

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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Order Instituting Rulemaking to Oversee the
Resource Adequacy Program, Consider
Program Refinements, and Establish Annual
Local and Flexible Procurement Obligations
for the 2019 and 2020 Compliance Years.

Rulemaking 17-09-020
(Filed September 28, 2017)

**COMMENTS OF CPOWER, ENEL X NORTH AMERICA, INC.,
AND ENERGYHUB ("JOINT DR PARTIES") ON
TRACK 3 PROPOSALS AND WORKSHOP AND STAFF ELCC PROPOSAL**

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BEFORE THE PUBLIC UTILITIES COMMISSION
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CPower, Enel X North America, Inc. (formerly, EnerNOC, Inc.), and EnergyHub (“Joint Demand Response (DR) Parties”) respectfully submit these Comments on the Track 3 Proposals and Workshop and the Energy Division’s Effective Load Carrying Capacity (“ELCC” Proposal in Rulemaking (R.) 17-09-020 (Resource Adequacy (RA))). These Comments are filed and served pursuant to the Commission’s Rules of Practice and Procedure, the Amended Scoping Memo and Ruling of Assigned Commissioner issued in R.17-09-020 (RA) on January 29, 2019 (“Amended Scoping Memo”), and the Administrative Law Judge’s (ALJ’s) Ruling issued on February 13, 2019, which directed parties to include their Comments on the Energy Division’s ELCC Proposal “into the large set of Track 3 comments” filed today.

**I.
OVERVIEW OF JOINT DR PARTIES’ RECOMMENDATIONS ON
TRACK 3 PROPOSALS AND ENERGY DIVISION ELCC PROPOSAL**

On March 4, 2019, the Joint DR Parties filed their Track 3 Proposals in this Rulemaking. As stated in that filing, the Joint DR Parties’ proposals “focus on facilitating the growth and procurement of clean Demand Response (“DR”) resources that are needed for the Commission to achieve the State’s carbon emission reduction goals” by, among other things, ensuring the appropriate valuation of DR resources and allowing distributed, behind-the-meter resources to

play a larger role in meeting grid needs.”¹ Those proposals, many of which have been made earlier in this proceeding by the Joint DR Parties and others, but not yet addressed or adopted by the Commission, include (1) the adoption of a year-ahead demonstration of RA resources consistent with the Utilities’ proposed methodology that reflects the consensus position of the Supply Side Working Group (“SSWG”); (2) the unbundling of Effective Flexible Capacity (“EFC”) from Net Qualifying Capacity (“NQC”); (3) providing RA value for combined resources (such as, DR and Energy Storage with renewable resources); (4) providing RA value for load shifting DR; (5) development of a placeholder proposal for how to count third-party, weather sensitive DR, for RA purposes, once the status of the Demand Response Auction Mechanism (“DRAM”) becomes clearer, in close coordination between the California Independent System Operator (“CAISO”), including its Energy Storage and Distributed Energy Resources (“ESDER”) 4 stakeholder process, and the current DR Applications (A.17-01-012, et al.); and (6) addressing pending questions, before CAISO and this Commission, regarding “slow response resources” and RA enhancements.² In support of this last proposal, the Joint DR Parties included the Comments of CPower and Enel X on CAISO’s Straw Proposal in its RA Enhancements stakeholder process as Attachment A to its Track 3 Proposals.

In addition, the Joint DR Parties made a presentation on their proposals at the Track 3 Workshop held on March 13, 2019. That presentation is attached and incorporated hereto as an Attachment A-2.³

It is the Joint DR Parties’ position that its Track 3 Proposals are largely uncontested or have been supported by other parties’ comments and proposals in this proceeding. Further, as

¹ Joint DR Parties Track 3 Proposals, at p. 2.

² *Id.*, at pp. 2-10; Attachment A.

³ This numbering is being used to avoid confusion with “Attachment A” to the Joint DR Parties’ Track 3 Proposals.

detailed in Sections II below, the Joint DR Parties’ support certain of the Track 3 Proposals or positions of other parties, while opposing other recommendations. Finally, in Section III. below, the Joint DR Parties take exception to a recommendation made by Energy Division in its ELCC Proposal.

