BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company (U39E) for Approval of Demand Response Programs, Pilots and Budgets for Program Years 2018-2022.	Application 17-01-012 (Filed January 17, 2017)
And Related Matters.	Application 17-01-018 Application 17-01-019

COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE TO THE ADMINISTRATIVE LAW JUDGE'S RULING ISSUING EVALUATION REPORT OF THE DEMAND RESPONSE AUCTION MECHANISM PILOT, NOTICING JANUARY 16, 2019 WORKSHOP, AND DENYING MOTION TO REQUIRE AUDIT REPORTS IN THE EVALUATION REPORT

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In accordance with the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission"), the California Energy Storage Alliance ("CESA")[1] hereby submits these comments to the *Administrative Law Judge's Ruling Issuing Evaluation Report of the*

[1] 174 Power Global, 8minutenergy Renewables, Able Grid Energy Solutions, Advanced Microgrid Solutions, AltaGas Services, Amber Kinetics, American Honda Motor Company, Inc., Avangrid Renewables, Axiom Exergy, Boston Energy Trading & Marketing, Brenmiller Energy, Bright Energy Storage Technologies, Brookfield Renewables, Carbon Solutions Group, Centrica Business Solutions, Clean Energy Associates, Consolidated Edison Development, Inc., Customized Energy Solutions, Dimension Renewable Energy, Doosan GridTech, Eagle Crest Energy Company, East Penn Manufacturing Company, Ecoult, EDF Renewable Energy, ElectrIQ Power, eMotorWerks, Inc., Enel X North America, Energport, ENGIE, E.ON Climate & Renewables North America, esVolta, Fluence, Form Energy, GAF, General Electric Company, Greensmith Energy, Ingersoll Rand, Innovation Core SEI, Inc. (A Sumitomo Electric Company), Iteros, Johnson Controls, Lendlease Energy Development, LG Chem Power, Inc., Lockheed Martin Advanced Energy Storage LLC, LS Power Development, LLC, Magnum CAES, Mercedes-Benz Energy, NantEnergy, National Grid, NEC Energy Solutions, Inc., NextEra Energy Resources, NEXTracker, NGK Insulators, Ltd., NRG Energy, Inc., Parker Hannifin Corporation, Pintail Power, Primus Power, Quidnet Energy, Range Energy Storage Systems, Recurrent Energy, Renewable Energy Systems (RES), Sempra Renewables, Sharp Electronics Corporation, SNC Lavalin, Southwest Generation, Sovereign Energy, Stem, STOREME, Inc., Sunrun, Swell Energy, Tenaska, Inc., True North Venture Partners, Viridity Energy, VRB Energy, WattTime, Wellhead Electric, and Younicos. The views expressed in these Comments are those of CESA, and do not necessarily reflect the views of all of the individual CESA member companies. (http://storagealliance.org).

Demand Response Auction Mechanism Pilot, Noticing January 16, 2019 Workshop, and Denying Motion to Require Audit Reports in the Evaluation Report ("Ruling"), filed by Administrative Law Judges ("ALJ") Kelly A. Hymes on January 4, 2019. In a procedural email served to parties of A.17-01-012, *et al*. on January 7, 2019, ALJ Hymes clarified that these comments are intended to be a short, general description of proposed improvements to the Demand Response Auction Mechanism ("DRAM") that will also be presented at the January 16, 2019 workshop. CESA prepares its comments here in accordance with the Ruling and ALJ Hymes' procedural email.

I. INTRODUCTION.

CESA appreciates the opportunity to review the DRAM Evaluation Report and provide our proposed improvements to the DRAM. Some of our proposed improvements and recommended actions are directed at program design improvements, but some are also procedural in nature. With more time to review the DRAM Evaluation Report and consider specific improvements, CESA will have more detailed proposals prior to the next two-day workshop on February 11-12, 2019.

