

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)

**JOINT REPLY COMMENTS OF
ENERNOC, INC., JOHNSON CONTROLS, INC., AND COMVERGE, INC.
("JOINT DR PARTIES")
ON PROPOSED DECISION ON DR PROGRAM BIFURCATION**

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EnerNOC, Inc., Johnson Controls, Inc., and Comverge, Inc. ("Joint DR Parties") respectfully submit these Joint Reply Comments on the Proposed Decision Addressing Foundational Issue of the Bifurcation of Demand Response Programs ("Proposed Decision"). The Proposed Decision was mailed in Rulemaking (R.) 13-09-011 on February 21, 2014. These Joint Reply Comments are timely filed and served pursuant to Article 14 of the Commission's Rules of Practice and Procedure and the instructions accompanying the Proposed Decision.

**I.
THE COMMENTS OF MULTIPLE PARTIES, REPRESENTING A BROAD
SPECTRUM OF INTERESTS, ALL SUPPORT FURTHER ANALYSIS
OF BIFURCATION BEFORE IT IS OR CAN BE IMPLEMENTED.**

In their Opening Comments on the Proposed Decision, the Joint DR Parties recognized that *some* progress has been made in the Proposed Decision to clarify and address issues of concern with the original bifurcation proposal set forth in R.13-09-011 and the Scoping Memo. However, as reflected in Joint DR Parties' Opening Comments, there is still significant analysis and work that needs to be undertaken and completed before bifurcation can be authorized by this Commission. Given the changes required in the Proposed Decision, the Joint DR Parties recommend that the Commission withdraw the Proposed Decision and not issue a decision regarding bifurcation or the categorization of the DR Programs, as either load modifiers or

supply-side resources, until the necessary underlying analysis of the issues associated with integrating DR resources into the wholesale market has concluded in Phase Three of this proceeding.

Otherwise, Joint DR Parties recommend that the Proposed Decision be changed to reflect that bifurcation and the categorization of the programs by the Proposed Decision are preliminary and subject to modification based upon the record that will be developed in Phase Three of this proceeding. Further, the Joint DR Parties offered changes to the Findings of Fact, Conclusions of Law and the Ordering Paragraphs to reflect the lack of an evidentiary record that has been developed to support the conclusions contained in the Proposed Decision.

In reply, the Joint DR Parties' can confirm that its concerns regarding the Proposed Decision were also reflected in the Opening Comments of multiple parties. Several parties stated that the decision to bifurcate was premature and not supported by the record;¹ the classification of the programs as either load modifiers or supply-side resources was not supported by the record;² and the purpose of demand response programs, to either support state policy goals or to respond to minute-by-minute dispatch instructions, was not supported by the record³ or could devalue existing DR programs.⁴ Several parties seek additional analysis of the effects of bifurcation.⁵ This party input should not be ignored by the Commission and should lead to a withdrawal of the Proposed Decision, as premature and unsupported, in favor of further analysis.

¹ Center for Energy Efficiency and Renewable Technologies (CEERT) Opening Comments, at pp. 5-9; California Large Energy Consumers Association (CLECA) Opening Comments, at pp. 2-3.

² San Diego Gas and Electric Company (SDG&E) Opening Comments, at pp. 2-3; CEERT Opening Comments, at pp. 9-10; Southern California Edison Company (SCE) Opening Comments, at p. 2; Pacific Gas and Electric Company (PG&E) Opening Comments at pp. 2-4; CLECA Opening Comments, at pp. 3-4.

³ SCE Opening Comments at p. 3; PG&E Opening Comments at pp. 13-14; CLECA Opening Comments, at pp. 8-10.

⁴ Office of Ratepayer Advocates (ORA) Opening Comments, at p. 2.

⁵ ORA Opening Comments, at p. 5.

II. THE CAISO DISCOUNTS THE CONCERNS ASSOCIATED WITH PARTICIPATION IN THE WHOLESALE MARKET.

In its Opening Comments, the California Independent System Operator (CAISO) challenges the assertion that participation in the wholesale market could be costly and that telemetry requirements could be a barrier.⁶ The CAISO challenges these assertions saying that participation in the Reliability Demand Response Resource (RDRR) does not require telemetry⁷ and that CAISO only requires telemetry for resources providing ancillary services and for resources at or above 10 MW.⁸ However, those “limitations” do not reduce the concerns about either wholesale market participation or telemetry requirements.

First, in the eastern ISOs, telemetry is only required for resources that provide regulation. DR resources can provide spinning (synchronous) and non-spinning (supplemental) reserves without telemetry. It is clear that CAISO would like to see DR resources provide more fast-response resources, like ancillary services and load following. So, saying telemetry is only required for ancillary services means that it will be cost prohibitive for DR to provide these services.

Second, the CAISO is suggesting that it would be unlikely for a Proxy Demand Resource (PDR) to exceed 10 MW within a sub-LAP. The Joint DR Parties disagree. It is very likely that a PDR could exceed 10 MW and incur a requirement to install telemetry. How and where that requirement would be satisfied is unclear. A solution to the telemetry requirement would be to register PDR below 10 MW, breaking the PDR into 9.9 MW segments, for example.

However, CAISO fails to appreciate that aggregation of many customers of varying sizes and load types and larger aggregations provide a natural hedge against performance risk. Since

⁶ CAISO Opening Comments, at pp. 3-7.

⁷ CAISO Opening Comments, at p. 6.

⁸ CAISO Opening Comments, at pp. 6-7.

each PDR has to schedule and settle, smaller 9.9 MW PDR resources have a higher risk associated with them because any customer failure to respond could have a higher negative effect on the performance of that portfolio. Smaller resource aggregations increase the risk of performance of the resource. Therefore, the choice is to either pay for telemetry or have a riskier, smaller PDR resource and avoid the telemetry cost.

**III.
CLECA’S REFERENCE TO THE DECLINE OF DEMAND
RESPONSE IN THE EASTERN ISOs IS AN OVER SIMPLIFICATION.**

CLECA’s Opening Comments refers to declines in DR participation in New York ISO (NYISO) ISO New England (ISO-NE) and PJM (Pennsylvania, New Jersey and Maryland Regional Transmission Organization).⁹ It is unclear exactly what point CLECA is trying to make by referencing the decline in DR participation in these markets, but it would be inaccurate to conclude that participation in the wholesale market, alone, led to a decline in DR.

In fact, evidence over the past several years in PJM has reflected a significant increase in DR participation. A recent decline in participation in PJM was due to several factors, but is not indicative of a failure of the PJM market to support DR. Simply said, all of these markets have different designs for DR participation and design matters, just as it would in CAISO. CAISO’s design is nothing like the eastern markets. However, it is an oversimplification to say that wholesale market participation will lead to a reduction in DR without examining the underlying causes of that decline. Therefore, CLECA’s comments in this respect should be disregarded.

**IV.
CONCLUSION**

The Joint DR Parties continue to urge the Commission to modify the Proposed Decision as recommended by the Joint DR Parties in their Opening Comments and supported by Appendix

⁹ CLECA Opening Comments, at p. 13.

A (Proposed Findings of Fact, Conclusions of Law, and Ordering Paragraphs) thereto. In the absence of making those changes, Joint DR Parties ask that the Commission withdraw the Proposed Decision in favor of actual record development needed to support even a policy decision on bifurcation or, alternatively, characterize a decision to bifurcate now, including the categorization of DR programs, as preliminary pending the examination in Track III of this proceeding. The Opening Comments of multiple other parties support the *same* outcome.

Respectfully submitted,

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