

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)

**COMMENTS OF ENERNOC, INC., ON  
TRACK 4 (SONGS) PROPOSED DECISION**

**Sara Steck Myers**  
Attorney for **EnerNOC, Inc.**  
122 - 28th Avenue  
San Francisco, CA 94121  
Telephone: 415-387-1904  
Facsimile: 415-387-4708  
Email: [ssmyers@att.net](mailto:ssmyers@att.net)

**Mona Tierney-Lloyd**  
**Director, Western Regulatory Affairs**  
**EnerNOC, Inc.**  
P.O. Box 378  
Cayucos, CA 93430  
Telephone: (805) 995-1618  
Facsimile: (805) 995-1678  
E-mail: [mtierney-lloyd@enernoc.com](mailto:mtierney-lloyd@enernoc.com)

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**COMMENTS OF ENERNOC, INC., ON  
TRACK 4 (SONGS) PROPOSED DECISION**

EnerNOC, Inc. (EnerNOC) respectfully submits these Comments on the Proposed Decision of Administrative Law Judge (ALJ) Gamson Authorizing Long-Term Procurement for Local Capacity Requirements Due to Permanent Retirement of the San Onofre Nuclear Generation Stations (SONGS) in the Commission's Long Term Procurement Plan (LTPP) Rulemaking (R.) 12-03-014 ("Track 4 Proposed Decision"). The Track 4 Proposed Decision was mailed on February 11, 2014. These Comments are timely filed and served pursuant to Article 14 of the Commission's Rules of Practice and Procedure and the instructions accompanying the Track 4 Proposed Decision.

**I.**

**ENERNOC SUPPORTS THE PROPOSED DECISION'S ONGOING  
RECOGNITION THAT ALL ENERGY NEEDS ARE TO BE MET ACCORDING  
TO THE COMMISSION'S LOADING ORDER OF PREFERRED RESOURCES.**

The Track 4 Proposed Decision authorizes Southern California Edison Company (SCE) and now San Diego Gas and Electric Company (SDG&E) to procure resources to meet identified long-term "local capacity requirements" (LCRs) in the "Southern California Reliability Area" in the absence of SONGS. The Track 4 Proposed Decision, like Decision (D.) 13-02-015 ("Track 1" (Local Reliability) before it, again recites the Commission's policy framework that requires "strict compliance" with the "clarified" Loading Order of "preferred resources," including Demand Response (DR), to meet all energy needs of California's investor-owned utilities (IOUs)

on an “ongoing” basis, especially to advance the Commission’s “policy of fossil fuel reduction.”<sup>1</sup>

Of particular importance to EnerNOC, a long-time provider of demand response services to IOU customers, are the Proposed Decision’s analysis, findings, and conclusions relative to the extent to which demand response can reduce LCRs and meet any residual LCR need. In that regard, EnerNOC strongly supports the policy statements in the Proposed Decision that emphasize the key role that demand response can play in meeting this energy need consistent with California’s environmental and climate change goals. EnerNOC is pleased with the Track 4 Proposed Decision’s determination, following on Decision (D.) 13-02-015 (Track 1), that the “buckets” of authorized Track procurement for SCE and SDG&E continue to include a meaningful level of “preferred resources,” including “demand response resources.”<sup>2</sup>

However, certain aspects of the Proposed Decision continue to raise particular concerns for EnerNOC. Specifically, the Proposed Decision employs the same strategy as D.13-02-015 (Track 1) to “correct” preferred resource assumptions and modeling after-the-fact through adjustments to the procurement authorizations. EnerNOC strongly urges the Commission to modify the Proposed Decision to ensure that steps will be taken, including prompt and transparent definition of demand response as a local capacity resource, to ensure that appropriate and robust preferred resource assumptions are modeled in the first place in future LTPPs. EnerNOC also takes exception to the Proposed Decision’s treatment of “post-second contingency resources,” which should be modified consistent with the record in this proceeding.

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<sup>1</sup> Proposed Decision, at p. 14.

<sup>2</sup> Proposed Decision, at p. 2. Specifically, SCE is directed to procure at least an additional 400 MWs of preferred resources over that authorized in D.13-02-015, and SDG&E is directed to procure at least 175 MWs of preferred resources. (Proposed Decision, at pp. 3-4.)

These positions are discussed below and are reflected in EnerNOC’s Proposed Findings of Fact and Ordering Paragraph contained in Appendix A hereto.

