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

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

And Related Matters.

Application 17-01-018

Application 17-01-019

**SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) REPLY COMMENTS ON  
PROPOSED DECISION RESOLVING REMAINING APPLICATION ISSUES FOR  
2018-2022 DEMAND RESPONSE PORTFOLIOS AND DECLINING TO AUTHORIZE  
ADDITIONAL DEMAND RESPONSE AUCTION MECHANISM PILOT  
SOLICITATIONS**

ANNA VALDBERG  
ROBIN Z. MEIDHOF

Attorneys for  
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue  
Post Office Box 800  
Rosemead, California 91770  
Telephone: (626) 302-6054  
E-mail: Robin.Meidhof@sce.com

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**SCE’S REPLY COMMENTS ON THE PROPOSED DECISION RESOLVING REMAINING  
APPLICATION ISSUES FOR 2018-2022 DEMAND RESPONSE PORTFOLIOS AND  
DECLINING TO AUTHORIZE ADDITIONAL DEMAND RESPONSE AUCTION  
MECHANISM PILOT SOLICITATIONS**

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## **I.**

### **INTRODUCTION**

Pursuant to Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission), Southern California Edison Company (SCE) hereby submits its Reply to the Comments on the Proposed Decision (PD) of Administrative Law Judges’ Hymes and Atamturk, dated October 25, 2018. SCE addresses the comments filed on the PD by topic, specifically, comments on the Demand Response Auction Mechanism (DRAM) and the Auto Demand Response (AutoDR) Technology Incentive program.

## **II.**

### **DISCUSSION**

#### **A. Commenters’ Proposed Modifications to the PD to Remove Key Findings of the Energy Division’s Initial Evaluation of the DRAM Should Be Disregarded.**

SCE agrees with various comments seeking a timeline by which the Commission will evaluate the Energy Division’s (ED) final evaluation of the DRAM, consider comments submitted from stakeholders, and issue a final decision on whether to authorize any future DRAM solicitations. SCE will continue to work with both the Commission and stakeholders to ensure that the procurement structure and operational framework of the current DRAM and any potential future auctions demonstrate that all “DRAM resources can perform as RA resources.”<sup>1</sup>

SCE objects, however, to comments that propose modifications or revisions to directives in the PD which do not identify factual, technical, or legal errors as required by Rule 14.<sup>2</sup> Specifically, OhmConnect’s proposal to **delete** the section of the PD (at pp. 79-80) that lays out how the Commission will evaluate the success of the Pilot based on six criteria—should be disregarded.<sup>3</sup> In addition, the California Efficiency + Demand Management Council (CEDMC)

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<sup>1</sup> See Comments of the California Energy Storage Alliance (CESA), p. 5. See also CPower/Enel X Joint Comments (at p. 11) that acknowledge that DRAM resources are counted on by the Utilities for their RA showing.

<sup>2</sup> Rule 14.3(c) accords no weight to comments which merely restate or summarize positions taken in this proceeding.

<sup>3</sup> See OhmConnect’s Comments at Appendix 1, p. 10.

states that “the initial evaluation results revealed that many new customers are participating in DRAM and many new entities have entered the market to facilitate this participation.”<sup>4</sup>

This assertion is not supported by any citation, and in fact, as evidenced by the ED’s Initial Evaluation of DRAM (at p. 47) (Interim Report),<sup>5</sup> “many new entities” have **not** entered the market. Specifically, the ED’s Interim Report explained how market concentration showed fewer and fewer new providers were participating:

The 2016 – 2019 DRAM pilots engaged sixteen new third-party providers as DRAM bidders. Ten of these won contracts and became sellers across the DRAM I–III auctions, and seven for DRAM I – II alone. Of these seven, just three new providers retained their contracts for the full year for delivery years 2016 and 2017. In contrast, four new DRPs and one continuing DRP canceled or reassigned their contracts in these years. Furthermore, the DRAM market leader purchased all of the reassigned contract in 2017, further intensifying market concentration.

In addition, in the ED’s July 26th Workshop Presentation, they noted that 5 demand response providers controlled 94% of total capacity across DRAM I –III.

And finally, SCE objects to the CPower/Enel X Joint Comments that recommend the Commission: (1) add to the PD a timeline by which to authorize and direct another DRAM auction;<sup>6</sup> and (2) delete the Finding of Fact (FOF) that properly explains how the future of an auction mechanism is unknown at this time (*see* FOF 10) and the FOF that says “the Commission cannot guarantee consistent business opportunities or contract awards for every demand response provider” (*see* FOF 107).<sup>7</sup> CPower/Enel X reference their comments submitted orally at the workshop conducted by the Energy Division on July 26,<sup>8</sup> while simultaneously urging the Commission to “provide the above timeline or pathway forward for a DRAM auction in 2019 for 2020 deliveries.”<sup>9</sup>

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<sup>4</sup> See CEDMC at p. 6.

<sup>5</sup> On July 24, 2018, ED circulated to the A.17-01-12 *et al* service list, a revised version of ED’s Evaluation of the Demand Response Auction Mechanism – Interim Report (Public Version). For discussion at the July 26, 2018 DRAM Workshop, this report presents the findings of ED’s DRAM evaluation effort related to criteria 1, 2, 3, and 5 (as adopted by the Commission in D.16-09-056).

