

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of Pacific Gas and Electric Company
(U 39 E) for Approval of its Demand Response
Programs, Pilots, And Budgets for Programs
Years 2023-2027.

Application 22-05-002
(Filed May 2, 2022)

And Related Matters.

Application 22-05-003
Application 22-05-004

OPENING BRIEF OF THE CALIFORNIA ENERGY STORAGE ALLIANCE

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RESPONSE OF THE CALIFORNIA ENERGY STORAGE ALLIANCE

In accordance with the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), the California Energy Storage Alliance (“CESA”) hereby submits this opening brief in the *Application of Pacific Gas and Electric Company (U 39 E) for Approval of its Demand Response Programs, Pilots, And Budgets for Programs Years 2023-2027*; *Application of San Diego Gas & Electric Company (U902E) Requesting Approval and Funding of its Demand Response Portfolio for Bridge Year 2023 and Program Years 2024-2027*; and *Application of Southern California Edison Company (U338E) for Approval of Demand Response Programs and Budgets for 2023-2027* (“Consolidated Application”), pursuant to the *Assigned Commissioner’s Scoping Memo and Ruling* (“Ruling”) issued by Commissioner John Reynolds on July 5, 2022.

I. INTRODUCTION.

The Demand Response Auction Mechanism (“DRAM”) has played an important role in allowing third-party demand response providers (“DRPs”) to contract with the investor-owned utilities (“IOUs”) through a standardized auction process. Currently, DRAM has funding authorized through 2023, alongside other IOU DR programs, but in Phase 1 of this proceeding, the Commission is considering whether to authorize DRAM funding for a 2023 auction and 2024 delivery with no technical changes to the program, given the expedited timeline of this phase of the proceeding.

As part of the measurement and evaluation (“M&E”) plan for DRAM, Nexant and Gridwell Consulting released an evaluation report looking at DRAM performance in 2018-2020. The Nexant Report contained insights to help support the decision of whether to continue DRAM for 2024 delivery. However, due to the expedited nature of this proceeding, a full evaluation of the Nexant Report was unable to be conducted. In Opening Testimony on August 5, 2022, CPower and the California Efficiency + Demand Management Council and Leapfrog Power, Inc (“Council/Leap”) highlighted how discovery could not be conducted given that Nexant is not a party to this proceeding.¹ Although SCE did move to admit the Nexant Report into the record, the Administrative Law Judge (“ALJ”) determined that SCE had not provided sufficient notice to parties to be able to conduct discovery or request hearings on the report.² At the same time, the Nexant Report is the subject of significant stakeholder testimony in the record. In both Opening and Reply Testimony, parties highlighted flaws or questionable evidence within the Nexant Report, including questions surrounding the accuracy of the underlying data used in the Nexant Report,³ definitions of cost competitiveness,⁴ and the reasonableness of conclusions given the data presented.⁵

Despite the potential flaws and disputed nature of the findings of the Nexant Report, CESA still recommends continuing DRAM for 2024 deliveries via a 2023 solicitation since DRAM can support near-term emergency reliability needs and the Nexant Report does have some findings that are directionally positive in terms of resource performance. Going forward, CESA also recommends modifications be made to evaluation mechanisms to consider submetering for applicable technologies.

¹ CPower-1 at p.8-9, lines 28-10; Council/Leap-02, at p. 3, lines 10-16.

² *E-Mail Ruling on Joint Motion to Admit Evidence on Demand Response Auction Mechanism* issued by ALJ Garrett Toy on September 29, 2022 at 4.

³ *See e.g.*, Voltus-01 at p.3: “On page 26, Table 4-14, the Nexant report lists Voltus’s “Contracted MW” as 554 MW in delivery year 2021. In fact, Voltus’s own data and the IOUs’ Advice Letters announcing auction results put the number at ~60 MW in executed contracts.”

⁴ OhmConnect-2 at p. 5, lines 12-14: “If a scheduling effectiveness of 16 percent is not considered desirable, is 20 percent, or 35 percent? Stakeholders have not tackled this admittedly very difficult question at the policy level and the evaluation does not attempt to do so either.”

⁵ *See* OhmConnect-2 at p. 5-7.

II. DRAM CAN SUPPORT NEAR-TERM RELIABILITY.

Since California experienced rotating outages in 2020, there has been a critical focus on electric reliability throughout the state and especially among the Commission, the California Energy Commission (“CEC”), and the California Independent System Operator (“CAISO”). In May 2022, the CEC and CAISO presented energy supply and demand forecasts, with the CEC finding 2,700 MW of shortfall in 2024⁶ and the CAISO finding 1,800 MW of shortfall by 2025.⁷ Additionally, the California Legislature passed a variety of items in the 2022 legislative session to help ensure reliability, including allowing the Department of Water Resources (“DWR”) to contract with fossil fuel power plants for emergency energy, an extension of the Diablo Canyon Nuclear Power Plant (“DCPP”), and \$200 million for a new Demand Side Grid Support (“DSGS”) demand response (“DR”) program.