**II.**  
**THE PROPOSED DECISION SHOULD BE MODIFIED TO ENSURE  
THAT ROBUST AND APPROPRIATE PREFERRED RESOURCE  
ASSUMPTIONS ARE USED IN MODELING LTPP NEEDS AT THE FRONT END.**

Like D.13-02-015, the Proposed Decision elects not to contest the assumptions and modeling used by CAISO in determining the Track 4 LCR needs of SCE and SDG&E, despite a strong record developed by multiple parties, including EnerNOC, that preferred resource assumptions, in particular, were not appropriately robust or consistent with their attributes. To account for the insufficient preferred resource input assumptions used by the CAISO in its analysis, the Proposed Decision instead reduces the procurement authorization resulting from the analysis. The Proposed Decision explains the reduction in procurement authorization by stating that the potential for changed assumptions gives the Commission “confidence that it is not necessary at this time to authorize the utilities to procure all of the resources indicated to be necessary in the ISO’s study.”<sup>3</sup>

Consistent with that “confidence” in either current or expected resource availability and future preferred resource development, the Proposed Decision examines various combinations of preferred resources that were excluded from CAISO’s analysis<sup>4</sup> to bracket a range of ultimate need scenarios.<sup>5</sup> For example, the CAISO’s analysis did not include any of the following: (1) the Mesa Loop-In Transmission Upgrade (between 734 and 1,200 MW), assumed by SCE,<sup>6</sup> (2) the Commission’s decision (D.13-10-040) regarding IOU procurement of energy storage resources,

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<sup>3</sup> Proposed Decision, at pp. 2-4.

<sup>4</sup> CAISO’s calculated resource need in the SONGS Study Area was 2,370 MW. (Proposed Decision, at p. 75.)

<sup>5</sup> Proposed Decision, Table 3, at p. 76.

<sup>6</sup> Proposed Decision, at p. 49.

totaling 745 MW for SCE and SDG&E,<sup>7</sup> (3) the use of the mid-range energy efficiency estimates for the SDG&E area, identified by NRDC, of 152MW,<sup>8</sup> as well as 733 MW of aggressive energy efficiency savings,<sup>9</sup> or (4) the use of a special protection system (SPS) (load shedding) in the San Diego area for 588 MW.<sup>10</sup>

The Proposed Decision, in turn, does not assume that none of these potential resources will materialize, thereby reducing the amount of need relative to that proposed by CAISO, or that all of the above-referenced resources will materialize, and that no need exists.<sup>11</sup> Instead, the Proposed Decision takes a middle ground and determines that a reasonable minimum procurement level for the SONGS Study Area will be between 1,000 and 1,400 MW,<sup>12</sup> with between 500-700 MW of authorization for both SCE and SDG&E.<sup>13</sup> The Proposed Decision then ensures that a significant amount of the incremental procurement authorization, up to 400 MW for SCE,<sup>14</sup> comes from preferred resources and storage, and no less than 200 MW of the amount authorized for SDG&E comes from preferred resources.<sup>15</sup>

EnerNOC appreciates that, given the modeling undertaken by CAISO for this Track 4, the Proposed Decision was faced with developing a strategy for resolving many complex and conflicting issues and positions on both Track 4 assumptions and outcomes in a manner that would preserve and further the Commission's preferred resources Loading Order policy. To do so, the Proposed Decision here, like the Track 1 D.13-02-015 before it, has elected to adjust the

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<sup>7</sup> Proposed Decision, at p. 58.

<sup>8</sup> *Id.*, at p. 62.

<sup>9</sup> *Id.*, at p. 70.

<sup>10</sup> *Id.*, at p. 46.

<sup>11</sup> *Id.*, at pp. 73-74.

<sup>12</sup> *Id.*, at p. 82.

<sup>13</sup> *Id.*, at p. 83.

<sup>14</sup> *Id.*, at p. 93.

<sup>15</sup> *Id.*, at p. 94.

procurement authorizations on the back-end to compensate for appropriate resource assumptions not being incorporated into the modeling at the front end.

While EnerNOC supports the ultimate procurement authorizations achieved by the Proposed Decision, EnerNOC believes that it is imperative that the final order include certain key modifications that will ensure that assumptions regarding preferred resources, and demand response in particular, are correctly incorporated into the CAISO's analysis at the outset for future local capacity resources. Such an approach will reduce the need for the Commission to adjust the analysis on an after-the-fact basis, due to omissions in the analysis for resource recognition.