In sum, the Joint DR Parties recommend that the Commission take the following actions related to its June 2019 RA Decision:

1. The Commission should adopt the year-ahead RA demonstration mechanism supported by the Supply-Side Working Group, as was submitted in Track 2 of this proceeding and re-submitted by the Joint DR Parties in Track 3 in the June 2019 RA Decision. This is necessary in order to address the year-ahead demonstration requirement, to the extent another DR Auction Mechanism is authorized to be conducted in 2019 for 2020 deliveries. Because we do not have visibility as to the future of DRAM at this point, it would be premature to develop a multi-year forward demonstration requirement consistent with D.19-02-022.
2. The Commission should adopt the separation of EFC and NQC. This issue is particularly important for distributed energy resources which can provide certain services, but combining the services makes it more difficult to do.
3. The Commission should adopt the additive methodology, suggested by Southern California Edison Company (“SCE”), for determining the NQC associated with combined resources, as discussed further below. In addition, the proposal made by the Center for Energy Efficiency and Renewable Technologies (“CEERT”) for the portfolio effect of Distributed Energy Resources (“DERs”) is compelling and should be considered as a longer term solution.
4. The Commission should include weather sensitivity in a future RA Proceeding, once the issues of baselines being addressed in A.17-01-012, et al., and the CAISO RA Enhancements Stakeholder Process is concluded for adoption in DRAM, if it is made permanent.

5. The Commission should not adopt PG&E's and SCE's Track 3 proposal to apply the Load Impact Protocols to third-party DR programs, and in particular to DRAM, which is still in a pilot stage until a more clear future for DRAM is determined and a basis for applying the Load Impact Protocols is established.
6. The Commission should not adopt the CAISO's 20-minute response time proposal for availability limited resources in order to qualify as a local capacity requirement at this time for the reasons expressed in the Joint DR Parties' Track 3 Proposals and in the CPower-Enel X Comments on the CAISO RA Enhancements Straw Proposal.⁴ However, if the Commission does adopt this requirement, the Joint DR Parties agree that the use of the intertie scheduling option makes the response time more implementable.
7. The Commission should not adopt CAISO's proposal to add an energy component to the RA requirement, or further restrict availability-limited resources from eligibility to meet the local RA requirement.
8. Finally, the Commission should not adopt the Energy Division's ELCC Proposal to spread the incremental storage capacity value to all solar resources, but should only apply the incremental value to solar resources that have actually added storage to the site.

II.

JOINT DR PARTIES' POSITION ON TRACK 3 PROPOSALS OF OTHER PARTIES

A. Track 3 Proposals and Party Positions that Should Be Adopted by the Commission in The June 2019 RA Decision In Addition to and in Support of the Joint DR Parties' Proposals.

The Joint DR Parties requested,⁵ and several parties submitted Track 3 proposals,⁶ to explore how to treat combined resources for RA purposes. Combined resources mean combinations of resources, like wind, solar or storage, with technologies like energy efficiency

⁴ Joint DR Parties Track 3 Proposals, at pp. 8-10 and Attachment A.

⁵ *Id.*, at pp. 5-6.

⁶ SCE Track 3 Proposals, at pp. 4-7; CEERT Track 3 Proposals, at pp. 2-5; California Energy Storage Alliance ("CESA") Track 3 Proposals, at pp. 3-5; California Community Choice Association ("CalCCA") Track 3 Proposals, at pp. 9-10.

or demand response. Many customers are combining resources and technologies to achieve reliable and efficient management of onsite consumption as well as to provide grid services.

The Commission has developed methodologies for counting the capacity contributions of individual resources, but has not yet looked at how combining these resources and technologies changes the RA value. As CEERT appropriately points out, combinations of resources may increase the RA capacity value beyond what is represented by simply adding the resource values together, due to the time shift capabilities of certain combinations, diversity of resources, and the ability to maximize the usage of resources at the times each is available, etc.⁷ While the Joint DR Parties support and encourage the Commission to explore the “portfolio effect” of combined resources, it may require further examination beyond the June 2019 Decision timeframe.

The most prevalent combination of resources at this time is solar plus storage. The RA value of a solar resource is determined by the ELCC. Storage capacity is determined by its Pmax over the discharge horizon. SCE submitted three proposals for how to calculate the RA value of combined resources: for energy storage plus a dispatchable generator, for energy storage plus a non-dispatchable generator, and for energy storage plus demand response.⁸ SCE’s proposals seem reasonable to the Joint DR Parties and should be adopted.

SCE also makes a point that the current model for DER participation in the wholesale market, Proxy Demand Resource (“PDR”) and Reliability Demand Response Resource (“RDRR”), are non-export models, which means that the reduction in consumption or the dispatch of energy storage is for use at the customer’s facility onsite and not for export to the grid.⁹ Sunrun, Inc. (“Sunrun”) filed a Track 3 proposal, which was also presented at the Track 3 Workshop, that this policy of non-exporting is limiting the ability for DERs to fully participate

⁷ CEERT Track 3 Proposals, at pp. 2-5.

