BEFORE THE PUBLIC UTILITIES COMMISSION
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Application of Pacific Gas and Electric Company (U39E) for Approval of Demand Response Programs, Pilots and Budgets for Program Years 2018-2022.	Application 17-01-012 (Filed January 17, 2017)
And Related Matters.	Application 17-01-018 Application 17-01-019

REPLY OF THE CALIFORNIA ENERGY STORAGE ALLIANCE TO RESPONSES ON THE ADMINISTRATIVE LAW JUDGES' RULING REQUESTING RESPONSES TO QUESTIONS

Alex J. Morris
Vice President, Policy & Operations

Jin Noh
Policy Manager

CALIFORNIA ENERGY STORAGE ALLIANCE
2150 Allston Way, Suite 400
Berkeley, California 94704
Telephone: (310) 617-3441
Email: amorris@storagealliance.org

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In accordance with the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission"), the California Energy Storage Alliance ("CESA")[1] hereby submits this reply to responses to the *Administrative Law Judges' Ruling Requesting Responses to Questions* ("Ruling"), filed by Administrative Law Judge ("ALJ") Kelly A. Hymes and Administrative Law Judge Nilgun Atamturk on June 15, 2018. Pursuant to ALJ Hymes' procedural

[1] 8minutenergy Renewables, Able Grid Energy Solutions, Advanced Microgrid Solutions, AltaGas Services, Amber Kinetics, American Honda Motor Company, Inc., Axiom Exergy, Brenmiller Energy, Bright Energy Storage Technologies, Brookfield Renewables, Carbon Solutions Group, Centrica Business Solutions, Consolidated Edison Development, Inc., Customized Energy Solutions, Dimension Renewable Energy, Doosan GridTech, Eagle Crest Energy Company, East Penn Manufacturing Company, Ecoult, EDF Renewable Energy, ElectrIQ Power, eMotorWerks, Inc., Enel, Energport, ENGIE, E.ON Climate & Renewables North America, esVolta, Fluence Energy, GAF, General Electric Company, Greensmith Energy, Ingersoll Rand, Innovation Core SEI, Inc. (A Sumitomo Electric Company), Iteros, Johnson Controls, Lendlease Energy Development, LG Chem Power, Inc., Lockheed Martin Advanced Energy Storage LLC, LS Power Development, LLC, Magnum CAES, Mercedes-Benz Energy, NantEnergy, National Grid, NEC Energy Solutions, Inc., NextEra Energy Resources, NEXTracker, NGK Insulators, Ltd., NRG Energy, Inc., Parker Hannifin Corporation, Pintail Power, Primus Power, Range Energy Storage Systems, Recurrent Energy, Renewable Energy Systems (RES), Sempra Renewables, Sharp Electronics Corporation, SNC Lavalin, Southwest Generation, Sovereign Energy, Stem, STOREME, Inc., Sunrun, Swell Energy, True North Venture Partners, Viridity Energy, VRB 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).

email communication to the service list for A.17-01-012, *et al*. on June 22, 2018 granting an extension for filing responses, CESA timely files its responses here on July 20, 2018.

I. INTRODUCTION.

CESA appreciates the Commission's leadership, and the stakeholders' participation in addressing some of the key policy questions around dual participation as it relates to demand response ("DR") programs, including for technology incentive programs such as the Automated Demand Response ("ADR") Program. CESA reiterates its recommendation that this proceeding consider how the multiple-use application ("MUA") rules and principles being developed in the Energy Storage proceeding (R.15-03-011) could be adapted to DR programs, portfolios, and contracts. These rules and principles are useful to consider whether the current dual participation rules could be adapted since many of stakeholder comments were focused on how the current rules apply to various dual participation use cases.

In this reply, CESA addresses some of the responses provided by parties and highlights areas where feedback might be useful to advance the goals of expanding DR participation and further ADR technologies in order to deliver more value to ratepayers, customers, and the grid. Specifically, CESA makes the following points in this reply:

- A workshop should be held to discuss how the broader MUA principles can be used to comprehensively reform the dual participation rules for DR resources.
- Data on disenrollment from the Critical Peak Pricing ("CPP") Program to register under a third-party DR program must be viewed in context.
- A workshop should be held to discuss solutions to allow for information sharing between utilities and third-party DR providers.
- The "energy program" categorization of the CPP Program should be maintained.
- Energy storage resources should be subjected to different formulas for calculated ADR incentives.

