BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Enhance the Role of Demand Response in Meeting the State's Resource Planning Needs and Operational Requirements.	Rulemaking 13-09-011

CLEAN COALITION'S OPENING COMMENTS ON PROPOSED DECISION ADDRESSING FOUNDATIONAL ISSUE OF THE BIFURCATION OF DEMAND RESPONSE PROGRAMS

Stephanie Wang,
Policy Director & Attorney
steph@clean-coalition.org

Dyana Delfin-Polk,
Policy Manager
dyana@clean-coalition.org

Clean Coalition
13 Palm Court
Menlo Park, CA 94025

March 13th, 2014

CLEAN COALITION'S OPENING COMMENTS ON PROPOSED DECISION ADDRESSING FOUNDATIONAL ISSUE OF THE BIFURCATION OF DEMAND RESPONSE PROGRAMS

The Clean Coalition supports the goal of the Proposed Decision (PD) – to "improve the efficiency of demand response and increase the use of all demand response programs" with "no intention to diminish the value of demand response in either category." However, we urge the Commission to equally focus on developing the potential of Load Modifier demand response (DR), rather than prioritizing demand response that will be bid into the CAISO market for the reasons described below. We also recommend clarifications regarding the definition of Load Modifier DR, resource adequacy double counting, and the purpose of DR programs.

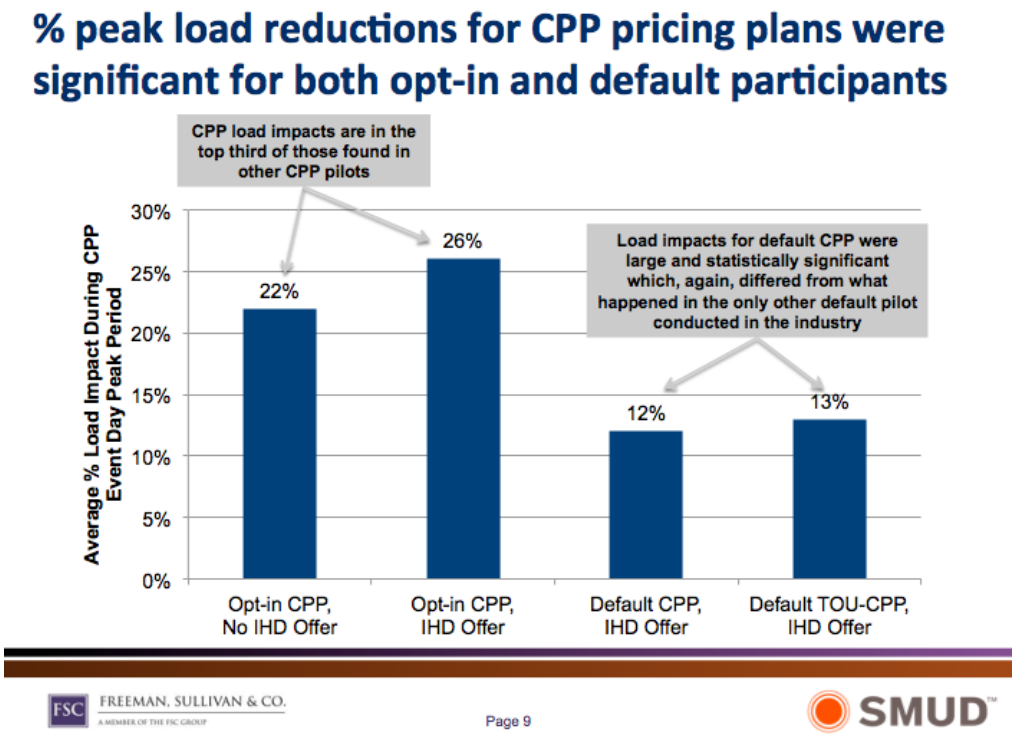
The Clean Coalition is a California-based nonprofit organization whose mission is to accelerate the transition to local energy systems that deliver cost-effective renewable energy, strengthen local economies, foster environmental sustainability, and enhance energy security and reliability. The Clean Coalition drives policy innovation to remove barriers to procurement, interconnection, and realizing the full potential of integrated distributed energy resources, such as wholesale distributed generation, advanced inverters, demand response, and energy storage. The Clean Coalition also designs and implements programs for utilities and state and local governments, including demonstrating that local renewables can provide at least 25% of the total electric energy consumed within the distribution grid, while maintaining or improving grid reliability. The Clean Coalition participates in numerous proceedings in California agencies and before other state and Federal agencies throughout the United States.

