

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



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Application of Pacific Gas and Electric
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Response Programs, Pilots and Budgets for
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(Filed January 17, 2017)

And Related Matters.

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**RESPONSE OF OHMCONNECT, INC. TO ADMINISTRATIVE LAW JUDGE'S
RULING DIRECTING RESPONSES TO QUESTIONS AND FILING OF PREVIOUS
DEMAND RESPONSE BASELINE DEVELOPMENT AND IMPLEMENTATION
COSTS**

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

April 24, 2019

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OhmConnect, Inc. (OhmConnect) respectfully submits this timely Response to Administrative Law Judge (ALJ) Hymes's *Administrative Law Judge's Ruling Directing Responses to Questions and Filing of Previous Demand Response Baseline Development and Implementation Costs* ("Ruling"), mailed April 8, 2019 in the above-captioned proceeding.

I. INTRODUCTION

OhmConnect appreciates the opportunity to respond to the questions posed in the Ruling, specifically regarding the new CAISO baselines and their interplay with the Demand Response Auction Mechanism (DRAM). OhmConnect is an active party to this proceeding (having also attended the March 22, 2019 workshop referenced in the Ruling), and has participated in all four DRAM auctions to date. Furthermore, OhmConnect provided input to the California Independent System Operator's (CAISO) Energy Storage and Distributed Energy Resources (ESDER) Phase 2 stakeholder initiative, which developed and proposed the new baselines. OhmConnect has built the internal processes necessary to utilize many of the new baselines, and has received approval from the CAISO to apply the baselines to its Resource Registrations.

In this Response, OhmConnect limits its comments to the impact the new CAISO baselines have on third-party Demand Response Providers (DRPs) participating in DRAM. In particular, we seek to share our perspective as a DRP with a predominantly residential customer base that participates in DR events through both behavioral and automated actions. We acknowledge, however, an inconsistency within the set of Commission-approved DR options regarding whether performance is measured at the aggregate Resource (i.e. “wholesale performance”), as is the case with DRAM, or at the individual customer (i.e. “retail performance”), as is the case with many of the Investor-Owned Utility (IOU, or “Utility”) programs. Ultimately, we believe the Commission should seek to answer the fundamental question of whether wholesale performance (the status quo for DRAM) or retail performance should inform the Resource Adequacy (RA) capacity delivered by a particular program or procurement mechanism.

II. RESPONSE TO QUESTIONS

1. ***Through the 2018 demand response season, the wholesale baseline used by the CAISO was a 10-in-10 w/ Day of Adjustment with a 20 percent cap. The FERC recently-adopted wholesale settlement methods include: a) a day matching customer load 10-in-10 baseline with a 20 percent cap; b) a weather matching baseline with a 40 percent cap; and c) the use of control groups. The effective date of these new methods was November 2018. As noted in the Utilities presentation, these three options will begin to be used by the CAISO for settlement purposes for customers bidding demand response into the wholesale through the demand response auction mechanism.***

OhmConnect respectfully seeks to clarify two statements in the Ruling, specifically related to Question 1. First, following the Federal Energy Regulatory Commission (FERC) ruling, CAISO updated its methodology options to include the 5-in-10 day matching baseline with a 40 percent cap for Resources comprising of residential customers; this was not previously listed in Question 1. In addition, the Scheduling Coordinator (SC)/DRP may use a combined baseline methodology for Resources comprising of a mix of residential and non-residential Locations (i.e. customers). This combined methodology applies the 10-in-10 baseline to all non-residential Locations, and the 5-in-10 baseline to all residential Locations.

Second, OhmConnect believes it would be more accurate to say that the baseline options “will begin to be used by the SC/DRP for CAISO settlement” rather than “will begin to be used by the CAISO for settlement purposes.” Following the approval and implementation of ESDER

Phase 2, the SC is the responsible entity for submitting performance data to CAISO. This performance data will then be directly used to settle.¹ However, it is the SC/DRP that performs the baseline calculation dependent on a) the baseline method(s) for which the SC/DRP has obtained explicit approval from CAISO,² and b) the specific baseline method chosen for each Resource Registration.³

a. Explain whether you agree with the Utilities that the interaction between these new wholesale baseline methods and the current retail baseline creates issues for calculating performance.

OhmConnect interprets that the “issues” addressed in this Question pertain to the presentation to the Commission on March 22, 2019 by the Utilities, and specifically to slides 22-24.⁴ These three slides demonstrate that, for the same underlying customers in a Resource, calculating wholesale performance (i.e. the aggregated Resource performance) would likely yield different results than calculating the retail performance (i.e. the individual customer performance) and then aggregating each individual retail performance. OhmConnect concurs with this analysis. Importantly, wholesale performance is not necessarily more or less “correct” than aggregated retail performance for determining performance across a given set of customers. But we believe the Commission should determine the circumstances under which wholesale performance should apply, and the circumstances under which retail performance should apply.

For example, DRAM Sellers - when demonstrating capacity using the results of a CAISO dispatch or test event - currently invoice for capacity based on wholesale performance (i.e. the Resource performance during the month) rather than aggregating retail performance (i.e. each individual customer’s performance).⁵ This construct, however, creates instances whereby a contributing customer’s performance for that month may not be accounted for once and only once in the monthly invoice. As OhmConnect explained in its March 29, 2019 Response,

¹ See October 31, 2018 “Demand Response User Guide,” at p. 120, available at <http://www.caiso.com/documents/demandresponseuserguide.pdf>.