⁸ SCE Track 3 Proposals, at pp. 4-7.

⁹ *Id.*, at p. 7.

on the grid and to take advantage of the Commissions Multiple Use Application capabilities in addition to creating distortions in performance calculation.¹⁰ The Joint DR Parties are also concerned about limitations to providing distribution and transmission services from behind-the-meter DERs and believe the issue is ripe for further exploration.

B. Track 3 Proposals of Other Parties That Should Not Be Adopted by the Commission.

1. PG&E's and SCE's Proposal to Use Load Impact Protocols for Demand Response Auction Mechanism (DRAM) Should Not Be Adopted.

Pacific Gas and Electric Company ("PG&E") and SCE propose to use the Load Impact Protocols ("LIP") for all third-party provided demand response, to be consistent with the methodology adopted by the Commission for utility-administered DR programs.¹¹ The DRAM Pilot has been exempt from the application of the LIP through 2019.¹² There was an expectation that DRAM would evolve from a pilot to a permanent program at the time the Final Resolution was issued. In A.17-01-012, et al. (2018-2022 DR Programs), the Commission is examining whether, and in what form, DRAM will continue. There is a possibility of having another, single-year, DRAM procurement in 2019 for 2020 deliveries, remaining as a pilot.

The Joint DR Parties oppose PG&E's and SCE's proposal to impose LIPs on DRAM in 2020 for the following reasons. DRAM is still a pilot with an uncertain future or form. It would not be reasonable to impose a new method of determining qualifying capacity ("QC") for a third-party administered DR program until the program is in a permanent form. Even then, the case for using LIP for establishing QC should be made through the DR applications, A.17-01-012, et al., or its successor proceeding. The Commission Staff engaged on RA may not be sufficiently immersed in the issues and intricacies of the DR applications to make a judgment in isolation.

¹⁰ Sunrun Track 3 Proposal, at pp. 2-22.

¹¹ PG&E Track 3 Proposals, at pp. 4-5; SCE Track 3 Proposals, at pp. 8-9.

¹² D.16-06-045, Ordering Paragraph 5.a., at p. 65.

The Joint DR Parties appreciate SCE's suggestion to treat new resources, new technologies, or instances where there is insufficient history, differently than to insist upon use of the LIPs. SCE suggests that testing or dispatches could be used in that instance.

Testing or dispatches are currently required for DRAM resources at least twice over a 12-month period. The Joint DR Parties have also suggested that discrepancies or concerns with submitted supply plans for DRAM can also be verified through the audit provision in the DRAM Contract. However, any new requirements or changes to the DRAM Contract or DRAM resources, while still in a pilot stage, should be determined by the Commission in A.17-01-012, et al. At a minimum, if this RA proceeding wants to take action on this topic, it should acknowledge SCE's proposal of a minimum of two options of calculation – the second being permitting the DRAM Seller to utilize its own methodology to calculate the qualifying capacity for its resources, subject to validation by the buyer, on the basis of reasonable doubt, but also to include a penalty for failure to perform, established in A.17-01-012, et al., if appropriate.

2. CAISO's Proposal to Significantly Modify the Local RA Requirement Should Not Be Adopted Now.

At Day 2 of the Track 3 RA Workshop, CAISO suggested that local reliability requirements should contain both a capacity and an energy component, warning against over-reliance of "availability-limited" resources, meaning resources that have a limited dispatch capability and may have limitations on multiple dispatches per day. CAISO, at this stage, is making a generic comment. It is not clear that CAISO is requesting the Commission to do anything differently in this RA proceeding.

However, to the extent that CAISO is suggesting that the definition of local RA should be revised in this RA proceeding, it is premature to make such a determination. CAISO would have to make a specific proposal about how it believes local RA should be modified. Including an

energy component with a local capacity component is a significant change in RA that requires more information and discussion than is on the record at present.

Further, CAISO cautions against over-reliance on “availability-limited” resources because of the potential inability to meet an energy requirement. The Commission currently limits “availability-limited” resources through the Maximum Cumulative Capacity (“MCC”) buckets. CAISO has not indicated why this limitation is inadequate. Further, as presented by many parties in this proceeding, and particularly by CEERT, the value of combined resources is greater than individual resources in meeting extended availability requirements. Therefore, it is not clear what CAISO is asking the Commission to do in here or if the CAISO is merely offering information. Regardless, the Joint DR Parties do not support adoption of CAISO’s proposal and suggest further examination and discussion as to the need to revise existing RA requirements.

