

**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 PROPOSED DECISION ADOPTING STEPS FOR IMPLEMENTING THE
COMPETITIVE NEUTRALITY COST CAUSATION PRINCIPLE, DECLINING TO
HOLD AN AUCTION IN 2018 FOR THE DEMAND RESPONSE AUCTION
MECHANISM, AND ESTABLISHING A WORKING GROUP FOR THE CREATION
OF NEW MODELS OF DEMAND RESPONSE REQUIRING AN AUCTION**

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

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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 *Proposed Decision Adopting Steps for Implementing the Competitive Neutrality Cost Causation Principle, Declining to Hold an Auction in 2018 for the Demand Response Auction Mechanism, and Establishing a Working Group for the Creation of*

¹ 8minutenergy Renewables, Able Grid Energy Solutions, Adara Power, Advanced Microgrid Solutions, AES Energy Storage, AltaGas Services, Amber Kinetics, American Honda Motor Company, Inc., Bright Energy Storage Technologies, BrightSource Energy, Brookfield, California Environmental Associates, Consolidated Edison Development, Inc., Customized Energy Solutions, Demand Energy, Doosan GridTech, Eagle Crest Energy Company, East Penn Manufacturing Company, Ecoult, EDF Renewable Energy, ElectrIQ Power, eMotorWerks, Inc., Energport, Energy Storage Systems Inc., GAF, Geli, Green Charge Networks, Greensmith Energy, Gridscape Solutions, Gridtential Energy, Inc., Hitachi Chemical Co., IE Softworks, Innovation Core SEI, Inc. (A Sumitomo Electric Company), Johnson Controls, LG Chem Power, Inc., Lockheed Martin Advanced Energy Storage LLC, LS Power Development, LLC, Magnum CAES, Mercedes-Benz Energy, National Grid, NEC Energy Solutions, Inc., NextEra Energy Resources, NEXTracker, NGK Insulators, Ltd., NICE America Research, NRG Energy, Inc., Ormat Technologies, OutBack Power Technologies, Parker Hannifin Corporation, Qnovo, Recurrent Energy, RES Americas Inc., Semptra Renewables, Sharp Electronics Corporation, SolarCity, Southwest Generation, Sovereign Energy, Stem, STOREME, Inc., Sunrun, Swell Energy, Viridity Energy, Wellhead Electric, and Younicos. 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>).

New Models of Demand Response, issued by Administrative Law Judge Kelly Hymes and Administrative Law Judge Nilgun Atamturk on September 15, 2017 (“Proposed Decision”) and on the *Alternate Proposed Decision Adopting Steps for Implementing the Competitive Neutrality Cost Causation Principle, Requiring an Auction in 2018 for the Demand Response Auction Mechanism, and Establishing a Working Group for the Creation of New Models of Demand Response*, issued by Commissioner Martha Guzman Aceves on September 15, 2017 (“Alternate”).

I. INTRODUCTION.

CESA supports the Commission’s goals to enable new and advanced demand response (“DR”) products and programs to help meet California’s need for future capacity, energy, and ancillary services. As the Commission pushes to understand how to best facilitate greater integration of DR resources into the wholesale markets of the California Independent System Operator (“CAISO”) as a means to better address grid needs, CESA believes that the Demand Response Auction Mechanism (“DRAM”) is an important pilot mechanism to test the feasibility of procuring supply-side DR resources for Resource Adequacy (“RA”) and the ability of third parties to directly participate in the CAISO markets. The DRAM will demonstrate a new potential future model for DR resources – one in which DR resources can be procured to provide capacity-like load reductions in adherence to must-offer obligations of RA resources. In addition to the DRAM, there are potential new DR products that should be considered by the Commission, including how DR resources can provide responsive load *consumption* and load

shifting DR services in addition to addressing the net export constraint,² which CESA sees a greater need for as grid-scale and rooftop solar proliferates and creates an opportunity to increase or shift load to solar generation hours.

Both the Proposed Decision and the Alternate establish two working groups to address the barriers and the key features of these new DR products. With the formation of the Load Consumption Working Group (“LCG”), there is an opportunity to work with other stakeholders to develop a proposal for load consumption and bidirectional DR products and submit a proposal on the RA value of ramping by DR resources. CESA supports these efforts and looks forward to being an active participant in this working group. However, CESA believes that both decisions overlook the critical need to address dual participation rules in the new rulemaking. In these comments, CESA advocates for the consideration of these issues in the new rulemaking given the broad policy questions that cannot be addressed in the 2018-2022 DR applications by each of the investor-owned utilities (“IOUs”).

Furthermore, CESA offers comments that support the Alternate’s determination that requires the IOUs to conduct an additional DRAM auction in 2018 for deliveries in 2019. CESA agrees with the Alternate that more experience can be gained from an additional auction at a reasonable cost and because it is unclear whether the market is consolidating or limiting to new market entrants given the limited budget to support two-year contracts in the third solicitation.

Finally, CESA encourages the Commission to open a new proceeding to address new models of DR as soon as possible. It is important to establish a venue by which any interim solutions stemming from the quarterly reports of the Working Groups can be addressed. This

² *Comments of the California Energy Storage Alliance on the Administrative Law Judge’s Ruling Requesting Responses to Questions Regarding the Pathway to New Models of Demand Response and Remaining Barriers to the Integration of Demand Response into the CAISO Market*, filed on July 6, 2017, pp. 3-4.

also provides the Commission the opportunity to host official workshops with a broader group of stakeholders than those participating in the Working Groups as any interim new models of DR are developed as a result of the on-going working group process.