² Demand Response User Guide, at p. 22.

³ Demand Response User Guide, at p. 88.

⁴ See Attachment A of Ruling.

⁵ See section 1.6(a)(i) of the 2019 DRAM contract Pro Forma (“Pro Forma”), for example, at https://www.pge.com/en_US/large-business/save-energy-and-money/energy-management-programs/demand-response-programs/2019-demand-response/2019-demand-response-auction-mechanism.page?WT.mc_id=Vanity_dram, <https://www.sce.com/procurement/solicitations/dram>, and <https://www.sdge.com/2019DRAMRFO>.

customer composition of a CAISO Resource is subject to change for a variety of reasons: “the customer changing Load Serving Entity (LSE), the customer moving or otherwise canceling an existent authorization, the customer disenrolling from the DRP’s program, or the customer newly enrolling in the DRP’s program.”⁶ Yet, presently, Demonstrated Capacity is based on a single wholesale performance for the month, which will exclude customers from being counted if they do not happen to be registered in that Resource at the specific time of the event. To address this problem, OhmConnect proposed in its Comments a methodology that would aggregate the individual performance of each customer to determine overall available capacity; in essence, utilizing retail performance to demonstrate capacity.⁷

b. Explain whether the Commission should adopt or limit adoption of these methods for settlement purposes in the Auction Mechanism.

OhmConnect respectfully disagrees that the Commission must take action to adopt the use of the new “methods” (i.e. baselines) in the DRAM for purposes of demonstrating capacity. The “2019 DRAM RFO Pro Forma” states that “[t]he Demonstrated Capacity for System and Local Capacity will equal the maximum hourly load reduction during any hour of such Dispatch as calculated using the Capacity Baseline and the Demonstrated Capacity for Flexible Capacity will equal the average hourly load reduction calculated using the Capacity Baseline.”⁸ The Pro Forma further defines “Capacity Baseline” as “the CAISO baseline as applicable to the PDR(s) or RDRR(s) in the DRAM Resource, **as specified in the CAISO Tariff.**”⁹ The current contract language does not prescribe the baseline methodology that is to be used for the purpose of calculating Demonstrated Capacity, nor does the contract specify that the baseline must be an approved retail baseline.

OhmConnect also advises that the Commission maintain this paradigm that allows any CAISO tariffed baseline to be utilized by DRAM Sellers to demonstrate capacity based on wholesale performance, until and unless the Commission also elects to permit the use of retail

⁶ See March 29, 2019 “Response of Ohmconnect, Inc. to Administrative Law Judge’s Ruling Directing Responses to Questions Resulting from the February 11-12, 2019 Demand Response Auction Mechanism Workshop and Comments on Proposals to Improve the Mechanism” (“OhmConnect Response”), at p. 15.

⁷ OhmConnect Response, at Appendix C.

⁸ Pro Forma, at p. 6.

⁹ Pro Forma, at A-2, emphasis added.

(i.e. individual customer) performance to demonstrate capacity. Limiting the baselines available for DRAM Sellers to demonstrate capacity will create an additional mismatch between performance used for CAISO settlement and performance used for DRAM invoicing.

2. ***A meter generator output is a performance evaluation method, used when a generation asset is located behind the resource's revenue meter, in which the demand reduction value is based on the output of the generation asset. In its presentation, the Utilities contend that there may be consequences resulting from introducing this method.***
 - a. ***Explain whether the Commission should address the issue in this proceeding or another proceeding.***
 - b. ***What should be the timing for determining solutions to the issues related to the meter generator output?***

OhmConnect has no comment at this time.

3. ***The Utilities contend that retail energy baseline influences retail capacity payment in the Capacity Bidding Program.***
 - a. ***Explain whether you agree with the Utilities.***
 - b. ***Explain whether the Commission should revise the current energy retail baseline and what the revisions should entail.***
 - c. ***If a revision is necessary, what timeline should the Commission adopt for developing and approving any such revision and why?***

OhmConnect has no comment at this time.

4. ***With respect to baselines for retail demand response programs, are there any other reasons the Commission should consider revising the current 10-in-10 baseline? What should any such revision entail and what timeline should the Commission adopt for developing and approving the revision?***

OhmConnect believes the Commission should explore how to apply all newly-approved CAISO wholesale baselines as retail baselines, especially if the Commission chooses to use aggregated retail performance as the indicator for program (or DRAM Seller) performance. Technically, DRPs could apply the 10-in-10, 5-in-10, and weather matching baselines to individual customers, because these baselines all utilize historical usage data. Conversely, the control group methodology compares usage of similar groupings of customers during the event;

this format renders it impossible to apply on an individual basis. However, the Commission could explore developing a statistical sampling method whereby the Utilities' use their database of energy usage data for customers not currently participating in DR to calculate appropriate counterfactuals for individual customers who do participate in DR events.

III. CONCLUSION

OhmConnect encourages the Commission to consider whether wholesale or retail performance is the appropriate way to reflect DRP performance and available RA capacity. The existing DRAM contract calculates capacity based on wholesale performance. However, this may not be the reflection the Commission seeks; furthermore, it is potentially inconsistent with how IOU programs receive valuation of their RA capacity. OhmConnect supports further exploration on how retail performance might be used in the calculation of Demonstrated Capacity of DRAM resources, such as the methodology proposed in our March 22, 2019 Response. In this manner, the Commission can achieve more consistent measurement of capacity across all DR programs and procurement mechanisms.

Respectfully submitted,

April 24, 2019

/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