

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
(Filed September 19, 2013)

**REPLY OF THE
CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES
TO RESPONSES TO PHASE TWO FOUNDATIONAL QUESTIONS**

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The Center for Energy Efficiency and Renewable Technologies (“CEERT”) respectfully submits this Reply to the Responses to Phase Two Foundational Questions (Responses) posed in Attachment One of the Joint Assigned Commissioner and Administrative Law Judge Ruling and Scoping Memo issued in this proceeding on November 14, 2013 (“Scoping Memo”). This Reply is filed and served pursuant to the Commission’s Rules of Practice and Procedure and the Scoping Memo.

**I.
CEERT AGREES WITH THOSE PARTIES THAT HAVE CONCERNS REGARDING
THE PROPOSED BIFURCATION OF DEMAND RESPONSE PROGRAMS.**

As CEERT stated in its opening Response, it is unclear whether there is a policy basis for bifurcation of the demand response (DR) programs and whether bifurcation would “enhance the role of demand response programs in meeting the state’s long-term clean energy goals.”¹ CEERT continues to have reservations about bifurcation, but if the Commission decides to proceed with bifurcation, CEERT asks that, before or in doing so, the Commission addresses and resolves the issues raised by CEERT and other parties below.

¹ Rulemaking (R.) 13-09-011; CEERT Response, at p. 3.

A. Like CEERT, Many Parties Agree that Prior to Bifurcation, the Commission Should Understand and Define the Attributes of DR Resources.

In its opening Response, CEERT argued that, prior to any bifurcation, the Commission should “gain a better understanding and clearly define the *attributes* of the various types of DR resources” through a public process facilitated by the Commission or the California Independent System Operator (CAISO).² In this regard, CEERT agrees with the Environmental Defense Fund (EDF) that there needs to be further examination of the characteristics of DR resources.³ Specifically, CEERT supports Southern California Edison Company’s (SCE’s) recommendation that, if the Commission proceeds with bifurcation, the Commission should “first determine the appropriate terms and definitions for the classifications of DR programs” and, to do so, the Commission must consider “the purpose of DR and the intent of bifurcation.”⁴

On this point, the California Large Energy Consumers Association (CLECA) correctly states that “the proposed bifurcation between demand-side and supply-side should actually be secondary to the *most important question*, which is ‘*what are the services the DR is intended to provide*?’”⁵ CEERT agrees with CLECA that in order for the Commission to make an informed decision, it should first “evaluate next summer’s experience of bidding DR into CAISO markets and the results from the proposed pilots ...”⁶ The bottom line is that additional information is needed before the Commission decides whether to bifurcate DR resources.

² CEERT Response, at p. 4.

³ EDF Response, at p. 6.

⁴ SCE Response, at p. A-2.

⁵ CLECA Response, at p. 3.

⁶ CLECA Response, at p. 15.

B. Multiple Parties, Including CEERT, Have Raised Legitimate Concerns Regarding How Bifurcation Is Being Defined.

Like CEERT, multiple parties have concerns regarding the current bifurcation proposed by the Commission. As discussed below, CEERT agrees with those parties that suggest that any bifurcation of DR resources must not be confusing and must not exclude any valuable DR resources. CEERT noted in its Response that it may be overly simple and possibly confusing to bifurcate DR resources between “customer-side” and “supply-side” DR resources.⁷ CEERT’s Response emphasized that any bifurcation of DR resources must not interfere with continuing “to maintain utility or retail DR programs that have, to date, been the means of expanding this valuable resource, building customer confidence, and understanding of its capabilities in meeting energy needs.”⁸

One of the major issues with the proposed bifurcation is that the definitions of “supply-side” and “demand-side” are confusing. CEERT agrees with EDF that bifurcation into demand- and supply-side DR resources is useful *only* if it achieves proper communication, insight and action.⁹ Similarly, CEERT supports EDF’s contention that the Scoping Memo’s bifurcation definition is unclear regarding which resources are considered demand- or supply-side, “particularly when a resource has overlapping characteristics[.]”¹⁰ The Joint DR Parties correctly state that the “proposed definitions of demand- and supply-side DR do not sufficiently demarcate the differences between the two types of DR to avoid future confusion and inconsistent implementation.”¹¹

⁷ CEERT Response, at p. 4.

⁸ Scoping Memo, at p. 8; R.13-09-011, at pp. 15-16; CEERT Response, at p. 5.

⁹ EDF Response, at p. 4; emphasis added.

¹⁰ EDF Responses at p. 6.

¹¹ Joint DR Parties Response, at p. 6.

Another concern with the current bifurcation definitions is that they may lead to exclusion of valuable resources. As The Utility Reform Network (TURN) points out in its Response, “the Commission should be careful that DR programs that cannot participate in CAISO markets and that do provide cost-effective demand response benefits are not unintentionally de-emphasized.”¹² CEERT agrees with TURN’s contention that the Commission must ensure that “forcing all ‘supply-side’ demand response to bid into CAISO markets does not eliminate demand response customers who also provide actual resource adequacy value.”¹³

C. CEERT Agrees with Other Parties that Have Also Contended that any Bifurcation of DR Resources Must Promote Cost-Effective Resources and that Other Bifurcation Options Should Be Considered.

CEERT agrees with parties’ recommendations that there are other options for bifurcating DR resources besides categorizing DR as demand-side versus supply-side. In its Response, CEERT stated that the division between DR resources appears to be based more on retail DR (utility customer programs) versus wholesale DR (DR bid into the CAISO market).¹⁴

CEERT concurs with EDF that if bifurcation occurs, “both demand- and supply-side resources should be linked with commensurate incentives and metrics.”¹⁵ CEERT supports EDF’s recommendation that, if the Commission bifurcates based on demand-side versus supply-side resources, the Commission “should develop a least-cost curve of demand- and supply-side resources, and focus on developing the right mechanisms to draw in the most beneficial, cost-effective ones, with more costly measures used to patch any remaining reliability holes.”¹⁶

CEERT agrees with parties’ recommendations that there are other options for bifurcating DR resources instead of by demand-side versus supply-side. CEERT agrees with CLECA that a

¹² TURN Response, at p. 2.

¹³ TURN Response, at p. 5.

¹⁴ CEERT Response, at p. 4.

¹⁵ EDF Response, at p. 8.

¹⁶ EDF Response, at p. 9.

beneficial alternative would be to categorize “DR by the types of service it could provide and their requirements would enable prioritization of DR as a resource or load modifier and cost-beneficial integration of some types into the CAISO markets.”¹⁷

Both SCE and Clean Coalition state that the Commission may want to revise the types of DR to reflect the contribution of the DR resource to grid reliability.¹⁸ CEERT supports this recommendation, *only if* the DR attributes that contribute to grid reliability are defined first in a public, transparent process.

III. CONCLUSION

The Responses of multiple parties, including CEERT, make clear that the Commission should further evaluate DR resources prior to bifurcation. In the event that the Commission does decide to bifurcate prior to further evaluation, it must clarify any ambiguities regarding the bifurcation definitions in order to avoid confusion and exclusion of cost-effective, valuable resources. The Commission may also want to consider bifurcation based on something other than demand-side versus supply-side DR resources.

Respectfully submitted,

December 31, 2013 /s/ MEGAN M. MYERS _____

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¹⁷ CLECA Response, at p. 4.

¹⁸ Clean Coalition Response, at p. 2; SCE Response, at pp. A-3 and A-7.