

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)

**JOINT OPENING COMMENTS OF CPOWER, ENEL X NORTH AMERICA, INC.,
AND ENERGYHUB (“JOINT DR PARTIES”) ON PROPOSED DECISION ON
LOCAL CAPACITY OBLIGATIONS FOR 2020-2022, FLEXIBLE CAPACITY
OBLIGATIONS FOR 2020, AND RA PROGRAM REFINEMENTS**

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OBLIGATIONS FOR 2020, AND RA PROGRAM REFINEMENTS**

CPower, Enel X North America, Inc. (formerly, EnerNOC, Inc.), and EnergyHub (collectively, the Joint Demand Response (DR) Parties) respectfully submit these Joint Opening Comments on the Proposed Decision of Administrative Law Judge (ALJ) Chiv “Adopting Local Capacity Obligations for 2020-2022, Adopting Flexible Capacity Obligations for 2020, and Refining the Resource Adequacy Program” (Proposed Decision) mailed in this proceeding on May 24, 2019. These Joint Opening Comments are timely filed and served pursuant to Rule 14.3 of the Commission’s Rules of Practice and Procedure and the instructions accompanying the Proposed Decision.

**I.
THE PROPOSED DECISION WRONGLY FAILS TO ADDRESS
APPROPRIATELY IDENTIFIED AND SUPPORTED TRACK 3
DEMAND RESPONSE RA REFINEMENTS AND TO FINALLY ADOPT A
LONG OVERDUE METHODOLOGY TO VALUE COMBINED RESOURCES.**

A. Background

On March 4 and March 22, 2019, the Joint DR Parties continued to advocate for Track 3 Proposals in this Rulemaking, many of which the Joint DR Parties have repeatedly requested in prior tracks of this Rulemaking and prior RA rulemakings. These proposals have “focus[ed] 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

To that end, the Joint DR Parties proposed, in this Track of the proceeding, as it had proposed in previous tracks of this Proceeding and in previous RA proceedings, that the Commission’s June 2019 RA Decision “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

¹ Joint DR Parties Track 3 Proposals (March 4, 2019), at p. 2; Joint DR Parties Comments on Track 3 Proposals and Workshop (March 22, 2019), at pp. 1-2.

² Joint DR Parties Track 3 Proposals (March 4, 2019), at pp. 2-10; Attachment A; Joint DR Parties Comments on Track 3 Proposals and Workshop (March 22, 2019), at pp. 1-2.

B. The Proposed Decision Must Be Revised to Adopt the Joint DR Parties’ Proposal for Counting DRAM Resources in the Year-Ahead Resource Adequacy Demonstration.

The Joint DR Parties proposed a methodology for counting DRAM resources in the year-ahead RA demonstration in its March 4 Track 3 Proposals.³ This proposal simply reiterated a proposal that was submitted on July 10, 2018 in Track 2 of this proceeding by the IOUs on behalf of the Supply-Side Working Group.⁴ It is important for the IOUs to have a mechanism for counting DRAM resources in the year-ahead demonstration to ensure that the value of the DRAM procurement is preserved through providing benefit toward meeting the IOUs’ RA requirement.

As this issue was not addressed in either Decision (D.) 19-02-022 or in this Proposed Decision, the Joint DR Parties respectfully request the Proposed Decision be revised to adopt this proposal. This is an extremely important determination to ensure that the IOUs can claim RA benefits resulting from the DRAM solicitation on its year-ahead RA demonstration. Further, the adoption of the proposal would remove the unnecessary requirement for demand response providers to register its customers in the CAISO Demand Response Registration System (DRRS) well in advance of when those resources would be required to perform, especially for summer-only resources. Providing this certainty in advance of the next solicitation would be very important to the industry.

C. Contrary to the Scoping Memo for Track 3, the Proposed Decision Fails to Act on Track 3 Refinements and the Record Developed on Those Refinements in Track 3.

The Proposed Decision confirms that the Amended Scoping Memo for R.17-09-020 (RA), issued on January 29, 2019, specified that the following issues were within “the scope of Track 3”: “consideration of how storage and *combined resources* should be counted for RA

³ Joint DR Parties Response, March 4, 2019, at pp. 2-4; Joint DR Parties Comments on Track 3 Proposals, March 22, 2019, at p.3.