II. CESA'S PROPOSED IMPROVEMENTS.

CESA proposes the following for consideration in DRAM program design:

- Formal comment opportunity is needed following the DRAM workshop on January 16, 2019 to provide stakeholder input on the DRAM Evaluation Report and develop the record on detailed proposals prior to the February 11-12, 2019. With detailed proposals on the record prior to next month's workshops, parties will have an opportunity to vet in advance other stakeholder's ideas and allow for more efficient policy development where that workshop is spent striving toward consensus on ideas rather than introducing ideas. This is important to allow for the potential to have a DRAM auction in 2019 for 2020 deliveries.

- Formal comment opportunity is also needed following the DRAM workshop on January 16, 2019 to provide stakeholder input on the DRAM Evaluation Report to develop the record on what are appropriate takeaways and what are potential limitations of the evaluation. There may be some conclusions that should be reassessed and should be afforded greater or less weight in guiding Commission decisions around DRAM program re-designs.

- DRAM should be authorized for another 6 years, predicated on implementing the identified critical and necessary improvements in program design. CESA supports the Commission staff's recommendation. Specifically, CESA would support rolling auctions for multi-year Resource Adequacy ("RA") contracts, with a three-year minimum to align with the Local RA multi-year framework. Long-term contracts (*e.g.*, up to 7-year contracts) should be allowed considering the higher capital expenditures of behind-the-meter ("BTM") energy storage resources providing demand response ("DR") and parallels from other proceedings (*e.g.*, R.14-10-003).

- A process for ongoing monitoring should be created, but any consideration of improvements or changes to program design should occur in a set timeframe (*e.g.*, mid-cycle review in Year 3 or 4 of DRAM) to provide market certainty and reduce administrative costs. Any recommended changes on program design should be applied proactively for future DRAM auctions and never applied retroactively.

- Rolling auctions should be conducted every year, starting at the 2019 budget and MW levels and up to a maximum 2 GW cumulative total authorization across the 6-year period.

- A market share cap for any single DR provider ("DRP") within a single investor-owned utility ("IOU") territory should be established, though the appropriate specific cap percentage should be discussed. The DRAM is still evolving and DRPs are still learning how to bid into the auction, integrate into wholesale markets, and be dispatched and operated as RA resources. The market is ready to move beyond 'pilot' status but it is still transforming, so it is appropriate to establish caps, which could be re-visited at a later time.

- A residential set-aside should be maintained since it would encourage market diversity and increase customer choice for residential customers that would otherwise have limited DR program participation opportunities. Caps for any single DRP can be established within the set-aside.

- The RA proposal from the Supply-Side Working Group ("SSWG") should be considered for the DRAM to address the issue of no Commission-approved qualifying capacity ("QC") value. The SSWG proposes an 'accounting' approach to estimate the QC value on the load side based on the contracted capacity for year-ahead RA showings and then to estimate the QC value on the supply side in the month-ahead supply plans.

- Penalties for non-performance when QC indicated on the supply plans falls significantly below contracted capacity may be reasonable, but it depends on the tolerance band. At the same time, processes for contract reassignment should be allowed to avoid such performance-based penalties.

- Any performance-based requirements should be assessed against the performance requirements of other non-DRAM RA resources. CESA seeks to explore whether exposure to market performance requirements by the California Independent

System Operator ("CAISO") provide sufficient incentives to participate in the energy market and be deployed. CESA cautions against 'double penalties' for non-performance in both the contract and the CAISO market when they are not applied similarly to conventional resources.

- The Advice Letter approval process for executed contracts should be removed to support the streamlining of DRAM resource deployments. To increase the success of winning DRPs in aggregating their contracted capacity, removal of this regulatory step would be beneficial. With upfront approval of the *pro forma* contract and the solicitation protocols and parameters, the need for regulatory approval is reduced.

- The DRAM should allow for the provision of any RA products (System, Local, and Flexible). While DRAM may provide the most capacity value in the summer months at this time through the provision of Local RA, reforms to the Flexible RA product may create additional capacity value in the provision of Flexible RA, where the shoulder months may be important. Any program design changes should keep this in mind and maintain flexibility.

- Specific *pro forma* contract changes will depend on specific program improvements. Any changes in the program design should be translated to the *pro forma* contract.

III. CONCLUSION.

CESA appreciates the opportunity to submit these comments to the Ruling and looks forward to working with the Commission and stakeholders at the upcoming workshop.

Respectfully submitted,

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