BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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| 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<br>(Filed September 19, 2013) |

# THE OFFICE OF RATEPAYER ADVOCATES' OPENING COMMENTS ON PROPOSED DECISION ADDRESSING FOUNDATIONAL ISSUE OF THE BIFURCATION OF DEMAND RESPONSE PROGRAMS

**SUDHEER GOKHALE**
**XIAN MING "CINDY" LI**
Analysts for the Office of Ratepayer Advocates

California Public Utilities Commission
505 Van Ness Ave.
San Francisco, CA 94102
Phone: (415) 703-1546
Email: xian.li@cpuc.ca.gov

**CHRISTOPHER CLAY**
Attorney for the Office of Ratepayer Advocates

California Public Utilities Commission
505 Van Ness Ave.
San Francisco, CA 94102
Phone: (415) 703-1123
Fax: (415) 703-4432
Email: christopher.clay@cpuc.ca.gov

March 13, 2014

# I. INTRODUCTION

The Office of Ratepayer Advocates (ORA) submits the following comments on the Proposed Decision (PD) of Administrative Law Judge Kelly A. Hymes dated February 21, 2014 addressing the foundational issue of bifurcation of demand response (DR) programs. The PD bifurcates the current Commission-regulated demand response programs into two categories: 1) load modifiers and 2) supply resources. The PD defines "load modifiers" as those DR programs that reshape or reduce load by indirectly reducing the net load curve and "supply resources" as those DR programs that can be dispatched into the California Independent System Operator's (CAISO) energy markets, when and where needed.[1] The PD states that there is no intention to diminish the value of demand response in either category.[2]

ORA urges the Commission to elaborate on whether, how and when the PD's bifurcation and categorization of current DR programs will be incorporated into Resource Adequacy (RA) and Long Term Procurement Planning (LTPP) proceedings. To avoid stranding any current ratepayer investments in DR programs, the Commission should ensure that the definitions, timelines and requirements considered for transitioning DR programs to meet Commission's goals in this rulemaking are properly aligned with the Commission's RA proceedings and California Energy Commission's (CEC's) process for providing the load forecast used in RA and LTPP proceedings. In particular, the Commission should not adopt any new RA requirements for the currently ratepayer-funded DR programs before ensuring that these programs could be modified in time to meet the new RA requirements. In addition, the Commission should ensure that ratepayers only fund those DR programs that qualify and get appropriate credit either as a load modifier in the CEC's load forecasts or as an RA capacity supply side resource in RA proceedings.

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[1] PD, Ordering Paragraph (OP) 1, 2 and 3.

[2] PD, p. 7.

## II. DISCUSSION

The PD adopts the bifurcation of current DR programs into load modifiers and supply resources.[3] The PD also provides definitions for load modifiers and supply resources and provides a table that shows which current DR programs fall under each category. The PD states that the Commission's goals are to increase the efficiency and use of all demand response programs – both those that are bid into the CAISO energy markets and those that are not.[4] However, the PD does not elaborate on the practical effect of such bifurcation. For example, the PD does not provide any guidance on whether, how and when the new definitions under bifurcation will be used in determining California's resource needs in the Commission's on-going RA and LTPP proceedings.[5] The PD also is not clear on which definition should govern if there are any conflicts between the requirements resulting from the definitions in the PD and the DR program requirements for RA eligibility in an RA proceeding. ORA is concerned that because of the lack of this clarity in the PD, some of the ratepayer-funded DR programs and related activities may not get appropriate RA credit in the near-term and in the LTPP assumptions in the longer horizon.

As discussed below, ORA's concerns stem from 1) ratepayers' exposure to potential stranded investments in current DR programs and 2) whether ratepayers would be funding any DR programs in the future that do not qualify and get appropriate credit either as a load modifier in the CEC load forecast or as a supply resource in a RA proceeding.

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[3] PD, OP 1.

[4] PD, p. 7.

[5] Currently, IOUs' 2015 RA compliance requirements are considered in RA proceeding R.11-10-023 and long - term resource needs in the 2014 LTPP proceeding R.13-12-010.

### A. The Commission Should Ensure that Ratepayer Investments in the Current DR Program Cycle (2012-2014) and Bridge Funding Period (2015-2016) Do Not Get Stranded

Investor Owned Utilities' (IOUs') ratepayers support numerous DR programs and related activities that fall under the Commission's proposed bifurcation branches for DR programs. Currently, funding for these activities is authorized in Decision (D.) 12-04-045 for the IOUs' 2012-2014 DR cycle[6] and will be continued into 2015 and 2016 under the Commission's bridge funding decision D.14-01-004 in this proceeding. Some DR related activities are also funded in IOUs' general rate case (GRC) proceedings.

Following up on the Commission's DR bifurcation proposal, in the RA Rulemaking (R.) 11-10-023, the Energy Division (ED) submitted proposals for the calculation of the qualifying capacity (QC) and effective flexible capacity (EFC) for storage and supply-side DR.[7] The proposed QC and EFC methodology for DR specifies that all supply side-DR resources must have the capability to offer into CAISO markets – via economic bids or by self-scheduling – under CAISO's Must Offer Obligation (MOO) in order to qualify for RA.[8] The proposed QC and EFC methodology for ES and DR also states that this requirement will be effective for the utilities' 2015 RA compliance year.[9]

For 2014, the supply resource programs listed in Table 2 of the PD, receive RA credits that reduce Commission's RA requirements for each load serving entity (LSE).[10] Table 1 below shows the 2014 RA credits for supply resource programs listed in Table 2.