As highlighted in testimony, DRAM is seeing positive trends in customer enrollment and performance. Nexant states that there are 200 MW of DRAM resources integrated into the CAISO market and that new customers are being integrated each year.⁸ While this phase of this proceeding is focused on 2023 DRAM solicitations, Phase 2 of this proceeding consider continuation of DRAM in 2025 or beyond. In order to maintain positive trends in enrollment, it is important that that DRAM is authorized for 2024 to maintain continuity among customers. As highlighted by CESA and other parties, “a scenario in which DRAM is paused for 2024 but adopted as a long-term procurement mechanism in 2025 and beyond would significantly undermine regulatory certainty and potentially depress future participation.”⁹

The IOUs and the Public Advocates Office of the California Public Utilities Commission (“Cal Advocates”) argue that, if DRAM is removed, DRPs “can and should compete in IOU ‘all-resource’ solicitations or other procurements.”¹⁰ CESA agrees that there are venues outside of

⁶ “2022 Summer Stack Analysis” presentation at May 20, 2022 workshop in CEC Docket No. 21-ESR-01 at Slide 21. <https://efiling.energy.ca.gov/GetDocument.aspx?tn=243173&DocumentContentId=76874>

⁷ “CAISO Reliability Workshop Summer Analysis” presentation at May 20, 2022 workshop in CEC Docket No. 21-ESR-01 at Slide 2. <https://efiling.energy.ca.gov/GetDocument.aspx?tn=243174&DocumentContentId=76875>

⁸ *Demand Response Auction Mechanism Evaluation Submitted by Nexant in Partnership with Gridwell Consulting* (“Nexant Report”) at 11.

⁹ OhmConnect-02 at p. 2, lines 16-18.

¹⁰ Cal Advocates-02 p.1-3, lines 12-13.

DRAM that DRPs can participate in, but DRAM represents an important ready-made mechanism to procure resources quickly. To participate in all-source solicitations for Resource Adequacy (“RA”), DRPs must conduct Load-Impact Protocols (“LIP”) to receive a qualifying capacity (“QC”) value before bids can be placed in solicitations. The LIP process takes 9 months to complete and can cost hundreds of thousands of dollars.¹¹ In order to receive a QC value next year to participate in 2023 all-source solicitations, DRPs would have to create and submit an evaluation plan before the end of 2022. Given this huge barrier in time and cost due to LIPs, there are DRPs that are unable to participate in these other solicitations or DR resources that would be unable to be reflected in the LIPs. On top of this, there are transaction costs associated with all-source solicitations, and customers may prefer DRAM over other DR programs given the additional flexibility within DRAM compared to other programs and therefore would not participate in other IOU DR programs if DRAM was removed.¹²

Given near-term reliability needs and the likelihood that DRAM can help bring otherwise stranded capacity into the CAISO market, the Commission should extend DRAM for a 2023 solicitation.

III. ALTERNATIVE PERFORMANCE MEASUREMENT METHODOLOGIES FOR STORAGE OR DEVICES SHOULD BE USED IN FUTURE DRAM EVALUATIONS.

In Opening Testimony, CESA noted a lack of data and analysis on the performance of DRAM resources backed by energy storage, or storage-backed DR. Currently, the number of customers with energy storage still represents a small proportion of the DRAM portfolio, comprising only 1% of total DRAM customers.¹³ However, battery energy storage installations are growing across the state, and CESA anticipates that the amount of storage-backed DR will grow in the coming years. Additionally, electric vehicles (“EV”) are growing in popularity and can also provide demand response, whether through managed charging (“V1G”) or through vehicle-to-building (“V2B”) capabilities. For DR that is driven by these physical-backed resources, sub-

¹¹ CPower-1 at p.6, lines 4-12.

¹² See CPower-1 at p. 7, lines 27-30: “A significant percentage of customers who have been engaged in DRAM will not switch to a utility tariffed program, such as the Capacity Bidding Program (CBP), if DRAM is not available to them.”

¹³ Nexant Report at 5.

metering is a way to directly measure the output of these devices to more accurately measure their response to event calls or market dispatch. Currently, the CAISO has an approved submetering settlement methodology, the Meter Generator Output (“MGO”) model, which is available for proxy demand response resources. Meanwhile, Commission Decision (“D.”) 22-08-024 also recently approved a sub-metering methodology and standards for EV supply equipment (“EVSEs”) for retail billing purposes. Considering sub-metering is robust and represents a best-practice way of conducting settlement, CESA urges 2023 DRAM measurement and evaluation plans to evaluate DR performance using sub-metering data.

IV. CONCLUSION.

CESA appreciates the opportunity to submit this opening brief and looks forward to collaborating with the Commission and stakeholders in this proceeding.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Jin Noh', written in a cursive style.

Jin Noh
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CALIFORNIA ENERGY STORAGE ALLIANCE

October 7, 2022