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

Order Instituting Rulemaking to Oversee the Resource Adequacy Program, Consider Program Refinements, and Establish Annual Local and Flexible Procurement Obligations for the 2016 and 2017 Compliance Years.	Rulemaking 14-10-010 (Filed October 16, 2014)

CLEAN COALITION COMMENTS ON PROPOSED TRACK 1 DECISION ADOPTING LOCAL AND FLEXIBLE CAPACITY OBLIGATIONS FOR 2017, AND FURTHER REFINING THE RESOURCE ADEQUACY PROGRAM

Katherine Ramsey
Legal Fellow

Brian Korpics
Director of Policy

Kenneth Sahm White
Director of Economic and Policy Analysis

Clean Coalition
16 Palm Ct
Menlo Park, CA 94025
(702) 274-7217
katie@clean-coalition.org

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Pursuant to Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission"), the Clean Coalition respectfully submits these comments on the *Proposed Track 1 Decision Adopting Local and Flexible Capacity Obligations for 2017, and Further Refining the Resource Adequacy Program* ("PD"), dated May 20, 2016. These comments respond only to the PD section on Demand Response ("RD") proposals.

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.

I. INTRODUCTION

The Clean Coalition respectfully urges the Commission to:

- Add transparency to the ongoing review of the 20-minute response time requirement for DR programs by requiring CAISO to disclose a quantitative explanation of how it responds to contingency much time each activity takes and the sequence of events.

- Credit resource adequacy ("RA") value to DR programs that are overall integrated and actively participates in the California Independent System Operator (CAISO) market, including programs that aggregate smaller, unregistered market participants.

II. COMMENTS

The Clean Coalition supports the Commission's work to date and limits its comments to the Demand Response (DR) proposals section of the Proposed Decision.

A. Proposal to Adopt a 20-Minute Response Time Requirement for DR Programs

The Clean Coalition supports the Commission's decision to develop implementation of a new policy with respect to response time requirements for DR programs. We agree with the Commission that it is critical that the policy is non-discriminatory and continues the Commission's established support for DR as a preferred resource. It is also critical that efforts beyond this proceeding continue that same support. The Clean Coalition agrees with Energy Division Staff and Joint DR parties that the CAISO's proposed 20 minute start time requirement is discriminatory and would significantly disadvantage demand response programs. The Clean Coalition, and likely other parties participating in the CAISO stakeholder initiatives, will use this additional time to further research how independent system operators (ISOs) outside of California manage a 30-minute response time requirement to see if there are any undiscovered best practices that might assist CAISO in managing a DR response time longer than the proposed 20 minutes.

We also agree with PG&E and the Joint DR parties that it is premature to adopt a 20-minute requirement for DR programs. As a preferred resource, the Commission should seek a regulatory structure that develops additional DR capacity, and as that capacity develops, interested parties will be able to gain information on varying methods of dispatch and responses that will better inform whether current 30-minute response time requirements from existing contracts are insufficient for CAISO to meet its needs.

The Proposed Decision highlights that CAISO has not presented in its comments a quantitative explanation of how it responds to contingency, including the sequence of events and how much time each step takes.[1] Although the exact sequence and duration may vary, illustrative examples from CAISO would be helpful in understanding CAISO's constraints and better justify its proposal. Furthermore, this information would be useful in the upcoming efforts to resolve this issue. The sequence of events and the timing required for each step would add transparency to the current process and could likely be very useful in drawing comparisons to the same process in other ISOs. The additional information would likely contribute to more productive and transparent results.

Therefore, the Clean Coalition asks that the Commission use its decision in this proceeding to direct CAISO to provide this information to the working group, or alternatively, request that CAISO disclose this information in its stakeholder initiative. This information will be invaluable in designing future programs and market products that can take advantage of forthcoming fast acting or automated DR technologies applicable to very large numbers of utility customers of all classes and sizes.

B. Evaluating Resources that Are Partially Integrated into Energy Markets

The Clean Coalition supports the Southern California Edison ("SCE") proposal to credit RA value to DR programs that is overall integrated and actively participates in the CAISO market. Providing RA value for DR programs that aggregate smaller, unregistered market participants would incentivize development of a preferred resource close to areas where they are needed.