1) Equal Focus on Load Modifier Demand Response

The Clean Coalition recommends that the Commission equally focus on developing the potential of Load Modifier DR, rather than prioritizing demand response that will be bid into the CAISO market. Fulfilling the Loading Order mandate, to procure all available and cost-effective demand response and energy efficiency before other resources, will require prioritization of the most cost-effective and most scalable types of demand response. The greater the restrictions and costs involved with participating in demand response, the fewer

hours customers will be willing to participate at a cost-effective price. As the PD's finding of fact #20 states, bidding DR into the CAISO market is a complex process based on multiple factors. On the other hand, Sacramento Municipal Utility District's interim evaluation of its pilot program, SmartPricing Options, found that rate-based DR and associated technology innovations (in-home displays) can successfully attract and retain high customer participation, resulting in significant impacts on load curves.[1] We are also encouraged by Nexant's initial findings of success of Pacific Gas & Electric's non-residential critical peak pricing programs,[2] and PG&E's modeling of the potential for rate-based DR to cost-effectively meet system needs as California integrates higher levels of solar generation.[3]

Figure 1: Sacramento Municipal Utility District SmartPricing Options Peak Load Reductions[4]



[1] Sacramento Municipal Utility District's SmartPricing Options Interim Evaluation, dated October 13, 2013, shows how load modifier demand response and associated technologies can meet local reliability needs.
[2] Slides from Nexant (Freeman, Sullivan & Company) received by email on February 5, 2014.
[3] Presentation by Pacific Gas & Electric to the Commission on December 11, 2013.
[4] Presentation to the board of directors of the Sacramento Municipal Utility District, *Smart Pricing Options – Evaluation Results*, June 5, 2013.

2) Clarify Definition of Load Modifier DR

Load modifiers are defined in the PD as resources that "reshape or reduce the net load curve by indirectly reducing the resource adequacy requirement." There is no mention of resource adequacy in Conclusion of Law #5 or Order #2. To ensure clarity of the definition of Load Modifier DR, the reference to resource adequacy should be stricken from the summary as well as from the proposed definition of Load Modifier.

We also support PG&E's proposal in its comments to the PD that the Commission define Load Modifier DR as resources that "reshape or reduce the net load curve *and are not bid into the California Independent System Operator market*." We agree with PG&E that all demand response modifies net load curves, and therefore it is important to make this distinction in the definition.

3) Strike Reference to Resource Adequacy Double Counting

The PD's Findings of Fact #9 and Conclusions of Law #6 both state that a resource adequacy double counting problem occurs if demand response is not clearly classified as either a supply side or demand side resource.[5] We agree with PG&E's comment on the PD that this statement should be removed, as current resource adequacy rules already prohibit double counting by both the CAISO and the CPUC, which should continue without interference.

4) Clarify the Purpose of DR Programs

Finding of fact #7 in the PD states that the two purposes of demand response programs are "1) to meet the state's long-term energy goals including those for renewable and low greenhouse gas emitting resources and 2) to maintain both system and local reliability by relying on load-following resources bid into the energy markets and dispatched on a minute by minute basis with preferable resources."[6] The Clean Coalition recommends striking "by relying on load-following resources bid into the energy markets and dispatched on a minute by minute basis with preferable resources" for two reasons. First, the clause implies that only DR resources that bid into CAISO markets can contribute to system and local reliability. Second, the requirements of DR acting as "load-following resources" that are "dispatched on a minute by minute basis with preferable resources" are extremely specific and rule out most of the potential DR

[5] Proposed Decision Addressing Foundational Issue of the Bifurcation of Demand Response Programs, at 19.
[6] Proposed Decision Addressing Foundational Issue of the Bifurcation of Demand Response Programs, at 24.

resources that may bid into CAISO markets. Further, CAISO has not suggested that minute by minute dispatch is required to meet reliability needs.[7] We recommend that the Commission further explore the attributes of DR necessary to meet system and local reliability needs through workshops and stakeholder comments.

Respectfully submitted,

/s/ Stephanie Wang
Stephanie Wang

/s/Dyana Delfin Polk
Dyana Delfin-Polk

Clean Coalition
13 Palm Ct
Menlo Park, CA 94025

Dated: March 13th, 2014

[7] CAISO has indicated in its Draft 2014-2015 Transmission Study Plan, dated February 20, 2014, that it prefers DR resources that can respond in "sufficiently less time than 30 minutes from the CAISO dispatch," at 28. We recommend stakeholder workshops to determine what speed of response is necessary to meet reliability needs.