- Overcompensation of energy storage resources receiving ADR incentives can be avoided by appropriate disclosure of line cost items.
- A workshop should be held to discuss dual participation rules for customers of utility and Community Choice Aggregator ("CCA") DR programs.

II. A WORKSHOP SHOULD BE HELD TO DISCUSS HOW THE BROADER MULTIPLE-USE APPLICATION PRINCIPLES CAN BE USED TO COMPREHENSIVELY REFORM THE DUAL PARTICIPATION RULES.

CESA recommends that the Commission hold a workshop to discuss how the broader MUA principles established by the Commission in Decision ("D.") 18-01-003 can be used to comprehensively reform the Commission's dual participation rules and resolve the various conflicts and outdated definitions highlighted by parties in these comments. In responding to the questions, CESA observes that many parties commented on how dual participation should be allowed or not allowed based on various rules established for DR resources, such as the rules that allow for DR resources to participate in one capacity and one energy program, and one day-ahead program and one day-of program. The time differentiation, capacity differentiation, and simultaneous MUA principles for allowing dual participation of energy storage resources may be useful for DR resources as well, especially as technologies span across multiple jurisdictions and as the Commission considers how to increase the utilization of grid resources for ratepayer benefit. The Commission may also consider directing Energy Division staff to create a staff proposal for this reform as the basis for the workshop discussion.

III. DATA ON DISENROLLMENT FROM THE CRITICAL PEAK PRICING PROGRAM TO REGISTER UNDER A THIRD-PARTY DEMAND RESPONSE PROGRAM MUST BE VIEWED IN CONTEXT.

The reported data from the investor-owned utilities ("IOUs") and various DR providers on the number of dis-enrollments from the CPP Program and/or the Peak Day Pricing ("PDP") Program varies in range and are helpful to a limited degree, in line with the response provided by the Joint DR Parties.[2] While the numbers from the DR providers provided background on the number of customers who expressed their disinclination to un-enroll from the CPP/PDP and the numbers from the investor-owned utilities ("IOUs") indicated the number of customers who actually moved forward with un-enrolling, the numbers reported in response to Questions 1 and 2 in the Ruling do not capture the full scale of potential customers who the third-party DR providers chose not to pursue or approach due to the known dual participation barriers for CPP/PDP customers, who would otherwise be potential target customers for third-party DR providers. Reasonably, third-party DR providers likely reduced their targeting of such customers, which may mask the scope of the issue and be reflected in lower reported customers citing dis-enrollment from CPP/PDP as the reason for not participating in third-party DR programs and portfolios.

Viewed within this context, CESA disagrees with the response of Southern California Edison Company ("SCE") to Question 7 of the Dual Participation section. Specifically, SCE states that "[g]iven the inconsequential number of customers that have been dis-enrolled from CPP to participate with a third-party DRP in the past three years (18 customers out of 40,517 Rule 24 registrations), it is not clear that the potentially significant costs to implement [Dual Participation-related] changes for the DRAM, which is still undergoing Commission review as a Pilot, are warranted at this time."[3] The dual participation barrier is an important issue that may not be fully represented in the numbers reported in response to Questions 1 and 2. For example, the Joint DR Parties assert that, even though none of them keep the statistics required by the question, they have found that "it is anecdotally the case that CPP questions have arisen with a significant number of current and potential customers over the past years, with probably more than a third taking this in

[2] Joint DR Parties' response at pp. 5-6.
[3] SCE's response at p. 14.

as a factor as they look at program choice."[4] Additionally, they mention that "the number of customers inquiring was higher – up to 75%" this year.[5] These answers, while anecdotal, point out that the volume of customers that have been affected by the current dual participation scheme cannot be estimated only by looking at the number of customers that have been automatically disenrolled from CPP, since some customers may have decided not to pursue a third-party DR program after learning that they would be automatically disenrolled from CPP. CESA supports the Joint DR Parties' response, as CESA members have also expressed similar experiences in pursuing DR customers for their third-party-administered DR programs. Only by having a full account of why customers decided to enroll or not in a third-party DR program could we determine the volume of customers affected by the current scheme. Since this information is not available, CESA believes that these data points must be viewed in context to shape future policy regarding this issue.

