

Rulemaking No.: R.20-11-003

Exhibit No.: AEE-02

Date: September 10, 2021

Witness: Noah Garcia

Commissioner: Marybel Batjer

ALJs: Brian Stevens and Sarah R. Thomas

**REPLY PHASE II PREPARED TESTIMONY OF NOAH GARCIA ON
BEHALF OF ADVANCED ENERGY ECONOMY**

Rulemaking R.20-11-003

Order Instituting Rulemaking to Establish Policies, Processes, and Rules to Ensure Reliable
Electric Service in California in the Event of an Extreme Weather Event in 2021

Phase II – Reliability for 2022-2023 – Update

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1 **I. INTRODUCTION**

2
3 **Q. Please explain the purpose of Advanced Energy Economy’s (AEE’s) reply**
4 **testimony.**

5 A. AEE submits this reply testimony in response to parties’ opening testimony on the
6 Commission’s e-mail ruling on Staff concepts to address Summer 2022 and 2023 peak
7 reliability needs. The main purpose of this testimony is to highlight areas of agreement
8 among parties on approaches that can enhance near-term grid reliability and to request
9 that the Commission move forward with the adoption of these approaches.

10
11 It is clear that a diversity of parties recognize the need for new policy and program
12 modifications to quickly scale the deployment of additional zero-emission resources –
13 particularly demand-side resources – that can readily provide valuable capacity during
14 summer system peaks. AEE focuses on a narrow set of proposed recommendations with
15 the intent of supporting feasible, implementable near-term modifications that the
16 Commission can readily approve to improve reliability and better align the Commission’s
17 reliability planning with its clean energy goals.

18 **II. REPLY TESTIMONY**

19
20 **Q. What recommendations do the Joint Demand Response Parties (JDRP) and the**
21 **Joint Parties (JP) make with respect to the expansion of Emergency Load Reduction**
22 **Program (ELRP) to residential customers in their opening testimony?**

1 A. The JDRP and JP recommend that the residential ELRP expansion be offered to
2 customers on an opt-in basis.¹ They also recommend that the Commission use a 5-in-10
3 baseline for evaluating program performance.²

4
5 **Q. Does AEE agree with the JDRP and JP’s recommendations?**

6 A. Yes. As noted in the JP’s testimony, the primary focus of the ELRP expansion should be
7 on incentivizing incremental, not incidental, load reductions from residential customers.³
8 It is likely that many customers will be unaware they are enrolled in ELRP if it is done on
9 an opt-out basis, even after accounting for marketing and education efforts. Moreover, as
10 noted in the JDRP’s testimony, there would be significant “competitive implications”
11 from residential customers’ automatic enrollment in the ELRP – implications that could
12 be resolved by empowering demand response providers (DRPs) to play a more active role
13 in supporting the execution of the ELRP expansion.⁴ Similar arguments are made by the
14 California Solar and Storage Association in their opening testimony.⁵ Relatedly, adopting
15 a 5-in-10 baseline would keep the ELRP in alignment with other supply-side residential
16 DR programs and better reflect customers’ actual energy use during extreme heat events
17 when ELRP events are expected to be triggered.

18
19 Additionally, it is difficult to overemphasize the importance of ensuring customers have a
20 simple, straightforward pathway to enroll in ELRP, or any supply-side DR programs, if

¹ Phase 2 – Reliability for 2022-23 – Update: Opening Prepared Testimony of Joint Demand Response Parties at 26, filed September 1, 2021. Opening Phase 2 Prepared Testimony of the Joint Parties at 5, filed September 1, 2021.
² *Id.*
³ . Opening Phase 2 Prepared Testimony of the Joint Parties at 10, filed September 1, 2021.
⁴ Phase 2 – Reliability for 2022-23 – Update: Opening Prepared Testimony of Joint Demand Response Parties at 26, filed September 1, 2021.
⁵ Prepared Direct Testimony The California Solar & Storage Association at 5, filed September 1, 2021.

1 they choose to do so. AEE strongly agrees with the JP’s recommendation in its testimony
2 that the Commission should allow customers seeking to enroll in bring your own device
3 (BYOD) DR programs to do so by using just their name and address for identification –
4 not their utility account number.⁶ This one simple modification has the potential to
5 unlock meaningful demand reduction potential by removing a deterrent for customers and
6 speeding up the availability of customer load for DR programs. AEE recommends that
7 this modification be applied broadly to all residential DR programs.

