

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

**RESPONSE OF OLIVINE, INC. TO THE MOTION OF SOUTHERN CALIFORNIA  
EDISON COMPANY FOR INCLUSION OF INDEPENDENT AUDIT RESPONSE IN  
ENERGY DIVISION'S FINAL EVALUATION REPORT OF THE DEMAND RESPONSE  
AUCTION MECHANISM AND THE MOTION OF PACIFIC GAS AND ELECTRIC  
COMPANY FOR INCLUSION OF "PG&E SUMMARY OF 2018-2019 DRAM RFO  
AUDIT ANALYSIS, RESULTS AS OF DECEMBER 4, 2018" IN ENERGY DIVISION'S  
FINAL EVALUATION REPORT OF THE DEMAND RESPONSE AUCTION  
MECHANISM**

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**RESPONSE OF OLIVINE, INC. TO THE MOTION OF SOUTHERN CALIFORNIA EDISON COMPANY FOR INCLUSION OF INDEPENDENT AUDIT RESPONSE IN ENERGY DIVISION'S FINAL EVALUATION REPORT OF THE DEMAND RESPONSE AUCTION MECHANISM AND THE MOTION OF PACIFIC GAS AND ELECTRIC COMPANY FOR INCLUSION OF "PG&E SUMMARY OF 2018-2019 DRAM RFO AUDIT ANALYSIS, RESULTS AS OF DECEMBER 4, 2018" IN ENERGY DIVISION'S FINAL EVALUATION REPORT OF THE DEMAND RESPONSE AUCTION MECHANISM**

This response to the utilities' motions is filed pursuant to Rule 11.1(e) of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission). This response is timely filed by Olivine, Inc. (Olivine)<sup>1</sup> within 15 days of the date the motion of Southern California Edison Company (SCE) was served (Dec. 6, 2018) and the date the motion of Pacific Gas & Electric Company (PG&E) was served (Dec. 12, 2018).

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<sup>1</sup> Olivine is a distributed energy resources (DER) and grid services company on a mission to decarbonize our electrical grid by enabling rapid deployment of DERs through our industry-leading software and technical services. As the first third party provider to integrate Demand Response (DR) resources into the California Independent System Operator's (CAISO) wholesale markets, since 2011, Olivine has worked as a scheduling coordinator (SC) and wholesale DR provider to promote, enable and integrate DR resources of investor owned utilities, third-party DR providers, community choice aggregators and others technology providers. Olivine is a leading proponent of DR and aggregations of DERs, helping client and partner companies to deploy those resources into electricity markets to affordably and efficiently offer grid services and monetize their value. Olivine maintains the infrastructure as well as the expertise to support implementation, administration and management of DER programs.

## I. INTRODUCTION

Olivine is committed to the long-term success of DR and its viability in both wholesale markets as a supply resource and in retail markets as a load modifier. For this reason, Olivine supported completing the evaluation of the DRAM prior to authorization of another pilot auction. We believed the concerns over seller concentration, identified consumer protection and issues around residential personal data, and the challenge of enrolling customers to meet supply plans needed addressing prior to further commitment of ratepayer dollars to the pilot.

Olivine also continues to believe that DRAM structural and contract issues must be addressed if it is to become a successful procurement mechanism for third-party DR that provides reliable RA. The stark data in the utilities' motions reinforce this belief, but adds a new concern over the possibility that all DR could be tarnished by the one or two DRAM participants who caused ratepayers to pay "for capacity that is not available" by moving customers in and out of resources.<sup>2</sup> SCE states that the audited Seller claimed demonstrated capacity under the DRAM 3 contract that actually "averaged three times overall customer usage."<sup>3</sup> Such behavior should reflect only on that Seller; it should not reflect poorly on other DRAM Sellers or other DR participants.

Olivine now supports the inclusion of the SCE and PG&E independent audit results in the Energy Division's evaluation for much the same reason we supported completing the

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<sup>2</sup> Motion of Pacific Gas & Electric Company for Inclusion of "PG&E Summary of 2018-2019 DRAM RFO Audit Analysis, Results as of December 4, 2018" in Energy Division's Final Evaluation Report of the Demand Response Auction Mechanism (PG&E Motion), at 3.

