

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



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11/19/18
04:59 PM

Application of Pacific Gas and Electric Company (U 39-E) for Approval of Demand Response Programs, Pilots and Budgets for Program Years 2018-2022.

A.17-01-012
(Filed January 17, 2017)

And Related Matters.

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**REPLY COMMENTS OF OHMCONNECT, INC. TO PARTIES' OPENING
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**

John Anderson
Director of Energy Markets
OhmConnect, Inc.
350 Townsend St., Suite 210
San Francisco, CA 94107
Telephone: (415) 697-1271
Email: john@ohmconnect.com

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I. INTRODUCTION

Pursuant to Rule 14.3 of the Commission's Rules of Practice and Procedure, OhmConnect, Inc. (OhmConnect) respectfully submits these timely reply comments in response to parties' November 14, 2018 opening comments on Administrative Law Judges (ALJs) Hymes and Atamturk's *Proposed Decision Resolving Remaining Application Issues for 2018-2022 Demand Response Portfolios and Declining to Authorize Additional Demand Response Auction Mechanism Pilot Solicitations* ("Proposed Decision", or "PD"), mailed October 25, 2018 in the above-captioned proceeding.

OhmConnect's reply comments are limited to those sections of the PD that address next steps for the Commission's Demand Response Auction Mechanism (DRAM) Pilot. In what follows, we highlight areas of strong agreement between our own opening comments on the PD and those of the California Efficiency + Demand Management Council ("CEDMC"), the California Energy Storage Alliance ("CESA"), CPower and Enel X North America, Inc. ("CPower/EnelX"), and Olivine, Inc. ("Olivine").

II. REPLY TO PARTIES

1. Parties agree that the Final Decision must provide additional clarity on the timeline and activities that are to follow publication of the Auction Pilot evaluation.

In its November 14, 2018 opening comments on the PD, OhmConnect expressed concern that the “[PD] lacks specificity regarding the steps that are to occur after publication of Energy Division’s Auction Pilot evaluation and recommendations for future DRAM auctions”.¹ It is abundantly clear this concern is shared by many other parties. CPower/EnelX state: “The [PD] is unacceptably vague as to the next steps after the completion of the DRAM analysis in December 2018 to determine if another DRAM Auction may be conducted in 2019 for deliveries in 2020”.² CESA writes: “The PD currently does not direct specific actions following the publication of the DRAM pilot evaluation, so CESA recommends the PD be modified to direct immediate action following the publication to allow for timely consideration and potential implementation of a new DRAM auction”.³ CEDMC states: “It is imperative that the Commission clearly define the next steps after the Energy Division’s Pilot Evaluation is completed in order to signal to the market participants that the Commission is committed to investing in third party DR”.⁴ Finally, Olivine states: “[The] report [on the Auction Pilot evaluation] should expand on the PD’s brief reference to the first quarter of 2019 and lay out a schedule for the next steps for demand response”.⁵ Thus, there is broad consensus that the Final Decision must specify the steps that will follow publication of Energy Division’s Auction Pilot evaluation in December 2018. As discussed below, these steps should enable the next DRAM auction to occur in time for deliveries to begin in 2020, provided the evaluation supports continuation of the DRAM.

2. Parties agree that the Final Decision must present a plan for enabling a DRAM auction for deliveries in 2020 if the Auction Pilot evaluation supports continuing the DRAM.

OhmConnect stated in its opening comments on the PD that, “[g]iven the lack of non-DRAM options available to third-party DRPs and their customers, it is imperative the Commission commit to a plan for enabling a DRAM auction for deliveries in 2020 should the Auction Pilot evaluation recommend continuing the DRAM beyond the current pilot period”.⁶

¹ OhmConnect opening comments, at p. 3.

² CPower/EnelX opening comments, at p. 8.

³ CESA opening comments, at p. 12.

⁴ CEDMC opening comments, at p. 4.

⁵ Olivine opening comments, at p. 6.

⁶ OhmConnect opening comments, at p. 8.

Other parties likewise recognize such a plan is crucial to the continued growth of third-party DR in California. CEDMC states that “[p]arties need to know that the Commission has an action plan for enabling a DRAM auction on short notice for deliveries beginning in 2020 if the evaluation supports continuation of DRAM”,⁷ because “DR providers made significant investments in good faith with the understanding that there would be a continuing market, not a stop-and-start experiment”.⁸ CPower/EnelX explain that “the risk of there not being DRAM contracts for 2020 and not knowing it until very late in 2019 is destructive to the development of DRAM, the DR market in California, and the confidence of third-party demand response providers and their customers”.⁹ Olivine states that while it “support[s] the PD’s conclusion that a full evaluation is needed before authorizing either another pilot auction or [...] a full [DRAM] program, [it] also believe[s] that there should be more certainty for the DR community”.¹⁰ OhmConnect strongly agrees with these parties that continued uncertainty – in particular, the potential for a gap year in the DRAM – is harmful to the nascent market for third-party DR in California.

Implicit in the parties’ requests is the presumption that Energy Division will complete its Auction Pilot evaluation and report by December 2018, as indicated in the PD.¹¹ PG&E, in its opening comments on the PD, “cautions that if the ambitious timeline for completing the assessment by the end of 2018 is not possible, it would be reasonable for the schedule to be adjusted in order to reach an informed conclusion”.¹² As the PD notes, however, “D.16-09-056 [originally] set a date of June 2018 for the Energy Division to present the results of the evaluation and its recommendations for the Auction Pilot”.¹³ OhmConnect disagrees with PG&E that a six-month extension, from June to December 2018, constitutes an “ambitious timeline” for completing the evaluation. OhmConnect and other parties, including PG&E,¹⁴ have worked with Energy Division to ensure it has the information necessary to complete its evaluation of the

⁷ CEDMC opening comments, at p. 6.