⁴ <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M233/K591/233591622.PDF>

credit” and “refinements to the third-party *demand response* qualifying capacity methodology.”⁵ Those Track 3 issues also include “consideration of other modifications and refinements to the RA program as identified in proposals by Energy Division *or by parties*.”⁶

Notwithstanding this confirmation of the issues within the scope of Track 3 of the RA Proceeding, the Proposed Decision fails to adopt a proposal for counting combined resources for RA purposes. The problems with the Proposed Decision’s approach on these proposals are described as follows:

1. Combined Resources.

The Joint DR Parties do not oppose having additional workshops for developing a methodology for counting combined resources, although there were specific proposals put forward in Track 3 that were discussed at workshops and supported by several parties in this proceeding. However, the Joint DR Parties do take issue with the rationale provided in the Proposed Decision as to why none of these proposals were adopted.

For example, the Proposed Decision states that “there are few, if any, such resources currently online”.⁷ The Joint DR Parties disagree. There is no evidence in the record as to the number of existing or planned combined resources or any information as to their online dates. However, the Commission need only talk to any solar or storage developer and ask them what type of development they plan to focus upon over the next several years. While anecdotal, it demonstrates a very specific focus in the near term on developing combined resources. The Commission should not wait until there is a plethora of these resources in the market before establishing a policy as to how they will be treated for RA.

⁵ Proposed Decision, at p. 3; emphasis added.

⁶ *Id.*

⁷ Proposed Decision, at p. 40.

The Proposed Decision further states that each of the individual components of a combined resource can participate directly in the CAISO markets.⁸ There are no prohibitions on bidding any of these individual resources participating directly into the wholesale market.

Unfortunately, these explanations miss the mark. Combinations of resources are occurring, whether the Commission is aware of it or not. Combining storage and solar is probably one of the biggest market trends in the industry today. If the Commission could address counting these resources for RA purposes, it would probably unlock more future opportunities. Further, as several of the proponents of establishing a methodology for combined resources explained, the combination creates more value than either resource individually can achieve. For example, storage coupled with solar allows the value of solar generation to be extended for a longer period of time during the day and can limit or reduce intermittency due to cloud cover, etc. In addition, storage can charge when the solar is at its peak generating period and absorbing some of the excess generation from the grid for dispatch later in the day, when solar generation is limited or not available. It is the interplay of the two resources that creates a stronger, more resilient and reliable resource. Because of these combined attributes, the Effective Load Carrying Capability (ELCC) calculation of a combined resource could be higher.

Southern California Edison Company (SCE) put forward some straight-forward proposals, which, for an initial position, are reasonable. Refinements could be developed over time with more experience. The Joint DR Parties, as stated in its comments, supports SCE's proposals.

Further, while there is still work to be done to improve the market experience of distributed resources, no one could argue that each resource type has the ability to participate individually in the wholesale market. However, the Proposed Decision fails to recognize the increased administration of registering each and every resource type and bidding and settling

⁸ Proposed Decision, at p. 40.

each resource individually versus registering a resource that can meet certain attributes, such as resource adequacy, irrespective of how it is met and with what resources. This logic in the Proposed Decision does not reflect efficient market operation or efficient administration by the resource operator.

2. Behind the Meter (BTM) Resources.

The Proposed Decision also states that any value of energy storage added to any other behind-the-meter technology will be evaluated based upon its contributions during the RA measurement hours through the Load Impact Protocols (LIPs).⁹ It is not clear that the LIP can measure all of the benefits of energy storage if it is only looking at discharging during the availability assessment hours (AAHs) because energy storage can also absorb excess solar generation at times of the day when generation outstrips demand.

If the Commission is interested in load shifting, energy storage is a perfect technology for achieving that goal; but, the LIP have not been used for that purpose in the past. Also, LIP is designed to look at the relationship of energy consumption, reduction, and weather. If demand reduction is the result of deploying on-site energy storage resources, these technology-assisted reductions that may closely correlate with weather.

As a new deployment, the Joint DR Parties are not comfortable in assuming that the current LIP methodology is adequate for recognizing differences in response due to technology versus weather. While the Commission has declined to adopt an ELCC for BTM PV, because it does not count for RA, and has declined to establish any diversity benefit associated with adding energy storage,¹⁰ the Commission should at least examine whether the LIPs are capable of capturing these benefits for estimating demand.

⁹ Proposed Decision, at p. 41.

¹⁰ Proposed Decision, at pp. 51-52.