<sup>6</sup> See CPower/Enel X Joint Comments at pp. 9-11.

<sup>7</sup> See CPower/Enel X Joint Comments at Appendix A, pp. 2-3.

<sup>8</sup> *Id.* p. 9.

<sup>9</sup> *Id.* p. 11.

SCE takes this opportunity to remind stakeholders that at the ED’s July 26th Workshop, SCE informed the Commission that it had initiated an independent audit of some of its DRAM contracts due to serious concerns with the resources it had contracted for under the DRAM Pilot. The PD accordingly explains: “supporting the delay of another auction, SCE and PG&E highlight that there is no certainty that the winning bidders of the auctions are providing the services bought by these ratepayer dollars.”<sup>10</sup> The PD also properly acknowledges the concerns that CPower/Enel X raised at the July 26th Workshop and accordingly finds: “[t]he reasons presented by CPower, EnerNOC, and CESA do not address our responsibility to ratepayers to ensure prudent spending of ratepayer funds” (*see* PD at p. 78). The PD further notes that the Commission will await “complete results of the evaluation” before making a determination on the future of DRAM.<sup>11</sup> Consistent with the guidance it received at the ED’s July 26th Workshop, SCE will seek leave to file a motion to submit the results of its independent audit into the record in December 2018. The results of that independent audit, coupled with the CAISO performance data (criteria 4 and 6) that the Energy Division indicated it was still evaluating, will provide the Commission with a complete record upon which to evaluate whether any more ratepayers funds should be authorized for an additional auction solicitation in 2019.

**B. CPower/EnelX’s Joint Comments Misunderstand the PD and the Policy Requirements to Receive AutoDR Incentives and Their Proposed Modifications to OP 6g and 6i should be denied.**

CPower/EnelX state that requiring Open ADR 2.0 “would introduce unnecessary expense,”<sup>12</sup> because they appear to misunderstand the PD to require that all customers use Open ADR 2.0. If customers are using other AutoDR technologies that are capable of receiving AutoDR signals and responding to those signals, they are permitted to continue using those devices. The PD’s Open ADR 2.0 requirement pertains to what controls are eligible for AutoDR Technology Incentives. To be clear, the Open ADR 2.0 requirement does not preclude a utility

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<sup>10</sup> *See* PD at p. 76, *citing* SCE and PG&E Joint Comments on August 6, 2018 Ruling.

<sup>11</sup> *Id.*

<sup>12</sup> *See* CPower/EnelX’s Joint Comments, p. 7.

or third party from communicating with a customer's old or previously purchased equipment. AutoDR Incentives are only provided to newly purchased equipment, and these devices must be Open ADR 2.0 compliant to qualify for AutoDR Incentives.

**C. The PD Should Clarify the PD to Correct Parties' Misunderstandings of What AutoDR Devices Qualify for AutoDR Incentives.**

CPower/EnelX Joint Comments proposed language that would separate or segregate the signal types.<sup>13</sup> PG&E proposed language that would remove "compliant" from the eligibility criteria.<sup>14</sup> SCE proposed revisions to signal and communication requirements.<sup>15</sup> In general, parties' proposed language changes are based upon various interpretations of the PD's intent on the type of signal an AutoDR control must be able to receive in order to be eligible for a technology incentive. The PD should incorporate SCE's proposed changes which allow flexibility while maintaining the Open ADR communication standard requirement.

In addition, SCE's recommendation to use the word "current" rather than explicitly state 2.0a or 2.0b, would allow the policy to accommodate changes to the standard in the future should Open ADR add a 2.0c or 3.0 protocol. SCE's language recommendations are preferred because the criteria would require a control to demonstrate operability (i.e. work in response to a signal) to be eligible for technology incentives. A manufacturer may claim its device/control is Open ADR compliant or certified, but in SCE's experience, when SCE has attempted to test and send a signal to the control it does not always work or respond. In those instances, SCE works with the manufacturer to ensure controls can operate, without manual intervention, when a signal is sent. After successfully demonstrating operability, the control is then considered eligible for a technology incentive.

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<sup>13</sup> See CPower/EnelX's Joint Comments, Appendix A, p. 5.

<sup>14</sup> See PG&E Comments, p. 5.

<sup>15</sup> See SCE Comments, pp. 9-10.

### **III.** **CONCLUSION**

In addition to the above Reply Comments, SCE notes that it agrees with the comments of the California Large Energy Consumers Association (CLECA) that the PD should be revised to allow customers an equal choice of participating in RDRR with either a third-party or directly through the utility to the extent that there is room available under the cap.<sup>16</sup>

SCE requests that the Commission issue a decision adopting the PD and incorporating the modifications and clarifications proposed in SCE's Comments.

Respectfully submitted,

ANNA VALDBERG  
ROBIN Z. MEIDHOF

/s/ Robin Z. Meidhof

By: Robin Z. Meidhof

Attorneys for  
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue  
Post Office Box 800  
Rosemead, California 91770  
Telephone: (626) 302-6054  
E-mail: Robin.Meidhof@sce.com

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<sup>16</sup> See CLECA Comments at pp. 3-4 ("CLECA would prioritize the customer choice principle, as demand response is provided by customers.").