practices, including the expansion of Wholesale Distributed Generation (WDG) connected to the distribution grid and serving local load. The Clean Coalition drives policy innovation to remove barriers to the procurement and interconnection of WDG projects, integrated with Intelligent Grid (IG) solutions such as demand response, energy storage, and advanced inverters. The Clean Coalition is active in numerous proceedings before the California Public Utilities Commission, the California Energy Commission, and other state and federal agencies throughout the United States. The Clean Coalition also designs and implements WDG and IG programs for utilities and state and local governments.

The Clean Coalition appreciates the opportunity to provide information and comment on specific areas of interest. Our summary of recommendations follows:

- We urge the Commission to develop the demand response roadmap in a manner that focuses on the types of value streams of demand response rather than on the procurement method;
- The concepts of "demand-side" and "supply-side" demand response provided in the foundation questions should be replaced with "local reliability" and "bulk

system reliability" demand response to reflect system needs rather than the procurement mechanism;

- This approach reflects the importance of the potential to use demand response to address local reliability needs;
- This approach will better support emerging technologies and procurement methods, such as automated demand response;
- This approach will be more productive when more than one procurement method is used, such as when a utility bids a portfolio into a California Independent System Operator (CAISO) market; and
- To drive customer adoption of demand response, customers should be given the opportunity to tap as many value streams as possible.

II. BIFURCATION

a. Please comment on the terms, demand-side and supply-side resources, and the definitions provided. If you disagree with the terms and/or definitions, please provide your recommended changes and explain why your recommendation is more appropriate.

Rather than bifurcating demand response programs by procurement mechanism, the Clean Coalition recommends redefining the types of demand response to reflect reliability needs. We recommend that the Commission use the following definitions. "Local reliability" demand response would include all utility programs, including rate-based programs, designed to improve reliability within a utility's distribution system or within a substation. "Bulk system reliability" demand response would include all demand response programs designed to ensure the reliability of the CAISO system.

Defining the types of demand response based on the type of reliability need instead of based on procurement method is important for several reasons. First, this approach

reflects the importance of the potential to use demand response to address local reliability needs. A recent case study interview with Col Smart, Section Manager for Commercial Customer Solutions at Consolidated Edison of New York (Con Ed) points out that "a lot of the jurisdictions in the country, if the folks are only taking the bulk supply benefit and not the distribution benefit, then they're undervalued in the resource."[1] As California's current efforts to replace the San Onofre Nuclear Generating Station have demonstrated, demand response is an extremely important tool for meeting local reliability needs in a manner that is consistent with the Loading Order, saves ratepayer dollars, and meets state objectives. Rather than discount this potential value due to poor performance of existing California demand response programs in the past, this proceeding can prioritize exploring opportunities to motivate utilities to more effectively implement and utilize demand response programs. For example, Maryland has a state mandate to achieve a 15% reduction of per capita peak demand by 2015, compared to 2007.[2] To address the potential steep ramps projected for certain months as California approaches its 33% Renewable Portfolio Standard,[3] California could create new demand response targets or new enforcement mechanisms for the Loading Order to support the use of demand response for load shifting.

Second, this approach will better support emerging technologies and procurement methods. The proposed definitions imply that "customer-focused programs and rates" cannot be "reliable and flexible" resources that "meet system resource planning and operational requirements". However, automated demand response programs tied to time of use or real time rates would have both characteristics.

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[1] Dan Delury, Case Study Interview: Con Edison—Col Smart, p. 9. Prepared for the National Forum on the National Action Plan on Demand Response: Program Design and Implementation Working Group. February 2013.
[2] The EmPOWER Maryland Energy Efficiency Act Standard Report of 2013, April 2013. http://msa.maryland.gov/megafile/msa/speccol/sc5300/sc5339/000113/017000/017317/unrestricted/20131329e.pdf
[3] The Clean Coalition has modeled how to address the "Duck" curve issues raised by CAISO with intelligent grid solutions. The model is available at http://www.clean-coalition.org/resources/integrating-high-penetrations-of-renewables/

Third, this approach will better facilitate the Commission's "intent of prioritizing demand response as a utility-procured resource, competitively bid into the California Independent System Operator wholesale electricity market."[4] When a utility bids a demand response portfolio into the CAISO market to meet bulk system reliability needs, bifurcation based on procurement method is not productive. On the other hand, characterizing demand response programs in terms of type of reliability need helps utilities and CAISO plan grid and resource investments.

b. Are there any potential problems or concerns with the proposed bifurcation or realignment of demand response programs into demand-side and supply-side resources? For example, are there any legal issues or other concerns such as missed opportunities for integration?

As discussed above, the current demand-side and supply-side definitions downplay the value of demand response for meeting local reliability needs. However, to drive customer adoption of demand response, customers should be given the opportunity to tap as many value streams as possible.

We urge the Commission to develop the demand response roadmap in a manner that focuses on the types of value streams of demand response rather than the procurement method. A study conducted by Southern California Edison in 2011 identified thirty different value streams that conceivably may be met by demand response 2.0 resources over this decade, including generation capacity, a broad range of ancillary services, and avoided or deferred transmission and distribution investments[5] Today, however, customers can only monetize a handful of these services. The challenge and opportunity is to unlock the potential of these value streams for customers and other

[4] Order Instituting Rulemaking: Demand Response, California Public Utilities Commission, September 19th, 2013. http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M077/K151/77151993.PDF

[5] "DR 2.0: A Future of Customer Response." Paul De Martini, Newport Consulting. Prepared for the Association for Demand Response and Smart Grid. July 2013. http://www.demandresponsesmartgrid.org/Resources/Documents/FINAL_DR%202.0_13.07.08.pdf

stakeholders.

Respectfully submitted:

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