

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



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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
And Related Matters.	Application 17-01-018 Application 17-01-019

**REPLY COMMENTS OF THE
CALIFORNIA LARGE ENERGY CONSUMERS ASSOCIATION
ON THE PROPOSED DECISION OF
ADMINISTRATIVE LAW JUDGES KELLY HYMES AND NILGUN ATAMTURK**

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Pursuant to Rule 14.3, the California Large Energy Consumers Association (CLECA)¹ submits these reply comments on the Proposed Decision (PD) of Administrative Law Judges (ALJ) Kelly Hymes and Nilgun Atamturk issued on October 25, 2018. CLECA responds to the opening comments submitted on November 15, 2018, by the California Energy Storage Association (CESA), OhmConnect, and the California Independent System Operator (CAISO).

¹ CLECA is an organization of large, high load factor industrial customers of Southern California Edison Company (SCE) and Pacific Gas and Electric Company (PG&E); the members are in the cement, steel, industrial gas, pipeline, beverage, cold storage, and mining industries. CLECA has been an active participant in Commission regulatory proceedings since 1987, and all CLECA members engage in Demand Response (DR) programs to both promote grid reliability and help mitigate the impact of the high cost of electricity in California on the competitiveness of manufacturing. CLECA members have participated in the Base Interruptible Program (BIP) and its predecessor interruptible and non-firm programs since the early 1980s. Many CLECA members have dual participated in the Demand Bidding Program; timely development of viable new alternative DR programs for dual participation with BIP is now a critical focus for CLECA.

I. INTRODUCTION TO REPLY COMMENTS

CLECA supports policies that assure the IOUs are paying for and receiving cost-effective amounts of deliverable DR that counts for Resource Adequacy (RA). While the Demand Response Auction Mechanism (DRAM) pilots for 2016-2019, as pilots, were not subject to cost-effectiveness review, any decision on the future of DRAM must take into account the results of the not-yet-completed DRAM evaluation and changes to the auction to assure delivery of cost-effective RA capacity. The PD correctly proposes not to renew another DRAM auction at this point based on the following conclusions:

- We agree that there are many unanswered questions regarding the success and efficacy of the Auction Pilot. Without these answers, if we authorized an additional auction in 2019 with little to no change, we risk spending ratepayer funds on an approach that may not meet the needs of the Commission or may not do so in a fair, efficient, and effective manner.²
- the most critical improvements needed may be related to bid prices and market performance and these issues are complex and require workshops and deliberations in order to build a record. This record development could not be completed in time for a spring 2019 auction. We agree that another auction could cost ratepayers more money for potentially dubious results.³

II. COMMENTS

A. CESA's recommendation to immediately begin modifying the DRAM contracts prior to a Spring 2019 auction is imprudent

The Energy Division expects to release the DRAM evaluation report in December 2018, with a workshop in early 2019 to discuss the results, and a final decision in mid-2019 on the staff report.⁴ The final report will include important review criteria as follows:

- Criterion 4, which is "where offer prices complete in the wholesale market?";

² PD, at 77.

³ PD, at 78.

⁴ PD, at 80.

- Criterion 5, which examines the demand response providers' (DRPs') performance relative to their contractual obligations; and
- Criterion 6, which is "were resources reliable when dispatched?"

CESA recommends an immediate working group for parties to modify the DRAM contracts prior to a Spring 2019 auction.⁵ The problem with this proposal is that it focuses on changes to the auction mechanism and contract prior to the results of the evaluation, not afterward. CESA also requests that the Commission approve another pilot without a record of the success of DRAM or recommended changes. The CESA proposal provides insufficient time 1) for parties to review the draft evaluation report, to the extent it is public, 2) for parties to provide stakeholder comments, 3) for the Energy Division to finalize the report, or 4) for a final decision on the staff's recommendations, which the PD states will occur in mid-2019.⁶ CESA's proposal would effectively by-pass the results of the evaluation report. The PD correctly concluded not to renew another DRAM pilot until the evaluation report is finalized.

B. OhmConnect's recommended changes to the PD language on criteria for success of the DRAM should be rejected

OhmConnect claims that its position has been "misrepresented" and that "Energy Division's evaluation and recommendations should inform the next steps for the DRAM."⁷ CLECA appreciates this clarification. However, OhmConnect then recommends deletion of important language on page 79-80 in the PD on the criteria to be used to evaluate the success of the DRAM pilots.⁸ The PD's language comes directly from the parameters of the evaluation

⁵ CESA comments, at 12.

⁶ PD, at 80.

⁷ OhmConnect Comments, at 5.

⁸ OhmConnect Comments, at 10.

itself, which were set forth in D. 16-09-056.⁹ The Commission should reject OhmConnect's recommendation as the decision should reaffirm the need for these measurement criteria and the role of the evaluation report on the future of DRAM.

C. The Possible RDRR Tariff Change

CAISO stated that upon a final decision in this proceeding that RDRR can be dispatched at any time during a Warning Stage, it will remove from its tariff the following language: "immediately prior to a need for the CAISO to attempt to obtain assistance from neighboring Balancing Authorities or imports" before inserting RDRR bids.¹⁰ Thus, CAISO will insert RDRR bids after a Warning is called, which is earlier than when the tariff provides today. Since RDRR resources are reliability DR programs, they should be at the end of the resource stack. CLECA anticipates that the CAISO will conduct a stakeholder process prior to changing its tariff and anticipates active engagement in that process.

III. CONCLUSION

CLECA appreciates the opportunity to provide reply comments.

Respectfully submitted,
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⁹ D. 16-09-056, at 65-66.

¹⁰ CAISO Comments, at 1-2.