II.
AVAILABILITY LIMITED RESOURCES AND LOCAL CAPACITY AREA NEEDS
MUST BE CAREFULLY EXAMINED AND COORDINATED
BETWEEN THE CAISO AND THE COMMISSION.

The Proposed Decision references some concerns expressed by CAISO about the potential for certain local capacity areas (LCAs) to require energy to meet the local contingency beyond what the Commission currently requires for RA (4 hours).¹¹ While the Proposed Decision states that the Commission will work closely with CAISO to meet local reliability needs, it is important for that work to be done through the RA Proceeding, especially if it results in any limitation of “availability limited” resources or if it modifies the current dispatch requirement to qualify for RA.

First, the issue of availability limitations for local RA is not part of the scope of Track 3. CAISO raised comments about local reliability and availability limitations in Track 1. It was not addressed by the Commission in the Track 1 or 2 Decisions. CAISO has not made a proposal in Track 3 of this RA Proceeding to indicate at what levels availability limited resources would create an energy limitation in any of the LCAs. While putting the Commission and parties on notice, there is no other action that can be taken at this time on a potential issue for which there is no record support. Until there are specific needs brought forward as to the duration of a contingency event in a particular local capacity area, it is inappropriate to incorporate a determination on this item in a Commission Decision, other than to ask the CAISO to bring forward its information for examination in a future proceeding.

Thus, it is, first, premature to make statements as to the ability for availability limited resources to meet a particular local need. Second, as described above, there are combinations of resources that are being developed that may extend the availability of any single technology to

¹¹ *Id.*, at pp. 55-56.

address concerns about energy limitations. Third, the Commission has one definition of what qualifies for resource adequacy today, and that definition applies to both local and system resources. If that definition needs to change, beyond 4 hours of dispatch for three consecutive days, the Joint DR Parties assume that change will be made through a Commission RA Proceeding with party input. Fourth, and finally, the Commission has adopted MCC buckets that limit the amount of availability-limited resources that a Load Serving Entity (LSE) can count for RA. It is unclear how those limitations are insufficient to address CAISO's concerns. Since there is no specific proposal, no conclusion can be drawn except to commit to examine the issue when the appropriate support is before this Commission.

III. CONCLUSION

The Joint DR Parties believe that modification of the Proposed Decision is required for the reasons stated in Sections II and III above. Those modifications are reflected in Appendix A (Proposed Modifications to Findings of Fact, Conclusion of Law, and Ordering Paragraph) attached and incorporated by reference hereto.

Respectfully submitted,

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APPENDIX A

JOINT DR PARTIES PROPOSED FINDINGS OF FACT, CONCLUSION OF LAW, AND ORDERING PARAGRAPH FOR THE PROPOSED DECISION OF ALJ CHIV

CPower, Enel X North America, Inc., and EnergyHub (“Joint DR Parties”) propose the following modifications to the Findings of Fact, Conclusions of Law, and Ordering Paragraphs in the Proposed Decision of ALJ Chiv mailed in R.17-09-020 on May 24, 2019 (Proposed Decision).

Please note the following:

- A page citation to the Proposed Decision is provided in brackets for each Finding of Fact, Conclusion of Law, or Ordering Paragraphs for which a modification is proposed.
- Added language is indicated by **bold type**; removed language is indicated by **bold strike-through**.
- A new or added Finding of Fact, Conclusion of Law, or Ordering Paragraph is labeled as “**NEW**” in **bold underscored** capital letters.

PROPOSED FINDINGS OF FACT:

NEW FINDING OF FACT. It is important for the Demand Response Auction Mechanism (DRAM) resources to be counted in the year-ahead RA Demonstration Filings of the Investor-Owned Utilities to meet their RA requirements.

NEW FINDING OF FACT. The Joint DR Parties have submitted a proposal that reiterates the proposal submitted on behalf of the Supply Side Working Group in Track 2.

PROPOSED CONCLUSION OF LAW:

NEW CONCLUSION OF LAW: The proposal on how to count DRAM resources in the year-ahead RA demonstration of the IOUs is reasonable and is adopted for as long as the DRAM is a pilot.

PROPOSED ORDERING PARAGRAPH:

NEW ORDERING PARAGRAPH. The Investor-Owned Utilities will incorporate the year-ahead RA counting methodology for DRAM for as long as DRAM remains a pilot.