II. THE LOAD CONSUMPTION WORKING GROUP SHOULD CLOSELY COORDINATE WITH THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR ON THE DEVELOPMENT OF A WHOLESALE BIDIRECTIONAL DEMAND RESPONSE PRODUCT WHILE ALSO DEVELOPING A RETAIL LOAD CONSUMPTION PRODUCT.

CESA strongly supports the scope of the LCG and applauds the Commission for consideration of a load consumption DR product as a potential new DR model going forward. At the same time, CESA points to the load shifting DR product development work being currently done at the CAISO's Energy Storage and Distributed Energy Resources ("ESDER") Phase 3 Initiative. CESA is actively working with the CAISO on identifying the product features, barriers, and solutions to creating a wholesale load shifting DR product, which may require input from the Commission and stakeholders in this working group to address any issues that arise. For example, CESA, CAISO, and the IOUs will need to understand how or if load consumption in response to a CAISO dispatch would affect load scheduling by the IOUs. Thus, as ESDER Phase 3 kicks off in the fall, CESA recommends that this working group closely coordinate and determine what is needed in terms of potential Commission actions to support the development of this new wholesale product.

While these efforts are underway at the CAISO, CESA also recommends that the LCG develop retail load consumption programs or tariffs that would encourage DR resources to increase or shift load to address distribution congestion (*e.g.*, during hours when a given circuit is overloaded due to significant rooftop solar generation at that location) and/or to support greenhouse gas ("GHG") emissions reduction objectives of DR programs by having DR

resources such as energy storage charge during solar overgeneration hours and discharge during peak load hours. Currently, DR resources are not given the signals for when to consume energy. While the CAISO's load shifting DR product would address system-wide needs, this *retail* load consumption or shifting program or tariff could support local distribution needs in addition to system needs, such as distribution congestion. Similar to the Critical Peak Pricing ("CPP") tariff for load reduction, a similar type of charging or load consumption tariff could be developed by assessing the top hours of system and circuit generation, instead of load.

CESA would also like to more explicitly reference in the list of topics in scope for the Working Group to include addressing the ability of behind-the-meter energy storage to get compensated for exporting during hours of grid need, otherwise known as the net export constraint.

III. THE LOAD CONSUMPTION WORKING GROUP SHOULD ALSO RESOLVE DUAL PARTICIPATION BARRIERS FOR DEMAND RESPONSE RESOURCES.

One issue that is critically missing within the scope of the new DR rulemaking is the consideration of dual participation rules and how these barriers, if unreasonable, can be addressed. Both the Proposed Decision and Alternate exclude this issue because it is being considered in the 2018-2022 DR applications by the IOUs. However, the key policy issues underlying dual-participation prohibition rules are not being addressed in those applications, which CESA understands to focus on specific limited cases of dual participation. While it is helpful to address dual participation barriers for specific cases, CESA believes that there are key policy questions that can be addressed through this new rulemaking, perhaps resulting in a framework that guides the dual participation of DR resources across all different types of DR programs and tariffs and for all IOUs. For example, it is still unclear how dual participation rules would apply for DR resources providing load reduction as capacity versus energy. In

addition, there are open questions as to how dual participation would work if there are separate load reduction and load consumption DR programs.

These are the types of questions that can be addressed in the LCG. While the scope of this issue does not neatly fit into the primary purpose of this working group to develop a load consumption and bidirectional DR program or tariff, this working group is also tasked with addressing data access issues and submitting a proposal on the RA value of ramping by DR resources. This dual participation issue could also be included in this collection of other issues. Overall, CESA believes that enabling dual participation where appropriate will ensure more cost-effective investments of DR resources by maximizing their utilization for load reduction and potentially load consumption in the future.

IV. AN ADDITIONAL DEMAND RESPONSE AUCTION MECHANISM SOLICITATION IN 2018 FOR DELIVERY IN 2019 IS JUSTIFIED FOR LEARNING PURPOSES.

CESA supports the Alternate in ordering Southern California Edison Company (“SCE”) and San Diego Gas and Electric Company (“SDG&E”) to conduct an additional pilot auction in 2018 for deliveries in 2019, while authorizing but requiring a similar auction for Pacific Gas and Electric Company (“PG&E”). Given the purpose of the DRAM to be learning and gaining experience ahead of a potential determination on whether the DRAM could be one of the primary mechanisms for delivering supply-side DR, and the signaling of benefit to the DR market of sustained procurement and growing capacity deliveries, CESA agrees that it is prudent to conduct an additional auction. While the Proposed Decision indicates that there are other DR programs for DR providers to access in 2019, these programs may not be accessible to all DR providers, such as residential DR providers, which was one of the purposes of establishing a set-aside for residential customers. Furthermore, CESA agrees with the Alternate that an additional

auction would help clarify whether limited participation in the most recent auction was due to market consolidation, limited budget, or other barriers to participation, such as customer data access, which was just recently addressed in Resolution E-4868³ with the approval of a click-through authorization process that streamlines customer data sharing. For these reasons, CESA agrees with the Alternate Proposed Decision that an additional auction would be prudent and reasonable.

V. **CONCLUSION.**

CESA appreciates the opportunity to submit these comments on the Proposed Decision and Alternate and looks forward to working with the Commission and parties going forward in this new rulemaking.

Respectfully submitted,



Donald C. Liddell
DOUGLASS & LIDDELL

Counsel for the
CALIFORNIA ENERGY STORAGE ALLIANCE

Date: October 5, 2017

³ *Utilities' Click-Through Authorization Process which releases Customer Data to Third-Party Demand Response Providers, issued, August 24, 2017.*