EnerNOC appreciates that the basis of the CAISO's analysis is the Integrated Energy Policy Report (IEPR) and that parties want to be "conservative" so as not to under-estimate the needs on the system. But, at the same time, the process of adjusting the results to reflect some level of preferred resource growth after the analysis is performed is suboptimal and results in extensive efforts by many parties to point out these deficiencies. While the coordination among the state agencies tasked with determining local capacity resource needs and forecasts of future load has increased over recent years, there must be coordination relative to reasonable growth estimations for preferred resources that are used as inputs into these calculations as well.

**III.  
THE PROPOSED DECISION SHOULD BE MODIFIED TO CORRECT ITS  
ERRONEOUS FINDING THAT EXISTING DEMAND RESPONSE RESOURCES  
ARE ONLY ABLE TO ADDRESS A POST-SECOND CONTINGENCY EVENT.**

As stated in the Proposed Decision, the CAISO "considers the appropriate reliability level to be an 'overlapping' or sequential outage in which one element or 'contingency' is lost, there is time for the system to be readjusted (within 30 minutes), and then a second contingency



is lost.”<sup>16</sup> With citation to the “Revised Scoping Memo” issued in May 2013, the Proposed Decision states that CAISO was directed to use “demand response assumptions” to include “189 MW of ‘fast’ demand response...to be modeled as a ‘First Contingency’ resource and 997 MW of demand response...to be accounted for as a ‘Second Contingency Resource.’”<sup>17</sup> However, the Proposed Decision cites to the Revised Scoping Memo as also having directed that Second Contingency resources would “not [be] modeled but, would be accounted for as potential resources to address any residual need identified by a second contingency condition in the studies.”<sup>18</sup> The Proposed Decision, in turn, supports the CAISO’s modeling which assumed that “the 997 MW of ‘second contingency’ demand response ... was not available to avoid the second contingency, but would be available to respond to the second contingency.”<sup>19</sup>

The Proposed Decision, however, also finds “that there is a reasonable likelihood that more demand response resources will be available for such purposes in the future.”<sup>20</sup> In fact, the Proposed Decision points to the availability of post-second contingency resources, and the likely development of DR resources to meet LCR needs, as giving the Commission “confidence that it is not necessary at this time to authorize the utilities to procure all of the resources indicated to be necessary in the ISO’s study.”<sup>21</sup>

While EnerNOC agrees that the Revised Scoping Memo directed the CAISO not to include post-second contingency DR into its analysis, EnerNOC disagrees with the logic for that directive. Finding of Fact 45 states that the CAISO “correctly” determined that DR resources that could not respond within 30 minutes should be considered second-contingency resources.

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<sup>16</sup> Proposed Decision, at pp. 36-37.

<sup>17</sup> *Id.*, at p. 53.

<sup>18</sup> *Id.*, at p. 54.

<sup>19</sup> *Id.*, at pp. 54-55.

<sup>20</sup> *Id.*, at p. 57.

However, the analysis does not consider DR resources to be second-contingency resources; the analysis considers DR resources to be post-second contingency resources. The difference is whether DR resources could be deployed in advance of the second N-1 contingency or afterward. The CAISO's treatment of DR resources is that, with the exception of the 187 MW of DR resources that could be deployed for a post-first contingency event, 997 MW would not be deployed until after the second contingency event occurred.

Putting DR resources in the post-second contingency resource category means that the CAISO could initiate the SPS coincident with dispatching DR resources. Involuntary curtailment of load would happen coincident with voluntary curtailment of load, even though that would not be preferable.<sup>22</sup> That result is nonsensical. As CAISO testified, an N-1-1 condition would represent a CAISO emergency.<sup>23</sup> A CAISO emergency would, by definition, trigger DR load reductions in SCE's service territory. To assume that DR resources would not be triggered after the first contingency, so as to mitigate the second contingency event or, at a minimum, reduce the likelihood that the SPS would be triggered, is nothing more than an under-estimation of the value of these programs.

Further, the CAISO has tied the definition of local capacity resources to mean, at least for DR purposes, the ability to respond to a contingency event, which the record shows is a low probability event that occurs once in 21 to 928 years.<sup>24</sup> Yet, other resources that cannot respond in 30 minutes are considered to meet the LCR.<sup>25</sup>

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<sup>22</sup> EnerNOC Track 4 Opening Brief, at p. 11.

