

**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)

**COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE
ON THE ADMINISTRATIVE LAW JUDGE'S RULING REQUESTING
RESPONSES TO QUESTIONS IN REGARD TO 2018 AND
BEYOND DEMAND RESPONSE PROGRAMS**

Donald C. Liddell
DOUGLASS & LIDDELL
2928 2nd Avenue
San Diego, California 92103
Telephone: (619) 993-9096
Facsimile: (619) 296-4662
Email: liddell@energyattorney.com

Counsel for the
CALIFORNIA ENERGY STORAGE ALLIANCE

March 18, 2016

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In accordance with Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), the California Energy Storage Alliance (“CESA”)¹ hereby submits these comments on the *Administrative Law Judge’s Ruling Requesting Responses to Questions in Regards to 2018 and Beyond Demand Response Programs*, issued by assigned Administrative Law Judge Kelly A. Hymes on March 4, 2016 (“Ruling”).

¹ 1 Energy Systems Inc., Abengoa, Advanced Microgrid Solutions, AES Energy Storage, Aquion Energy, ARES North America, Brookfield, Chargepoint, Clean Energy Systems, CODA Energy, Consolidated Edison Development, Inc., Cumulus Energy Storage, Customized Energy Solutions, Demand Energy, Duke Energy, Dynapower Company, LLC, Eagle Crest Energy Company, East Penn Manufacturing Company, Ecoult, ELSYS Inc., Energy Storage Systems, Inc., Enersys, EnerVault Corporation, Enphase ENERGY, EV Grid, Flextronics, GE Energy Storage, Green Charge Networks, Greensmith Energy, Gridtential Energy, Inc., Hitachi Chemical Co., Ice Energy, IMERGY Power Systems, Innovation Core SEI, Inc. (A Sumitomo Electric Company), Invenergy LLC, K&L Gates, LG Chem Power, Inc., LightSail Energy, Lockheed Martin Advanced Energy Storage LLC, LS Power Development, LLC, Manatt, Phelps & Phillips, LLP, Mitsubishi Corporation (Americas), Mobile Solar, NEC Energy Solutions, Inc., NextEra Energy Resources, NRG Solar LLC, OutBack Power Technologies, Panasonic, Parker Hannifin Corporation, Powertree Services Inc., Primus Power Corporation, Princeton Power Systems, Recurrent Energy, Renewable Energy Systems Americas Inc., Rosendin Electric, S&C Electric Company, Saft America Inc., Sharp Electronics Corporation, Skylar Capital Management, SolarCity, Sony Corporation of America, Sovereign Energy, STEM, SunEdison, SunPower, Toshiba International Corporation, Trimark Associates, Inc., Tri-Technic, Wellhead Electric. The views expressed in these Comments are those of CESA, and do not necessarily reflect the views of all of the individual CESA member companies. (<http://storagealliance.org>).

I. INTRODUCTION.

CESA appreciates the work to date by the Commission and the investor-owned utilities (“IOUs”) to bifurcate demand response (“DR”) programs, integrate DR resources into the California Independent System Operator’s (“CAISO’s”) market, and consider new DR products in Phase 3 of this proceeding. The work put into Phase 3 of this proceeding will set the stage for increased DR participation and unlock new, innovative DR products provided by third parties. Therefore, CESA believes that the policy questions posed in the Ruling are important and should be resolved such that 2018 and beyond DR programs allow for increased third-party participation by relaxing dual participation rules, and establish long-term funding that allows third parties to improve their customer outreach and submit lower-cost bids. Regarding the procedural questions in the Ruling, CESA favors a timeline that expeditiously starts DR programs for existing DR products underway while developing new DR products to be included in DR programs by 2018.

II. SUPPLEMENTAL APPLICATION SCENARIO REPRESENTS THE BEST BALANCE BETWEEN EXPEDIENCY OF STARTING DEMAND RESPONSE PROGRAMS UNDERWAY AND DEVELOPMENT OF NEW DEMAND RESPONSE PRODUCTS BY 2018.

Due to the schedule delay for the 2015 California Demand Response Potential Study (“Study”), the Commission proposes three scenarios as potential paths and timelines to balance the need for near-term guidance on current DR products for 2018 and beyond and the consideration of the Study’s results to inform the guidance for future DR products.² While the continuation of programs for existing DR products – *e.g.*, proxy demand response (“PDR”) and reliability demand response (“RDR”) – are important, CESA also highly values the development

² Ruling, pp. 4-5.

of new DR products, such as ancillary services and “reverse DR”, which represent critical new applications to improve system operations and grid reliability using a suite of technologies that are available today.

CESA therefore recommends that the Commission adopt the Supplemental Application Scenario (“Scenario B”) because it allows the IOUs to file Applications in a timely manner and the Commission to issue a Proposed Decision before the 2018 calendar year. Scenario B proposes that the Commission issue a preliminary Guidance in August 2016 based on April 2016 study results on current DR products, which allows the IOUs to submit a preliminary Application in December 2016. CESA sees no need to wait for the September 2016 study results to establish the groundwork for 2018 and beyond DR programs to be redesigned and sustainably funded because this process involves existing DR products and provides the IOUs with sufficient time to develop preliminary Applications. Following the completion of the second part of the Study in September 2016 and issuance of further Guidance in November 2016, the IOUs will be able to supplement, amend, or enhance their Applications by February 2017, leading to a Proposed Decision to approve the Applications by September 2017. This timeline also fits well with the Phase 2 of the CAISO’s Energy Storage and Distributed Energy Resources (“ESDER”) Initiative, which plans to have market design rules for PDRs to perform ancillary services (*i.e.*, the ‘future’ DR products being developed in this proceeding) finalized by the end of 2016. Scenario B therefore will allow each of the IOUs to develop a single Application that incorporates both current and new DR products, is administratively and procedurally simpler, and sets the stage for the IOUs to implement these new DR programs at the start of 2018.

