

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 TRACK 3 PROPOSALS OF
CPower, ENEL X NORTH AMERICA, INC., AND ENERGYHUB
("JOINT DR PARTIES")**

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CPower, Enel X North America, Inc. (formerly, EnerNOC, Inc.), and EnergyHub ("Joint Demand Response (DR) Parties") respectfully submit these Joint Track 3 Proposals in Rulemaking (R.) 17-09-020 (Resource Adequacy (RA)). These Joint Track 3 Proposals are filed and served pursuant to the Commission's Rules of Practice and Procedure, the Amended Scoping Memo and Ruling of Assigned Commissioner issued in R.17-09-020 (RA) on January 29, 2019 ("Amended Scoping Memo"), and the Email Ruling of Administrative Law Judge ("ALJ") Chiv issued on February 22, 2019, which granted an extension of time to file these Comments to today, March 4, 2019, pursuant to Commission Rule 11.6.

**I.
OVERVIEW**

The Amended Scoping Memo states that "Track 3" of this proceeding will consider "the issues previously scoped but not addressed in Tracks 1 and 2, and issues in party proposals in Tracks 1 and 2 that were not addressed or rejected, other than issue related to the multi-year and central buyer local RA program."¹ Those latter issues (multi-year and central buyer) are presently the subject of the Track 2 Decision (D.) 19-02-022, with a date of issuance of today.

¹ Amended Scoping Memo, at p. 2.

The Joint DR Parties first filed their Track 1 Proposals on February 16, 2018. Those proposals have not been “addressed” or addressed fully as of this date, yet have been proposed multiple times by the Joint DR Parties not only in this proceeding (R.17-09-020), but in the predecessor Rulemaking (R.14-10-010). These proposals focus 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 and should be adopted now without further delay. The Joint DR Parties’ proposals will not only ensure appropriate valuation of DR resources, but will also allow distributed, behind-the-meter resources to play a larger role in meeting grid needs.

II. JOINT DR PARTIES’ TRACK 3 PROPOSALS

A. Track 3 Should Adopt a Year Ahead Demonstration of RA Resources Consistent With the Methodology Proposed by the Utilities That Reflects the Consensus Position of the Supply Side Working Group.

The Supply Side Working Group (SSWG) was established by the Commission in D.17-10-017 in R.13-09-011 (DR).² The purposes of the SSWG include, among other things, undertaking and providing a status report on work with the California Independent System Operator (CAISO) to address technical barriers to integration of DR resources and RA issues, and to develop a proposal to address local RA, weather-sensitive DR qualifying capacity requirements, and multi-year procurement contracts.³

To that end, the SSWG developed a consensus methodology for Year Ahead Demonstrations for RA Resources (SSWG Consensus Proposal) that was filed in Track 2 of this proceeding, but was not adopted in today’s Track 2 D.19-02-022. Because of this circumstance and its importance, the Joint DR Parties request the consideration of the same SSWG Consensus

² D.17-10-017, Ordering Paragraph 11, at p. 90.

³ *Id.*, at p. 75.

Proposal for year-ahead RA demonstrations for DR for adoption in Track 3, as filed by the SSWG in this proceeding (R.17-09-020) on July 10, 2018. That filing can be found at:

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

The SSWG Consensus Proposal was submitted in Track 2, which was relative to a one-year-forward RA requirement. Now that the Commission, in D.19-02-022, has adopted a multi-year forward RA requirement,⁴ the issue of how a DR resource will count in a multi-year forward demonstration requires some further consideration. The Commission has not determined whether there will be a solicitation in 2019 for 2020 deliveries for the Demand Response Auction Mechanism (DRAM). It is likely that if the Commission were to adopt a 2019 DRAM for 2020 deliveries, it would be a single-year auction. It is also possible that future DRAM auctions, if adopted, will have different terms and conditions associated with them.

Therefore, for year 1 of the 3-year forward RA requirement, the SSWG Consensus Proposal would be relevant. However, because DR resources have not yet been authorized for procurement for 2021 and beyond, the Utilities may meet their 2021 RA requirement without DRAM resources. And, in 2022, with only a 50% forward procurement requirement, there is the ability to allow for DR resources to be considered in the RA demonstration. In other words, the Load Serving Entities (LSEs) do not have to procure, on a forward basis, all of their RA requirements for 2022, leaving room for DR resources to be considered for local RA.