IV. A WORKSHOP SHOULD BE HELD TO DISCUSS SOLUTIONS TO ALLOW FOR INFORMATION SHARING BETWEEN UTILITIES AND THIRD-PARTY DEMAND RESPONSE PROVIDERS.

Multiple parties cited the Electric Rule 24/32 'firewall' and the lack of information sharing as a key barrier to allowing dual participation.[6] CESA believes that this barrier is a solvable issue and may benefit from workshops to discuss the technical and implementation details to enable reasonable information sharing, as well as potential Rule 24 tariff and Demand Response Auction Mechanism ("DRAM") contract changes. Market competitiveness is important, but there may be processes or IT solutions that could be developed to accommodate dual participation. The Joint

[4] Joint DR Parties' response at p. 5.

[5] *Ibid*.

[6] Joint DR Parties' response at p. 7; SCE's response at p. 10; and PG&E's response at p. 8.

DR Parties, for example, propose a reasonable solution to have DR resources that qualify for Resource Adequacy ("RA") capacity (via the DRAM or through local capacity contracts) but do not clear the day-ahead market should be eligible to participate in the CPP/PDP Program. The IOU then should be able to more accurately schedule load and account for a single load drop. Pacific Gas and Electric Company ("PG&E") also proposed a possible solution whereby the IOUs would establish a 'statement of principles' to only use third-party-provided information exclusively for determining load impacts and managing settlements.[7] CESA is unclear on how this would be implemented and how this will address competitiveness concerns but would benefit from hearing more about this potential solution in a workshop.

V. <u>THE "ENERGY PROGRAM" CATEGORIZATION OF THE CRITICAL PEAK PRICING PROGRAM SHOULD BE MAINTAINED</u>.

In their response to Question 3 of the Dual Participation section, SCE makes the case for re-categorizing CPP as an event-based capacity program.[8] Absent a move toward a more principles-based framework based on the MUA rules being developed in the Energy Storage proceeding, CESA believes that the CPP should not be re-categorized given that the Commission has already affirmed that CPP is an energy-based program in at least three different decisions.[9] Overall, CESA believes that the categorization employed by the Commission is correct since CPP ultimately relies on a voluntary response to dynamic pricing should not be counted as capacity. Given this, along with CESA's recommended modifications to the Rule 24 tariff, CESA

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[7] PG&E's response at p. 10.

[8] SCE's response, p. 11.

[9] See D.09-08-027, D.10-02-032 and D.12-04-045. In D.09-08-027, the Commission defined capacity programs as those that compensate customers' willingness to curtail load if called upon. This means that compensation in capacity programs is not related to actual curtailment; rather, it is associated to the customers' availability to be called upon. In the same document, the Commission defined energy programs as those that compensate customers relative to the magnitude of their actual curtailment at a given time.

recommends that dual participation be allowed for resources participating in the DRAM and under the CPP tariff.

VI. <u>ENERGY STORAGE RESOURCES SHOULD NOT BE SUBJECTED TO DIFFERENT FORMULAS FOR CALCULATING AUTOMATED DEMAND RESPONSE INCENTIVES</u>.

In their response to Question 10 of the ADR section, SCE states that "[t]he current formula for calculating Auto DR incentives for controls, which is based upon the customer's potential kW demand reduction, should be provided on a fixed basis for battery storage end uses (i.e. deemed or flat fee/amount)."[10] SCE reasserts this position on their responses to Questions 14 and 15[11] and justifies this position based on their experiences of incorrect or fraudulent invoicing that could elevate the costs of ADR incentives for energy storage resources.[12]

To CESA, this approach would unreasonably discriminate against energy storage technologies and treat them differently than other ADR-eligible resources. SCE has not justified whether this treatment is only specific to energy storage technologies, and CESA believes that SCE's concerns can be addressed by limiting ADR incentives to specific ADR controls and hardware/software components that are deemed essential to enable a storage resource to become ADR compliant. As expressed in our response to Question 13 of the ADR section, most energy storage resources currently installed to serve customer load through retail bill management are not equipped with the communication software and hardware necessary to be ADR compliant.[13]

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[10] SCE's response at p. 21.

[11] *Ibid*, p. 23.

[12] *Ibid*, p. 21.

[13] *Response of the California Energy Storage Alliance on the Administrative Law Judges' Ruling Requesting Responses to Questions*, Dated July 20, 2018, p. 22.