<sup>3</sup> Motion of Southern California Edison Company for Inclusion of Independent Audit Report in Energy Division's Final Evaluation Report of the Demand Response Auction Mechanism (SCE Motion), at 2.

evaluation before launching fifth year of the DRAM pilot: it is in the long-term, best interest of all DR. The independent audit reports should be part of the record and should help inform future, clearly necessary reforms to DRAM structure and contracts. We also understand the difficulties in assessing the results and the potential for discrepancies and would encourage that those issues also be discussed openly and publicly. In addition to supporting the relief requested in the motions (inclusion of the audit reports in the Energy Division's final evaluation), Olivine also has had first-hand experience with these difficulties and the complications with compliance associated with the current DRAM construct. Olivine believes that centralized oversight and standardized monitoring could address the real concerns around demonstrated capacity. Finally, the many DRAM participants that conscientiously followed the rules and worked hard to build real supply side DR resources should not be negatively impacted by one or two Sellers that apparently did not.

## **II. RESPONSE**

### **A. Demonstrated Capacity Concerns**

As Olivine noted in prior comments, the initial DRAM concept included a central SC with an administrative role to cost-effectively support the Sellers. Part of the rationale for a single administrator was also that that entity could coordinate, quality control and audit all of the data and an SC in particular has the ability to perform and certify tests and the responsibility to provide accurate and reliable supply plan submissions. Currently, effective performance of these critical reliability and compliance functions has proven to be challenging; this has delayed the evaluation of the DRAM, to the frustration of almost all parties. Moreover,

the independent audit results referenced in the utilities' motions highlight the need to for an independent entity to address these real concerns by performing these necessary functions.<sup>4</sup>

During the DRAM pilots(s), Olivine directly experienced these challenges and utilized operational tools and constructs at its disposal, both within and in addition to the standard SC role, to develop standards to address issues such as capacity discrepancies. Olivine has also successfully applied a single administrator model in other arenas and believes that the advantages, especially for purposes of evaluation and determination of compliance, are significant. A number of immediate problems could be addressed through leveraging aspects of these types of models. Those could include reviewing data, consistent application of deadlines, timely presentation of RA compliance and demonstrated capacity to the utilities, and invoicing. As DRPs become responsible for baseline calculations for market settlements, complications assessing performance will likely increase, raising the urgency of addressing the current issues, including standards and oversight in the near term.

**B. The DRAM Contracts and Supply Plans Supported by Olivine Did Not Move Customers In and Out of Resources To Inflate Demonstrated Capacity**

As a wholesale Demand Response Provider (DRP) and SC, Olivine has supported approximately 40 DRAM contracts with associated supply plans over the past three and a half years, shepherding well over 100 new Demand Response Resources with Resource IDs procured by the DRAM pilot through complex California Independent System Operator (CAISO) registration, bidding and settlement processes.<sup>5</sup> A major challenge throughout this

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<sup>4</sup> See SCE Motion, at 2 ("load was substantially lower than [Seller's] estimated capacity");

<sup>5</sup> These Resource IDs each had at least one event, be it an actual market dispatch or a test event. Olivine supported the creation of approximately 25 Resource IDs that were never subject to an event.

has been customers changing LSEs and the impacts to committed supply plans. In some cases, customers were moved between resources to resolve such issues, and to ensure that resources could continue to be viable and meet the contract commitments; however, we do not believe this was done with the intention of inflating demonstrated capacity. Olivine's portfolio of clients participating in DRAM has morphed during the life of the pilots, in no small part due to some of the challenges that have been cited and do include examples of good performance in terms of demonstrated capacity.

### III. CONCLUSION

Olivine appreciates this opportunity to respond to the motions.

Respectfully submitted,

/s/

Elizabeth Reid  
Chief Executive Officer  
**Olivine, Inc.**

December 21, 2018