Yet, the SSWG Consensus Proposal submitted for the year-ahead demonstration will have to be revised once a permanent DRAM is adopted so as not to disadvantage DR resources for consideration for local RA in future years. The concerns expressed by the Joint DR Parties about forward demonstrations of DRAM resources were addressed in the consensus position of the SSWG. The forward demonstration concern included having to register customers in the

⁴ 100% in year 1, 100% in year 2 and 50% in year 3.

CAISO's Demand Response Registration System (DRRS) many months, or up to a year, in advance of when those customers may be available as capacity resources, so that the LSEs could claim the capacity on their year-ahead RA showing. With a multi-year forward RA requirement, the concerns are exacerbated; it is challenging to recruit and enroll customers that far in advance, especially if those customers are mass market. Yet, the future design and the duration of forward procurement of DRAM are uncertain. Therefore, it is difficult to make a proposal at this time. Hence, the Joint DR Parties would like to create a placeholder for this issue once the future of DRAM is clearer.

B. Unbundling Effective Flexible Capacity (“EFC”) from Net Qualifying Capacity (“NQC”)

The Joint DR Parties have repeatedly proposed the unbundling Effective Flexible Capacity (EFC) from Net Qualifying Capacity (NQC) not only as a Track 1 Proposal in this Rulemaking, but also in the predecessor Rulemaking 14-10-010 and has been supported by multiple parties, including the California Energy Storage Association (CESA), The Utility Reform Network (TURN), the Public Advocates Office (formerly, Office of Ratepayer Advocates) (PAO), and NRG.⁵ It has also been proposed by CAISO as part of its Flexible Resource Adequacy Criteria Must Offer Obligation (FRACMOO) Stakeholder Process.⁶ That proposal has been supported by TURN, PAO, and NRG.⁷ In fact, the CAISO has a proposal to unbundle EFC from NQC in its Flexible Resource Adequacy Criteria Must Offer Obligation (FRACMOO) Stakeholder Process.

⁵ See: R.17-09-020 (RA) Joint DR Parties Track 1 Proposals (February 16, 2018), at p. 3; Joint DR Parties Comments on Track 1 Proposals, at pp. 4, 10; R.14-10-010 (RA): Joint DR Parties' Comments filed on January 15, 2016, March 25, 2016, June 29, 2016, September 23, 2016, December 16, 2016, March 24, 2017, and June 14, 2017.

⁶ R.17-09-020 (RA) Joint DR Parties Track 1 Proposals (February 16, 2018), at p. 3.

⁷ Joint DR Parties' Comments on Scoping Memo, at pp. 2-3.

Yet, this Proposal has never been addressed or adopted by the Commission, and the time to do so clearly is now. Unbundling allows distributed energy resources (DERs) to decide which types of RA they can more readily provide or to determine where the value of service is highest. Bundling RA services together dilutes the value of either service (Flexible and Local or Flexible and System). At present, the hours of availability for flexible and local/system RA have converged; but, the obligations are still distinct. Combining the operational requirements of the resource can create barriers for DERs to meet those obligations, when, if separated, the DER could meet either obligation and can choose, based upon the highest value, which to provide. Combining the attributes also seems to favor traditional generating resources that are monolithic in their capabilities. In addition, the potential exists to have diverging needs for either flexible and local RA or flexible and system RA in the future, which could, again, further limit DER participation.

As such, the Joint DR Parties renew its request for the Commission to follow the lead of the CAISO on the issue of separating the flexible attributes from the local and system RA requirements. The Joint DR Parties, therefore, propose that the Commission finally approve the unbundling of EFC from NQC in this Track 3.

C. RA Value for Combined Resources

Similarly, the Joint DR Parties, along with CESA, have repeatedly proposed that an RA value be adopted for combined resources, such as solar, storage and DR or wind, storage, and DR. While the Joint DR Parties do not have a specific proposal for how this should be accomplished, it is clearly timely for this issue to be studied and a methodology adopted.

Clearly, the addition of storage and/or DR to a solar or wind installation have the potential of “firming” the intermittency of the solar or wind resource and extending its

availability to the grid to meet the net load peak. In addition, these resources can “absorb” excess energy supply when solar generation outstrips demand in the middle of the day. These activities can decrease the net load ramp needs, by reducing the trough and shaving the peak. This could defer the need to add capacity. As such, the value of combined resources should be explored further in Track 3, with a request for methodologies to determine the incremental capacity, and RA values.