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[6] Additional changes to 2013-2014 programs and funding for Southern California Edison (SCE) and San Diego Gas and Electric (SDG&E) were made in D.13-04-017.

[7] "Qualifying Capacity and Effective Flexible Capacity Calculation Methodologies for Energy Storage and Supply-Side Demand Response Resources," Staff Proposal Outline, Resource Adequacy Proceeding R.11-10-023, Dated January 16, 2014. Energy Division, CPUC. P. 2.

[8] *Id*, p. 1.

[9] *Id*, p. 5.

[10] 2014 Total IOU Demand Response programs by Program and Local Area, revised 9/10/2013. http://www.cpuc.ca.gov/PUC/energy/Procurement/RA/ra_compliance_materials.htm. These programs are the Aggregator Managed Portfolio (AMP), Demand Bidding Program (DBP), Capacity Bidding Program (CBP), Air Conditioner (AC) Cycling, Agricultural Pumping Interruptible (API), and Base Interruptible Program (BIP).

**TABLE 1-August 2014 Resource Adequacy Credits by DR Programs (MW)**

| Program Name | PG&E | SCE | SDG&E |
|---|---|---|---|
| Aggregator Managed Portfolio (AMP) | 267 | 160 | No Program |
| Capacity Bidding Program (CBP) | 49 | 11 | 18 |
| Demand Bidding Program (DBP) | 3 | 4 | 5 |
| Air Conditioning (AC) cycling | 84 | 374 | 15 |
| Agricultural Pumping Interruptible (API) | No Program | 64 | No Program |
| Base Interruptible Program (BIP) | 276 | 626 | 1 |
| **TOTAL MW** | 679 | 1,239 | 39 |

Under the ED proposal above, beginning in the 2015 compliance year, only supply side DR programs will receive RA credits. ORA is concerned that the process of transitioning DR supply side resources as defined in this PD may not meet the RA requirements in the ED proposal noted above by 2015. ORA is especially concerned that DR programs may not meet CAISO's requirements related to settlement and telemetry in time for 2015 RA compliance year.

Furthermore, ORA is concerned that the PD does not specify a process by which the load modifier DR programs will be fully coordinated with the CEC process for developing its load forecast – both in terms of CEC's own determination of which DR programs should modify its forecast and to what extent.[11] If any of the currently funded DR supply side programs do not meet the RA requirements for post-2014 compliance years or if any of the currently funded load modifying programs do not get the same

[11] For Example, in California Energy Demand 2014-2024 Final Forecast, December 2013, California Energy Commission.http://www.energy.ca.gov/2013publications/CEC-200-2013-004/CEC-200-2013-004-SF-V1.pdf Tables 8 and 9.

amount of credit, as would have been given in the current RA process, in CEC's load forecast used in determining IOUs' RA requirements, some of the ratepayer investments in DR programs could become stranded.

To avoid stranding any current ratepayer investments in DR programs, the Commission should ensure that the definitions, timelines and requirements considered for transitioning DR programs to meet Commission's goals in this rulemaking are properly aligned with the Commission's RA proceedings and CEC's process for providing the load forecast used in RA and LTPP proceedings. In particular, the Commission should not adopt any new RA requirements for the currently ratepayer-funded DR programs before ensuring that these programs could be modified in time to meet the new RA requirements.

### B. Program Approval and Funding of Future DR Programs

SDG&E claims that the Resource Adequacy value of supply side demand response could be diminished if more demand response moves to the CAISO energy market. [12] EnerNOC also expresses several concerns - one of them stemming from the ED proposal that compares DR to a generator to be bid at sub-Load Aggregation Point (LAP). EnerNOC claims that if any single sub-LAP does not have a robust commercial, industrial and institutional (CI&I) sector EnerNOC will not provide services there.[13]

The Commission should evaluate these and similar claims in this proceeding to ensure that the Commission's goals for bifurcating DR - to increase the efficiency and use of all demand response programs – are not diminished because of the new RA requirements in the ED proposal.

In addition, the Commission should ensure that ratepayers only fund those DR programs that qualify and get appropriate credit either as a load modifier in the CEC's load forecasts or as an RA capacity supply side resource in RA proceedings.

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[12] PD, p. 10.

[13] Comments of EnerNOC, On Energy Division Resource Adequacy Qualifying Capacity and Effective Flexible Capacity Proposals, p. 4.

## III. CONCLUSION

In summary, ORA supports Commission's goals for bifurcating DR programs into load modifying and supply resource categories. However, ORA urges the Commission to elaborate on whether, how and when the PD's bifurcation and categorization of current DR programs will be incorporated into Resource Adequacy and Long Term Procurement Planning proceedings.

To avoid any stranding of current ratepayer investments in DR programs, the Commission should ensure that the definitions, timelines and requirements considered for transitioning DR programs to meet Commission's goals in this rulemaking are properly aligned with the Commission's RA proceedings and CEC's process for providing the load forecast used in RA and LTPP proceedings. In particular, the Commission should not adopt any new RA requirements for the currently ratepayer-funded DR programs before ensuring that these programs could be modified in time to meet the new RA requirements. In addition, the Commission should ensure that ratepayers only fund those DR programs that qualify and get appropriate credit either as a load modifier in the CEC's load forecasts or as an RA capacity supply side resource in RA proceedings.

Respectfully submitted,

/s/ CHRISTOPHER CLAY

Christopher Clay

Attorney for the Office of Ratepayer Advocates

California Public Utilities Commission
505 Van Ness Ave.
San Francisco, CA 94102
Phone: (415) 703-1123
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