The Commission also proposed a Delay Scenario (“Scenario A”) and a Two Decision Scenario (“Scenario C”), which CESA does not support. Scenario A essentially waits for both

parts of the Study to be completed before the Guidance is issued, which delays a Proposed Decision to the first quarter of 2018. While administratively simple, Scenario A unnecessarily delays the entire process such that the new DR programs would not be implemented until well into 2018 and bridge funding is essentially locked for DR programs. Scenario C, on the other hand, proposes a similar staged approach to Scenario B but splits the Guidance and Applications into two separate tracks. While Scenario C would allow current DR products to be incorporated prior to the start of 2018, it delays opportunities for future DR products from being implemented in established DR programs far into 2018. Furthermore, Scenario C represents an administratively more complex path as it would require two sets of Applications and Decisions.

Overall, CESA firmly supports a timeline that ensures that new guidance for both current and new DR products is incorporated in DR programs that are promptly implemented prior to or at the start of 2018. Scenario B best represents such a timeline.

III. MORE OPPORTUNITIES NEED TO BE CREATED FOR THIRD PARTIES BY REMOVING RESTRICTIONS ON PARTICIPATION IN MULTIPLE DEMAND RESPONSE PROGRAMS.

CESA supports the evolving role of the IOUs in administering supply-side and load-modifying DR resources and in acting as a scheduling coordinator for DR resources in several pilots, including the demand response auction mechanism (“DRAM”) pilot and supply-side pilot programs. However, even as the IOUs’ role has grown with the focus on integrating DR resources with the CAISO’s wholesale markets, third parties should have an opportunity to independently provide DR resources as well as participate in one or more IOU-run programs. Currently, third-party DR providers, such as those using behind-the-meter energy storage, are only allowed to participate in one DR program, whether it is an IOU-administered DR program or a third-party-administered Rule 24/32 CAISO portfolio. For example, third-party DR

aggregators who participate in a utility DR program, such as the Base Interruptible Program (“BIP”), must de-enroll its customers from BIP if the third party wishes to have the same customers also participate directly in the CAISO markets via Rule 24/32.³ These dual participation rules unfortunately results in third-party DR programs competing against IOU-run DR programs. Similar dual participation restrictions apply when third-party aggregators attempt to participate in the IOUs’ supply-side programs (e.g., DRAM) as well as its load-modifying or capacity programs.

CESA recognizes that concerns about double compensation for participation in multiple DR programs are sometimes appropriate. For example, the same resource should not be compensated for participating in two RA-eligible programs. However, CESA finds double payment concerns to be unreasonable in the case where a third party wishes to participate in an IOU-run program while managing a Rule 24/32 CAISO portfolio. While most IOU-run programs procure DR resources to respond to contingency and economic events and make capacity-based payments to its participating customers, third-party DR programs (via Rule 24/32) are paid based on energy-based services it provides to the CAISO market. Double compensation is irrelevant in these cases because payments are being made for different services. Therefore, CESA recommends that the restrictions on dual participation in DR programs be removed.

³ *Pacific Gas and Electric Company Filing for its 2017 Bridge Funding Proposal for Demand Response Programs for the 2017 Transition Year*, submitted on February 1, 2016. p. 19; *Southern California Edison Company’s (U 338-E) Proposal for Approval of its 2017 Demand Response Program and Bridge Funding Authorization*, submitted on February 1, 2016. p. A-6.

IV. THE COMMISSION SHOULD ADOPT 10-YEAR BUDGET CYCLES SIMILAR TO ENERGY EFFICIENCY PROGRAMS WHILE ALLOWING FOR MID-COURSE ADJUSTMENTS.

Over the past several years, DR in California has been funded on a year-to-year basis and will continue with bridge funding for its 2017 DR programs. However, CESA recommends that the Commission escape this cycle of bridge funding and establish a longer budget cycle that provides more market certainty, allowing for third parties to submit lower-cost bids. With longer-term, multi-year contracts, third parties have the ability to perform more robust customer outreach and deploy new DR assets. CESA recommends that the Commission adopt 10-year budget cycles similar to those for energy efficiency programs. Even with these long budget cycles, there should be opportunities for mid-course adjustments that re-adjust budgets to reflect current market conditions, changes in program priorities, and/or other issues that may arise. Longer term budget cycles also reduce the administrative burden on the part of IOUs while enhancing the ability for DR resources to be accurately accounted for in resource planning. Energy efficiency programs, which have these adjustment mechanisms built in, will be instructive in this regard.

V. CONCLUSION.

CESA appreciates the opportunity to submit these comments on the Ruling and looks forward to working with the Commission and parties as this proceeding progresses.

Respectfully submitted,



Donald C. Liddell
DOUGLASS & LIDDELL

Counsel for the
CALIFORNIA ENERGY STORAGE ALLIANCE

Date: March 18, 2016