⁸ Ibid., at p. 5.

⁹ CPower/EnelX opening comments, at p. 8.

¹⁰ Olivine opening comments, at p. 5.

¹¹ Regarding the completion date for the Auction Pilot evaluation, the Proposed Decision states: “Staff anticipates a final evaluation and report by the end of 2018” (p. 75); “The evaluation is nearly complete at this point, with an anticipated release date of December 2018” (p. 78); and “We anticipate the results of the evaluation to be made public in December 2018” (p. 80).

¹² PG&E opening comments, at p. 2.

¹³ Proposed Decision, at p. 75.

¹⁴ In its opening comments on the PD, PG&E states: “PG&E has worked diligently with the CPUC staff in responding to a number of data requests in order for the CPUC to have the requisite data to undertake a balanced assessment [of the Auction Pilot]” (p. 1).

Auction Pilot. Extending the evaluation timeline again is unlikely to produce different results or recommendations, but would very likely preclude a DRAM auction for deliveries in 2020.

3. Parties reiterate that non-DRAM business opportunities are limited, and that moving customers from DRAM to utility DR programs is complicated and conflicts with Commission direction in D.16-09-056.

OhmConnect and other third-party DRPs have emphasized throughout this proceeding that non-DRAM business opportunities available to third parties are extremely limited, and that migrating customers from DRAM to utility DR programs (where possible) is both difficult and inconsistent with the Commission's principles for DR adopted in D.16-09-056. In its opening comments on the PD, CEDMC observes:

“A number of customers will not make the transition from DRAM back to utility [DR] programs. They will exit the DR markets in response to the constant changes as opposed to completing yet another set of un-enrollment and re-enrollment forms along with operational adjustments to the new program parameters.”¹⁵

According to Energy Division's Interim Report on the Auction Pilot, at least three quarters of the customers who participated in the DRAM I and II Pilots had not previously participated in *any* utility DR programs.¹⁶ Absent a DRAM opportunity for 2020, it is not obvious these customers will migrate to utility DR programs with which they are unfamiliar.

Regarding the PD's statement that “utility demand response programs are available to provide revenue and market continuity for the third-party providers”,¹⁷ CPower/EnelX note:

“This statement does not reflect the way in which third-party DRPs have been steered by the Commission toward DRAM as the primary way of soliciting third-party DR resources. It is rather cavalier to then say that DRPs can simply place their DRAM capacity into a utility-managed program as an alternative.”¹⁸

CESA similarly contends that “[m]uch of the DRAM resources will likely need to move their capacity back to utility-administered DR programs, moving the state's DR resources to the ‘old model’ for DR programs”.¹⁹ This backsliding is at odds with the principle for DR adopted by the Commission in D.16-09-056 that “[DR] shall be market-driven leading to a competitive,

¹⁵ CEDMC opening comments, at p. 7.

¹⁶ The July 24, 2018 Interim Report on the DRAM Pilot states: “Between 74-95% of customers participating in DRAM in 2016 and 2017 had never participated in an IOU DR program in California previously” (p. 50).

¹⁷ Proposed Decision, at p. 78.

¹⁸ CPower/EnelX opening comments, at p. 12.

¹⁹ CESA opening comments, at p. 13.

technology-neutral, open-market in California with a preference for services provided by third-parties through performance-based contracts at competitively determined prices”.²⁰

4. Third-party DRPs are committed to working collaboratively to improve the DRAM based on findings and recommendations from the Auction Pilot evaluation.

CPower/EnelX’s opening comments on the PD state: “The Final Decision [...] must include, and the Commission must adhere to, a tight regulatory timeline to effect the changes identified in the Staff analysis of DRAM, to implement those changes as quickly as possible, and to ensure that there is not a gap year in DRAM procurement for 2020”.²¹ OhmConnect concurs with this assessment and notes that many consensus changes to the DRAM have already been identified. For example, OhmConnect stated in its August 22, 2018 reply that “[p]arties’ August 17, 2018 responses [to ALJ Hymes’s August 6, 2018 ruling] indicate broad agreement that future iterations of the DRAM should feature increased performance standards and penalties”.²² Furthermore, as CESA explains in its opening comments on the PD, since the July 26, 2018 workshop to present preliminary results of the Auction Pilot evaluation and discuss next steps for the DRAM, “many parties have been meeting informally and have been working to flush out [DRAM] improvement ideas”.²³ For these reasons, OhmConnect is confident that if the Commission’s Final Decision provides sufficient clarity and direction, parties can execute to enable a successful DRAM auction for deliveries beginning in 2020.

III. CONCLUSION

OhmConnect appreciates the opportunity to provide these reply comments regarding the October 25, 2018 Proposed Decision, and respectfully requests that the Commission adopt in its Final Decision the recommendations summarized herein to enable a DRAM auction for deliveries in 2020 if warranted by the findings of the final Auction Pilot evaluation.

²⁰ D.16-09-056, Ordering Paragraph 8, at pp. 97-98.

²¹ CPower/EnelX opening comments, at p. 13.

²² August 22, 2018 *Reply of OhmConnect, Inc. to Parties’ Responses to ALJ’s Ruling Directing Responses to Questions Regarding the DRAM Pilot*, at p. 5.

²³ CESA opening comments, at p. 12.

Respectfully submitted,

November 19, 2018

/s/ JOHN ANDERSON

John Anderson
Director of Energy Markets
OhmConnect, Inc.
350 Townsend St., Suite 210
San Francisco, CA 94107
Telephone: (415) 697-1271
Email: john@ohmconnect.com