<sup>23</sup> Id., at p. 11.

<sup>24</sup> Id., at p. 42.

<sup>25</sup> Id., at pp. 16-17.

In this regard, neither the CAISO nor this Commission has yet to define what attributes DR resources need to possess to qualify as local capacity resources.<sup>26</sup> EnerNOC believes that it is imperative for this Commission to undertake that task and sincerely hopes that another local LTPP docket will not proceed without the Commission having first defined the attributes that a DR resource would need to possess to qualify as a local capacity resource. To that end, as included in Appendix A hereto, EnerNOC recommends that an Ordering Paragraph be added to the Track 4 Proposed Decision that commits the Commission to taking this step in its resource adequacy rulemaking.

#### **IV. CONCLUSION**

EnerNOC congratulates ALJ Gamson and Commissioner Florio and his staff and the Energy Division Staff for producing a Proposed Decision that seeks to fairly weigh the evidence provided in this proceeding from a diverse group of parties. EnerNOC supports adoption of this Proposed Decision, but with the specific modifications identified herein and with the hope that, in future LTPPs, appropriate assumptions on preferred resources can be built into the modeling at the front end, rather than accounting for the availability of those resources through after-the-fact adjustments in procurement authorizations.

By incorporating appropriate preferred resource growth assumptions into the analysis initially, the proposed need assessment will reflect a more realistic capacity value that the Commission should authorize for IOU procurement. EnerNOC also continues to strongly urge

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<sup>26</sup> Id., at pp. 15-16.

the Commission to promptly, fairly, and transparently address the issue of defining the attributes that DR resources must possess in order to qualify as a local capacity resource.

Respectfully submitted,

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/s/ SARA STECK MYERS  
Sara Steck Myers  
For EnerNOC, Inc.

Sara Steck Myers  
Attorney at Law  
122 - 28th Avenue  
San Francisco, CA 94121  
Telephone: 415-387-1904  
Facsimile: 415-387-4708  
Email: [ssmyers@att.net](mailto:ssmyers@att.net)

And

Mona Tierney-Lloyd  
Director of Regulatory Affairs  
EnerNOC, Inc.  
P. O. Box 378  
Cayucos, CA 93430  
Telephone: 805-995-1618  
Facsimile: 805-995-1678  
Email: [mtierney-lloyd@enernoc.com](mailto:mtierney-lloyd@enernoc.com)

## APPENDIX A

### ENERNOC, INC. PROPOSED FINDINGS OF FACT AND ORDERING PARAGRAPH

EnerNOC, Inc. (EnerNOC) proposes the following modifications to the Findings of Fact and Ordering Paragraphs in the Proposed Decision of ALJ Gamson Authorizing Long-Term Procurement for Local Capacity Requirements Due to Permanent Retirement of the San Onofre Nuclear Generation Stations (SONGS) in the Commission’s Long Term Procurement Plan (LTPP) Rulemaking (R.) 12-03-014 (Track 4 Proposed Decision). Please note the following:

- A page citation to the Proposed Decision is provided in brackets for each Finding of Fact or Ordering Paragraph for which a modification is proposed.
- Added language is indicated by **bold type**; removed language is indicated by **bold strike-through**.
- A new or added Finding of Fact or Ordering Paragraph is preceded by the language: “**NEW FINDING OF FACT**” or “**NEW ORDERING PARAGRAPH**” in **bold**.

#### **PROPOSED FINDINGS OF FACT:**

47. [124] It is reasonable to expect that, in the future, some amount of what is now considered ‘second contingency’ demand response resources can be available to mitigate the first contingency, and therefore meet LCR needs.

**NEW FINDING OF FACT (47.a.) It is reasonable to expect that an N-1-1 contingency would constitute a CAISO emergency and that DR resources would be dispatched in response to that emergency.**

**NEW FINDING OF FACT (47.b.) It is reasonable to expect voluntary load reductions to occur in advance of triggering an involuntary load reduction through the SPS.**

**NEW FINDING OF FACT (47.c.) The CAISO has not defined the attributes that DR resources would need to possess in order to qualify as a local capacity resource.**

**PROPOSED ORDERING PARAGRAPH:**

**NEW ORDERING PARAGRAPH (to follow OP 17 [142]): The Commission shall determine in its resource adequacy rulemaking the attributes that DR resources will be required to possess in order to qualify for local resource adequacy.**