D. RA Value for Load Shifting DR

Likewise, with the examination of the value of combined (solar+storage+DR) resources to provide additional RA capacity value, beyond that of any single resource alone, the Commission should also explore the RA value of load shifting. The Load Shift Working Group (LSWG), also created by D.17-10-017,⁸ submitted a report on January 31, 2019, reflecting the discussion of the working group, including barriers to realizing significant load shifting under current conditions. Resource adequacy value was one of the value streams that could be provided by load shifting; however, that, alone, may not be sufficient to encourage significant customer participation as load-shift resources. Other factors include retail rate design and alignment of wholesale and retail rates, among others.

Of import to this proceeding, the LSWG recognized that shifting load from the net load peak to the middle of the day should receive RA recognition by reducing the amount of capacity required to meet the net load ramp, and by reducing the midday trough. In addition to RA value, load shifting could provide other value such as more efficient utilization of resources, by virtue of a higher load factor. Load shifting should also provide value to renewable resources by reducing renewable curtailment. For these reasons, the Joint DR Parties propose that the RA value of load shifting should be included and considered in Track 3.

⁸ D.17-10-017, Ordering Paragraphs 12 and 13, at pp. 91-92.

E. Weather Sensitive DR

The original Scoping Memo for this proceeding, notes that Track 3 will ““revisit[ing] RA counting rules for weather-sensitive and local demand response resources.”⁹ It begins by flagging general trends such as “more variable weather, and more weather-correlated generation” that have to be recognized across multiple aspects of this proceeding.¹⁰

While this topic is being addressed in several different ways in the regulatory environment, it has yet to be fully addressed within this proceeding, despite suggestions that it be covered in both Track 1 and Track 2. In the 2018-2022 DR Applications (A.17-01-012, et al.), a workshop has been scheduled for March 22, 2019, to address how new wholesale baselines, now approved by the Federal Energy Regulatory Commission (FERC), may be applied to Utility retail programs. The RCT baseline, approved as a part of this effort, should certainly help to more accurately measure seasonal resources and thus is relevant to measuring the deliverability of RA obligations.

Additionally, the SSWG, which, as noted above, was created in D.17-10-017, developed a proposal regarding how to count weather-sensitive DR for RA purposes. At the time this proposal was developed, DRAM was a pilot and the group was not willing to fully explore how the proposal would apply to third-party resources.

With this background, the Joint DR Parties propose the following for Track 3: (1) This proceeding should be closely coordinated with the CAISO and A.17-01-012, et al., to ensure that the appropriate baselines are implemented for DR RA resources across the board so that they are measured accurately across the State; (2) this proceeding should be closely coordinated with ESDER 4 as the CAISO discusses options about how to operationalize and accommodate

⁹ Scoping Memo (1/18/18), at p. 8.

¹⁰ *Id.*, at p. 3.

weather sensitive resources; and (3) a placeholder should be created to develop a proposal regarding how to count third-party weather-sensitive DR for RA purposes once the future of DRAM becomes clearer.

F. “Slow Response” Resources

“Slow Response” Resources have been defined by the CAISO as a use-limited resource that requires more than 20 minutes advance notification in order to dispatch. CAISO’s stated purpose for this designation is to address the fact that CAISO is required by NERC to rebalance the system after a contingency event within 30 minutes. In order for CAISO to meet this NERC requirement, it states that it either needs resources that are capable of being available for pre-dispatch, in a pre-contingency scenario, or to be able to respond within 20 minutes in a post-contingency scenario.

In Track 2, CAISO submitted comments that reflect its analysis, along with that of the Utilities, as to whether or not use-limited resources, in particular, DR resources, could meet local RA requirements. CAISO concluded that, in general, “use limited resources could be pre-dispatched and could meet local RA requirements.”¹¹ However, CAISO was concerned that these resources may not have sufficient duration of dispatch to meet the local contingency.

By reaching this conclusion, CAISO is admitting that speed, and the ability to dispatch within a 20-minute notification, may not be as relevant to meeting the local capacity requirement as are other unique factors of the local capacity area, such as the potential for multiple dispatches per day or the duration of the dispatch. CAISO asked the Commission to adopt its methodology in Track 1 and to refine its methodology in subsequent tracks of this proceeding.¹²

¹¹ CAISO RA Proposals, February 16, 2018, at p. 13.

¹² Id., at p. 16.

