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 (Filed September 19, 2013)

CLEAN COALITION COMMENTS ON ADMINISTRATIVE LAW JUDGE'S RULING REQUESTING COMMENTS REGARDING THE COST-EFFECTIVENESS PROTOCOLS AND THE VALUATION WORKING GROUP REPORT

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July 31, 2015

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I. INTRODUCTION

On June 19, 2015, Administrative Law Judge Hymes issued a Ruling summarizing on draft revisions to the 2010 Cost-Effectiveness Protocols ("Protocols") as proposed by Commission staff as well as the suggested revisions from the Load Modifying Resource Demand Response Valuation Working Group ("Valuation Working Group") Compliance Report. This Ruling requires that Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company (collectively, "the Utilities") shall, and other parties to this proceeding may, file comments on the draft 2015 Protocols and responses to specific questions contained in this Ruling. The Clean Coalition appreciates this opportunity to respond. We offer comments on two matters of particular significance at this time and look forward to offering reply comments as warranted on the broader range of topics addressed by the ALJ and responding parties.

The Clean Coalition is a nonprofit organization whose mission is to accelerate the transition to renewable energy and a modern grid through technical, policy, and project development expertise. The Clean Coalition drives policy innovation to remove barriers to procurement and interconnection of distributed energy resources ("DER")—such as local renewables, advanced inverters, demand response, and energy storage—and we establish market mechanisms that realize the full potential of integrating these solutions. The Clean Coalition also collaborates with utilities and municipalities to create near-term deployment opportunities that prove the technical and financial viability of local renewables and other DER.

II. Comments

1. Hard Triggers

The Clean Coalition asserts that there was a misreading of the Valuation Working Group's Compliance Report regarding the proposals on hard triggers for Load Modifying Demand Response ("LMDR") valuation. The ALJ's Ruling of June 19th states:

> The Valuation Working Group proposes to create hard triggers but explained that there was no consensus on how to establish the hard triggers. The working group requests additional time to develop and perform a study on hard triggers. Alternatively, a smaller subset of the Valuation Working Group included in the report a proposal on how to set the hard triggers.[1]

While the Compliance Report reflected a lack of consensus on how hard triggers should be set, the report did present alternate complete proposals in regarding this matter. The failure to reach consensus was driven not by incompleteness or methodological weakness of the competing proposals but by insufficient data from which these proposals could be objectively evaluated. The Valuation Group proceeded to develop this data as quickly as possible subsequent to the May 1st Compliance Report deadline, and has submitted a Motion to have this data entered into the record.[2] The Clean Coalition strongly recommends that the Commission withhold final selection of hard trigger criteria and review the responses of parties employing the additional data to evaluate the

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[1] Ruling Requesting Comments Regarding the Cost-Effectiveness Protocols and the Valuation Working Group Report at 9.

[2] Motion of Pacific Gas and Electric Company, the California Independent System Operator, the California Large Energy Consumers Association, San Diego Gas and Electric Company, the Clean Coalition, Enernoc, the Environmental Defense Fund, and Southern California Edison Company to Admit Data and Information Developed by the Load Modifying Resource Valuation Working Group into the Record (July 30, 2015).

merits of the alternate proposals.

As multiple parties will demonstrate, the CAISO proposed hard trigger standards appear to embody multiple weaknesses when tested with historic load data and evaluated with regard to the important variety of roles in which LMDR can contribute significant value to cost-effective operation of the electrical system. In contrast to the proposal supported by the large majority of members of the working group, the CAISO proposal is expected to result in more dispatches during winter and shoulder months, when peak loads and capacity values are lowest and will likely lead to uneconomic dispatch and higher costs to ratepayers. However, most importantly, as we look forward to leveraging the full range of anticipated LMDR applications in coordinating load with resource availability and generation profiles, the CAISO proposal does not account for the role of DR to absorb excess generation; in fact, this approach risks increasing over-generation and ramping issues during the critical shoulder months. We respectfully urge reconsideration of the proposals.

2. "C Factor"

The Energy Division Staff propose the adoption of a new "C Factor",[3] noting that in general, programs with flexible triggers have a higher value than programs with triggers that rely on specific conditions, and therefore, a C factor should be determined so that programs with less flexible triggers can be de-rated. The CPUC further references analysis in a May 1, 2013 Staff Report on SCE's & SDG&E's Summer 2012 DR Programs[4] which found that these IOUs were not triggering their DR programs in an optimal manner. This is an important consideration, but an operational reluctance on the part of the IOUs to dispatch their DR programs should not be interpreted as indicating a lack of flexibility or value of the resource itself—or the program under which is was procured. We fully support the Commission seeking to ensure that the most cost effective resources are dispatched in accord with the Loading Order; however, the

[3] 2014 Revised Demand Response Cost Effectiveness Protocols – Energy Division Staff Proposal at 32–33 (Apr. 25, 2014 – Updated June 2015).

[4] Staff Report on SCE's & SDG&E's Summer 2012 DR Programs, *available at* http://www.cpuc.ca.gov/PUC/energy/Demand+Response/.

proposed C Factor formula actually appears to perversely devalue DR that is more available.

Staff propose the following formula for any DR program that is dispatched by an LSE:

$$\text{C Factor} = 50\% + \frac{\text{(annual average number of event hours from 2006 to present)}}{\text{(maximum number of annual event hours)}}$$

We note first that the available capacity value is inherently based on the availability of that capacity, not the frequency of its dispatch, which may more often be triggered by market factors. Further, by basing 50% of the value of the resource on the average number of hours it was dispatched divided by the number of hours it was available for dispatch, this formula may give greater value to a resource that is *less* available. For example, if two different resources were both equally dispatched for 50 hours, yet resource "A" was available for 200 hours, while resource "B" was only available 100 hours, this formula would give "B" a total value of 75% while giving "A" only 67%, despite A offering greater availability and being utilized an equal number of hours.

As we move forward in developing new DR resources from "smart" customer loads that are able to be utilized much more frequently than traditional large industrial "interruptible" loads intended for emergency use only, valuation should reward a resource that offers greater availability during relevant hours. The Clean Coalition strongly urges reconsideration of the C Factor proposal and alternative methods of ensuring that DR is actually utilized and dispatched appropriately.

III. CONCLUSION

The Clean Coalition appreciates this opportunity to comment.

Respectfully submitted,

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