Recognizing that there may be administrative difficulties, CESA fully supports the revision of funding to prevent incentivizing or paying twice for the same equipment or labor;[14]

Additionally, CESA disagrees with the response by the San Diego Gas and Electric Company ("SDG&E") that it "is yet to be determined if battery storage systems provide any incremental benefit; whether they have their own Open Auto DR controls, or if they have added Open Auto DR capability to battery storage controls as a secondary service."[15] SDG&E explained that the energy storage system's focus on providing customer-sited services (*e.g.*, bill management) creates uncertainties related to the incremental benefits of DR service and to the sufficiency of charge to deliver on the DR service. Customer-sited energy storage systems are delivering incremental DR service today through the participation in DR programs, DRAM, and Local Capacity Requirement ("LCR") contracts while still effectively managing customer bills. These incrementality and resource performance concerns are addressed through baseline performance evaluation methodologies, contractual or programmatic performance incentives, and third-party optimization strategies. Plus, CESA notes that other DR technologies, which also manage customer loads and bills, are not faced with the same 'availability' requirement to determine whether ADR incentive-funded controls provide incremental benefit.

Overall, CESA does not support the characterizations of energy storage resources as somehow being less available due to customer load management or as being prone to fraudulent invoicing, which serve as the basis for the proposals to cap ADR incentives for energy storage resources. These characterizations misrepresent the capabilities of energy storage resources and any potential 'bad actor' risks can be addressed by identifying and funding specific ADR controls.

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[14] *Ibid*, p. 24-25.

[15] SDG&E's response at p. 20.

VII. OVERCOMPENSATION OF ENERGY STORAGE RESOURCES RECEIVING AUTOMATED DEMAND RESPONSE INCENTIVES CAN BE AVOIDED BY APPROPRIATE DISCLOSURE OF LINE COST ITEMS.

CESA supports PG&E's response that the determination on whether energy storage resources should be eligible to receive ADR incentives be done on a case-by-case basis when those same resources are also under DR contracts external to the DR program/portfolio.[16] This is reasonable and allows for a closer look at specific cost components of energy storage resources that are already paid for. However, SDG&E's view is that such external DR resources should not be eligible for ADR incentives due to the lack of visibility into the specific line item costs that are covered by those contracts. CESA understands the goal of avoiding paying twice for the same components but this issue can be addressed by disclosing information on what project costs are specifically being covered by external DR contracts (*e.g.*, DRAM, LCR) to identify and fund additional or incremental components. SDG&E's approach may unnecessarily limit energy storage resources from accessing incentives to make its resources ADR compliant and part of an advanced, automated portfolio of DR resources. The Office of Ratepayer Advocates ("ORA") also appears to support this view in their response.[17]

VIII. A WORKSHOP SHOULD BE HELD TO DISCUSS DUAL PARTICIPATION RULES FOR CUSTOMERS OF UTILITY AND COMMUNITY CHOICE AGGREGATOR DEMAND RESPONSE PROGRAMS.

CESA supports the Competitive Neutrality Cost Causation Principle to enable CCAs to develop 'similar' DR programs but there appear to be many complexities to how the dual participation framework should apply to CCA customers who also wish to participate in utility-administered or third-party-run DR programs and portfolios. The responses to the questions in the

[16] PG&E's response at p. 17.

[17] ORA's response at p. 12.

Ruling revealed that there appear to be complexities to how information can be shared between a CCA and IOU for dual-enrolled customers, or even the same information sharing and load forecasting issues between a CCA and a third-party DR provider. Furthermore, with the ADR Program being a technology incentive program, there are additional complexities in sorting out the dual participation rules for ADR-incentivized DR resources from participating in the DR program of a different load-serving entity ("LSE"). CESA believes that such dual participation should be allowed but understands some of the implementation details must be worked out (*e.g.*, related to load scheduling, settlements, cost-effectiveness analysis), possibly through a workshop.

IX. CONCLUSION.

CESA appreciates the opportunity to submit this reply to responses to the questions posed in the Ruling and looks forward to working with the Commission and stakeholders in this DR proceeding to address the aforementioned policy issues around dual participation.

Respectfully submitted,

Alex J. Morris
Vice President, Policy & Operations
CALIFORNIA ENERGY STORAGE ALLIANCE
2150 Allston Way, Suite 400
Berkeley, California 94704
Telephone: (310) 617-3441
Email: amorris@storagealliance.org

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