The Commission has not adopted the CAISO's methodology in Track 2. CAISO has proposed a methodology, nonetheless, that was shared with the SSWG and is contained in the CAISO's RA Enhancements Stakeholder Process. The proposal is to either require use limited resources to be dispatchable in real time or to utilize the CAISO's intertie scheduling methodology, which was approved in ESDER 3. The intertie scheduling methodology was adopted for Proxy Demand Resources (PDR) in order to participate in the real time market and requires the resources to choose between an hourly or a fifteen-minute resource scheduling option as a proxy for economic real time dispatch. If the resource chooses the hourly scheduling option, then the use-limited resource could be pre-dispatched with 52.5 minutes advance notification and will be considered to meet the local RA requirement. If the use-limited resource chooses the 15-minute intertie scheduling option, it will receive 22.5 minutes advance notification, and will be considered to meet the local RA capacity requirement. RDRR resources will not be considered to meet local RA requirements because they cannot be pre-dispatched and are only available with 40-minutes advance notification in advance of an Energy Emergency Alert (EEA) 2.

With all of that said, two of the Joint DR Parties filed comments to the RA Enhancement Proposal, which are attached and incorporated by reference hereto as Attachment A, asking certain threshold questions, which have not been addressed to date:

1. If the CAISO's own study shows that speed of dispatch may not be determinative of meeting the local RA need, why is the 20-minute threshold still being used as determinative as to whether, or not, use limited resources can meet local RA.
2. The Joint DR Parties have asked, but have not received any empirical information as to what constitutes a pre-contingency event and with what frequency those conditions occur.
3. It is still unclear to the Joint DR Parties why the speed of dispatch is being imposed upon use-limited resources and not all resources. As a point of comparison, PJM has a

requirement for all resources to be available to respond to dispatch signals with 30-minutes notice, unless they can demonstrate an operational reasons why they cannot meet that requirement, in which case, PJM grants a waiver. The process is the same for all resources, irrespective of use limitation.

4. The Joint DR Parties appreciate the opportunity to participate in a stakeholder process to discuss RA Enhancements; however, any significant recommended modifications to RA must come back to the CPUC for implementation. Once again, the Joint DR Parties are concerned about two sets of resource requirements between the CPUC and the CAISO.

The Joint DR Parties urge the Commission to consider and address these questions in Track 3. As noted in point 4 above, the Commission plays a critical role in implementing and ensuring consistent application of resource requirements between the Commission and CAISO.

III. CONCLUSION

The Joint DR Parties appreciate this opportunity to provide their Track 3 proposals above. The Joint DR Parties urge the Commission to adopt these Proposals, including any requested analysis and coordination between CPUC Proceedings and between the CPUC and CAISO.

Respectfully submitted,

March 4, 2019

/s/ SARA STECK MYERS

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ATTACHMENT A

**ENEL X – CPOWER COMMENTS
CAISO RA ENHANCEMENTS PROPOSAL
February 7, 2019**



Stakeholder Comments Template

Resource Adequacy Enhancements – Straw Proposal Part 1

This template has been created for submission of stakeholder comments on Resource Adequacy Enhancements Straw Proposal Part 1 that was published on December 20, 2018. The Straw Proposal Part 1, Stakeholder meeting presentation, and other information related to this initiative may be found on the initiative webpage at: <http://www.caiso.com/informed/Pages/StakeholderProcesses/ResourceAdequacyEnhancements.aspx>

Upon completion of this template, please submit it to initiativecomments@caiso.com.

Submitted by	Organization	Date Submitted
<i>Mona Tierney-Lloyd</i>	<i>Enel X N. A., on behalf of Enel X and CPower</i>	<i>2/7/19</i>

Submissions are requested by close of business on February 6, 2019.

Please provide your organization's comments on the following issues and questions.

1. Rules for Import RA

Please provide your organization's feedback on the Rules for Import RA topic. Please explain your rationale and include examples if applicable.

The Enel X and CPower request clarification that the proposal that import RA have availability requirements 24 hours/7 days per week would not apply to availability limited resources.

2. RAAIM Enhancements & Outage Rules

- a. Please provide your organization's feedback on the Addressing Planned and Forced Outage Issue topic. Please explain your rationale and include examples if applicable.

Enel X and CPower have no comments at this time; but, may supplement its comments based upon the comments of others.

- b. Please provide your organization's feedback on the RAIM Enhancements topic. Please explain your rationale and include examples if applicable.