**III.
ENERGY DIVISION ELCC PROPOSAL FOR SOLAR PLUS STORAGE
CREATES THE WRONG INCENTIVES AND
SHOULD NOT BE ADOPTED BY THE COMMISSION**

Energy Division’s ELCC proposal for spreading the incremental RA value for solar plus storage resources to all solar resources would dilute the benefit of the investment in storage by certain customers and provide an incremental benefit to customers who have not made an investment. This would provide a disincentive to the customer making the investment and provide an incentive to a customer who has not. This is a perverse incentive structure. Instead, it would be more appropriate to have two ELCCs, one for solar and one for solar plus storage, the latter of which is given only to those who have made the investment.

IV. CONCLUSION

The Joint DR Parties request that their Track 3 RA proposals and recommendations for how to proceed contained in these comments and in its Track 3 Proposals submitted on March 4, 2019, should be adopted by the Commission. In addition, with respect to the Track 3 RA proposals of other parties and the Energy Division's ELCC Proposal, the Joint DR Parties request that the Commission adopt the Joint DR Parties' recommendations as stated in Sections II and III above.

Respectfully submitted,

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ATTACHMENT A-2

**JOINT DR PARTIES' PRESENTATION ON TRACK 3 PROPOSALS
TRACK 3 WORKSHOP
MARCH 13, 2019**

JOINT DR PARTIES' TRACK 3 RA PROPOSALS

March 13, 2019

JDRP TRACK 3 PROPOSAL 1: Year-Ahead RA Demonstrations/Multi-Year Demonstrations

- Supply-Side Working Group (re-established by D.17-10-017, OP 11) was formed to work on DR integration issues in the wholesale market
- DRAM IV (2019) required DRAM contract recipients to provide information to IOUs for their year-ahead RA demonstration
- Puts pressure on customers and DRPs to have customers under contract, registered in the DRRS, in order for IOUs to receive NQC, which may be many months in advance of actual customer participation as a resource in the CAISO and which prohibits other program participation by the customer.
- SSWG unanimously supported a mechanism to allow IOUs to count DRAM for YA RA purposes, while not requiring DRPs to have resources registered in CAISO too far in advance of deliveries

JDRP TRACK 3 PROPOSAL 1: Year-Ahead RA Demonstrations/Multi-Year Demonstrations (cont.)

- JDRPs resubmitted this proposal as an attachment to its Track 3 Comments
- This is still a one-year proposal and not a multi-year proposal, in light of D.19-02-022
- We do not have certainty as to future DRAM solicitations at this point
- Recommendation:
 - *Adopt the SSWG approach for a year-forward demonstration until a decision regarding a durable DRAM is issued*

JDRP TRACK 3 PROPOSAL 2: 20-minute Local RA Requirement for DR and Availability Limited Resources

- CAISO has made a proposal in both the SSWG and in the RA Enhancements Stakeholder Process regarding local RA requirements for DR:
 - *Participate in PDR as a RT resource*
 - *Participate in PDR using the intertie scheduling option*
- In either case, the PDR will qualify as local RA
 - *Intertie scheduling allows the resource to choose an hourly or 15-minute option*
 - The hourly option will give 52.5 minutes advance notice, will economically clear for the first 15 minutes of the hourly schedule, will be a price taker for the other 3, 15-minute intervals
 - The 15-minute option will give 22.5 minutes advance notice, and will economically clear for the 15 minute interval

JDRP TRACK 3 PROPOSAL 2: 20-minute Local RA Requirement for DR and Availability Limited Resources (cont.)

- The issue of a 20-minute dispatch requirement was explored through joint workshops of the CPUC and the CAISO in 2017
- CAISO issued a report that indicated that all existing DR resources meet local RA
- However, in the future this may not be the case due to limitation on the number of dispatches/day and duration of dispatch
- These are definition changes to what qualifies for RA that should be explored by the CPUC

JDRP TRACK 3 PROPOSAL 2: 20-minute Local RA Requirement for DR and Availability Limited Resources (cont.)

- The CPUC has not determined that a 20-minute notification is necessary for availability-limited resources in order to qualify for local RA
- The Commission has not adopted specific local RA requirements
- The Commission must consider if a 20-minute notice for availability-limited resources is non-discriminatory among resource types
- Other ISOs that have adopted 30-minute notice requirements, apply that requirement across all resource types and allow the resources to apply for operational exemptions
- The CAISO proposal would not allow RDRR resources to qualify for local RA

JDRP TRACK 3 PROPOSALS

- Proposal 3: Weather-Sensitivity
- Proposal 4: Unbundle Flex RA from Local and System
- Proposal 5: Begin to quantify RA benefits to integrated DERs