

**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

**COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE ON THE
PROPOSED DECISION APPROVING DEMAND RESPONSE AUCTION MECHANISM
PILOT FOR PILOT YEAR 2024**

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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”) hereby submits these comments on the *Proposed Decision Approving Demand Response Auction Mechanism Pilot for Pilot Year 2024* (“PD”), issued by Administrative Law Judges (“ALJ”) Jason Jungreis and Garrett Toy on November 10, 2022.

I. INTRODUCTION.

As highlighted by many parties throughout this proceeding, California has been facing capacity shortages and the need for additional resources, especially for emergency reliability needs due to increasing heatwaves in California. Demand Response (“DR”) is generally poised to play an important role in ensuring near-term reliability as a resource that can be deployed quickly and flexibly to meet grid needs. The CEC estimates shortfalls of 2,700 MW of shortfall in 2024.¹ The Demand Response Auction Mechanism (“DRAM”) is an important program to enable the procurement of additional DR resources to meet these needs, as the standard auction mechanism gives third-party demand response providers (“DRPs”) flexibility in constructing DR portfolios outside of the constraints of investor-owned utility (“IOU”) DR programs and without the

¹ “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>

extremely burdensome load-impact protocol (“LIP”) process. There are currently 200 MW of DRAM resources integrated into the California Independent System Operator (“CAISO”) market, a significant amount of capacity to contribute to these expected grid needs.

The PD acknowledges the benefit that DRAM can provide, highlights that discontinuing DRAM in 2024 only to re-instate the program in 2025 would be detrimental to participation in the program, and correctly concludes that the pilot should be extended for a 2023 auction with 2024 deliveries. CESA supports this decision and comments on the following items of importance:

- DRAM has shown improvement over time.
- Allowing the pilot to continue will give the commission time to fully consider DRAM performance and needed modifications.

II. DRAM HAS SHOWN IMPROVEMENT OVER TIME.

There has been much debate in this proceeding over DRAM performance and the conclusions that should be drawn from the Nexant Report. In the PD, the Commission correctly notes that DRAM is “[showing] at least improving performance in most of the areas that were found to be insufficient,”² highlighting that DRAM resources are contributing to California’s grid needs and that the program is becoming better over time. Importantly, DRAM is seeing additional customers join the program each year and is engaging customers that would otherwise not be participating in other IOU DR programs.³ Additionally, DRAM provides additional performance obligations beyond those in new emergency DR programs, such as the Emergency Load Reduction Program (“ELRP”) or the Demand Side Grid Support (“DSGS”) program, where resources are available only during emergencies and performance below expectations is not penalized.

Much of the debate of this proceeding has surrounded the performance of DRAM resources in the CAISO market compared to obligations and whether DRAM is cost competitive. The Nexant Report and PD note mixed results in these areas, but it should also be noted that these should be considered within the context of the data used in the report, including difficulties securing accurate DRAM performance data,⁴ and differences between settlement data and the data used to calculate

² PD at 21.

³ PD at 18.

⁴ CEDMC-01 at 7.

performance in the Nexant Report.⁵ CESA recommends that the Commission allow for discovery to be conducted on the Nexant Report in Phase II of this proceeding if the Commission wishes to use the report when considering DRAM beyond 2024. This will allow for an adequate examination of this report, which was unable to be conducted in Phase 1 of this proceeding due to its expedited nature.

III. ALLOWING THE PILOT TO CONTINUE WILL GIVE THE COMMISSION TIME TO FULLY CONSIDER DRAM PERFORMANCE AND NEEDED MODIFICATIONS.

As highlighted in the PD, parties and the Nexant Report have suggested improvements that could be made, “including customer enrollment standardization, meter management, and system integration challenges.”⁶ In particular, many parties and the Nexant Report have highlighted a “lack of timely and accurate meter data from the IOUs to [meet] invoicing and quarterly reporting timelines.”⁷ These data issues affect multiple aspects of DRAM participation and performance, including increasing administrative burden on DRPs, affecting CAISO settlement, and performance evaluations, such as the Nexant Report as highlighted above. Continuing DRAM in 2024 will allow the Commission to examine these issues in more detail and improve the program should it continue in 2025 and beyond.

CESA also notes that there has been no consideration in the Nexant Report or this proceeding of the different types of resources within DRAM.⁸ In the next stage of this proceeding, we encourage the Commission to more closely consider how to measure the performance of device-backed DR, especially storage-backed DR. This will include the need to consider sub-metering within DRAM, and whether barriers exist to the enrollment of sub-metered devices within DRP DRAM portfolios. Overall, the Commission correctly concludes that it is best to “err on the side of caution and approve the program for an additional year,”⁹ given that additional time and discussion are needed to consider whether to transition DRAM out of pilot status and make needed modifications to ensure its success as an ongoing program.

⁵ OhmConnect-01 at 7

⁶ PD at 17.

⁷ Nexant Report at 18. See also CPower Opening Brief at 18-20, Voltus-01 at p.5.

⁸ CESA Opening Brief at 4.

⁹ PD at 22.

IV. CONCLUSION.

CESA appreciates the opportunity to submit these comments on the PD and looks forward to collaborating with the Commission and stakeholders in this proceeding.

Respectfully submitted,

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

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