- i. Please provide your organization's feedback on the Availability & Performance Assessment Triggers options presented in the proposal.

Enel X and CPower agree that performance should be measured as well as availability. However, Enel X and CPower have a concern associated with the CAISO determining replacement value and distinguishing among types of RA (local, system and flexible). From the Demand Response Auction Mechanism (DRAM) experience, which is an important way to permit DR resource participation in CAISO through the Proxy DR Resource Module, and through the DRAM Evaluation Report that was prepared by Energy Division Staff, there is little to no distinction in "perceived value" among the buyers of RA among these RA types. It is unclear what method or mechanism the CAISO will use to incorporate a distinction in price. However, Enel X and CPower would be concerned if that method/mechanism would be disconnected from the value associated with the transaction of RA between buyers and sellers.

3. Local Capacity Assessments with Availability-Limited Resources

Please provide your organization's feedback on the Local Capacity Assessments with Availability-Limited Resources topic. Please explain your rationale and include examples if applicable.

In this section, it would appear that CAISO is planning to change the way that they determine local capacity assessments. To date, local capacity resources have not had differing availability or performance obligations as between local capacity area. In the future, it would appear as though that may change. In changing the way that local capacity areas are analyzed and potentially modifying the requirements of those resources by LCA, it would appear that this effort would require close coordination with the CPUC in determining the local capacity requirements. This modification would need to be coordinated with enough lead time for buyers and sellers to ensure that their product will meet the local capacity requirements and count for local RA.

On p. 19, the Straw Proposal indicates that the CAISO will conduct power flow analysis after the LSEs submit their RA demonstrations. While the Straw Proposal indicates that the CAISO will provide guidance based upon its Local Capacity Technical Study, a "hind sight" analysis can lead to inefficient procurement. The Straw Proposal, at p. 17, that local RA is based upon peak demand without regard for the duration that may be required of these resources. The Enel X and CPower request clarification of this statement as it relates to the MCC buckets and why that does not provide limitations on availability limited resources.

4. Meeting Local Capacity Needs with Slow Demand Response

Please provide your organization's feedback on the Meeting Local Capacity Needs with Slow Demand Response topic. Please explain your rationale and include examples if applicable.

Enel X and CPower object to the term "Slow Demand Response" when there are plenty of generation resources that are more slow than DR and yet we do not call them slow, like long-start resources. Slow, in this instance is 52.5 minutes or 22.5 minutes. Relative to the desired 20 minute timeframe, 22.5 minutes doesn't seem terribly slow.

While Enel X and CPower appreciate the efforts made by CAISO to include DR into consideration as a local capacity resource, the Joint DR Parties still do not agree that the NERC Requirements that apply to the CAISO for rebalancing the grid after a contingency within 30 minutes is the appropriate basis for applying a 20 minute response requirement upon DR resources. Once again, no other ISO has imposed a 20-minute requirement upon DR resources as a result of the NERC requirement. Those ISOs/RTOs that have developed a mandated response time, in PJM it is 30 minutes, apply that standard to all resources, not just DR. However, all resources have the ability to request an exemption to the 30 minute response time based upon operational limitations. The standard and the exemption process are the same for all resources. Once again, generating resources that are not capable of meeting a 20-minute response time, such as long-start resources, still count for local RA. These disparities are still concerning for DR resources.

As far as the mechanism proposed, which is to use the ESDER 3 proposal that allows DR resources to use the intertie scheduling structure, with hourly or 15-minute options, it is an improvement over simply being dispatched with 20-minutes notification or through the RT market.

As Enel X and CPower understand the straw proposal, DR resources would be committed in the day-ahead on a pre-contingency basis and the dispatch instructions would carry through to real-time, with the corresponding 52.5 or 22.5 notification period, for an interim period of time. Enel X and CPower do not know the frequency with which pre-contingency conditions are met, including through the utilization of the MOD. This is important for planning purposes so that resource owners can anticipate the number of possible dispatches. It would be helpful to have some historical analytics to provide some insight as to that potential.

The Straw Proposal is unclear as to how long this "interim" structure would be in place or when a permanent solution would be implemented.

Also, any proposal that includes a new requirements that DR resources would have to meet in order to qualify as local capacity resources must go through the CPUC's RA Process in order to align the CAISO and CPUC requirements for local RA.

Additional comments

Please offer any other feedback your organization would like to provide on the RA Enhancements Straw Proposal Part 1.