SCE notes that it generally treats all program customers as if they were integrated, regardless of whether or not each account is registered with the CAISO, and proposes that for purposes of RA counting, all of the load drop potential in an integrated program should be counted for NQC and/or EFC, using the LIPs.[2] PG&E supports this proposal for programs using the LIPs, stating that there is no apparent benefit to ignoring non-integrated load drop potential. Commission's stated goal of integrating DR programs is not at odds with this proposal.

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[1] PD at 35.

[2] *Id.* at 44.

In D.15-11-042, in response to SCE comments on the PD, the Commission clarified that the portions of a DR program "that are not integrated into the market have no measurable capacity value."[3]

The PD reaffirms an unwillingness to offer RA value to non-integrated load and concludes that only the integrated portion of a partially integrated program may be counted for RA. However, this appears not to directly address SCE's point that the full capacity enrolled in its DR programs and responding to CAISO dispatch are effectively integrated and should therefore be credited. To exclude consideration of participating accounts because they do not meet the 100 kW sub-load aggregation point threshold fails discourages development of dispatchable DR resources. Traditional DR programs, which have focused on larger individual loads, have not achieved the targeted capacity levels. Much larger capacity remains untapped and distributed among smaller accounts. While it is understandable that the CAISO establish a 100 kW threshold for registering customer DR capacity within each sub-load aggregation point, this should not preclude SCE or other utilities from being credited for the actual measurable load reduction achieved by their programs. SCE is not requesting that non-integrated load be offered RA value, only that all integrated load be counted – based upon the measurable dispatchable capacity of the program even when not all participating customers are individually registered as market participants. The Clean Coalition joins SCE and PG&E in supporting this approach and recommends this amendment to the PD.

As noted in the *Load Modifying Resource Demand Response Valuation Working Group Compliance Report* (dated 5/1/2015) [4] filed in compliance with D.14-12-024,[5] All parties to the Working Group agreed that LMR DR should receive value for system capacity in the RA, LTPP, and TPP processes if they are dispatched on pre-defined hard triggers. (3.1.1.2.1)

In D.15-11-042 the Commission rejected the methodology that was offered by CAISO to establish hard triggers for the dispatch of demand response programs not integrated into the wholesale market (event-based Load Modifying Resources) as "suboptimal," (at pp. 61-62.) while also rejecting the proposed alternatives or proposed study. In doing so, the Commission

[3] D.15-11-042 at 22.

[4] *See* § 3.1.1.2.1.

[5] *See also Scoping Memo and Ruling ofAssigned Commissioner and Administrative Law Judge*, dated Jan. 6, 2016 (section 3.2 requests that the Valuation Working Group examine RA valuation issues for load-modifying demand response and file a compliance report by May 1, 2015).

failed to provide a clear mechanism for incorporating these resources. SCE's recommendation addresses this issue for those resources within its DR programs that respond to CAISO dispatch.

As stated in the LMDR Compliance Report, with event-based LMR DR programs, long-term planners do not modify the load shape or reduce the peak demand by the LMR DR capacity. Instead, they account for the load reductions associated with LMR DR in a similar manner as conventional supply resource. This means that the dispatched capacity of utility DR programs is expected to be counted as a supply resource, and is not embedded in the CEC's unmanaged/base case load forecasts. If that capacity associated by active participants not meeting CAISO's separate market participant registration threshold criteria are not credited, this actively dispatched DR capacity will not be counted at all, requiring the unnecessary procurement of redundant resources.

Increased development of non-integrated resources would provide numerous benefits to CAISO and California ratepayers, including more dispatch flexibility and improved ability to closely target where to direct load in the event of contingencies. This proposal, if approved, would also provide important additional RA value for DR resources.

III. CONCLUSION

The Clean Coalition appreciates this opportunity to comment on the Proposed Decision and looks forward to working with the Commission to continue refining the Resource Adequacy program.

Respectfully submitted,

/s/ Katherine Ramsey

Katherine Ramsey
Clean Coalition
16 Palm Ct
Menlo Park, CA 94025

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