8
9 **Q. Does the JP make other recommendations with respect to the expansion of ELRP to**
10 **residential customers?**

11 A. Yes. The JP recommends that the Commission clarify the compensation structure for
12 DRPs and automated service providers that facilitate an automated customer response to
13 CAISO Flex Alerts.⁷ The JP also note that Flex Alert marketing be used to encourage
14 customer enrollment in utility and third-party aggregator DR programs.⁸

15
16 **Q. What is AEE’s response to these recommendations?**

17 A. AEE agrees with these recommendations. Because DRPs would be responsible for
18 generating a broad, automated response to Flex Alerts, it is clear that the Commission
19 must establish a pathway and structure for DRP compensation. Given its brand
20 recognition and existing communications infrastructure, Flex Alerts would also be a
21 reasonable, efficient mechanism to encourage greater participation in DR programs that

⁶ Opening Phase 2 Prepared Testimony of the Joint Parties at 29-30, filed September 1, 2021.

⁷ *Id.* at 11-12.

⁸ *Id.*

1 would lead to further residential load reductions – particularly as these customers
2 experience fatigue from repeated calls for voluntary reductions.

3
4 **Q. What recommendations does Voltus, Inc. (Voltus) make with respect to ELRP
5 compensation rates?**

6 A. In its testimony, Voltus recommends that the ELRP should be modified by either
7 incorporating a monthly capacity payment and an increased \$2/kWh incentive for all
8 ELRP participants *or* significantly raising the performance payment to \$6/kWh.⁹ Voltus
9 notes that the emergency DR program established by Governor Newsom’s July 30
10 emergency proclamation has frustrated DRP efforts to enroll customers in ELRP due to
11 ELRP’s lower incentive levels and that many other DR programs in other wholesale
12 markets provide capacity payments that bolster and retain customer participation.¹⁰
13 Voltus also observes that \$6/kWh is the minimum penalty imposed on non-performing
14 third party BIP resources, which provides an indication of the minimum value of lost load
15 in the program.¹¹

16
17 **Q. What is AEE’s response to these recommendations?**

18 A. AEE broadly agrees with the recommendations put forward by Voltus. There is also
19 support from other parties around increased ELRP compensation, including the JP.¹² By
20 increasing incentives to levels commensurate with other comparable programs, the

⁹ Opening Prepared Testimony of Voltus, Inc. at 7, filed September 1, 2021.

¹⁰ *Id.* at 7-8.

¹¹ *Id.*

¹² Opening Phase 2 Prepared Testimony of the Joint Parties at 7, filed September 1, 2021.

1 Commission would ensure that DR programs are not undermining each other but instead
2 complementing each other by encouraging customer enrollment in the program that
3 meets their needs while stimulating competition among DRPs.
4

5 **Q. What recommendations does Google LLC (Google) make in its opening testimony**
6 **with respect to smart thermostat customers and ELRP enrollment?**

7 A. Consistent with the Staff Concepts Proposal (SCP), Google recommends that any
8 customers receiving incentives for smart thermostats also be required to participate in
9 existing demand response (DR) programs.¹³ Critically, Google also observes that if
10 residential customers are simultaneously automatically enrolled in ELRP and required to
11 stop participating in ELRP in order to participate in a different DR program, customers
12 will likely be “locked in” to ELRP due to program inertia.¹⁴ Many customers in this
13 scenario may be unaware that they are participating in ELRP, potentially making it more
14 difficult to enroll in supply-side DR programs by adding the additional step of un-
15 enrolling in ELRP. Google also proposes that residential ELRP incentives should be
16 stackable with incentives for other supply-side DR programs.
17

18 **Q. Does AEE have a response to Google’s recommendations?**

19 A. Yes. First, AEE agrees that customers receiving smart thermostat incentives should be
20 required to participate in existing DR programs. This modification would plainly ensure
21 that smart thermostats are able to perform one of their core functions, namely, to support

¹³ Opening Phase II Testimony and Prepared Exhibits of Aaron Berndt on Behalf of Google LLC at 7, filed September 1, 2021.

¹⁴ *Id.* at 7-8.

1 load shifts and load reductions in a manner responsive to grid conditions. Second, AEE
2 also agrees that participation in ELRP should not preclude customer participation in other
3 supply-side DR programs – particularly when ELRP events do not coincide with events
4 called for by other market-integrated programs. In the instance when ELRP and other DR
5 program events do coincide, the supply-side program would take precedent and
6 customers would only receive compensation for demand reductions in that program. The
7 JP raises a similar point with respect to Base Interruptible Program (BIP) customers
8 participating in ELRP in its opening testimony.¹⁵

9
10 Again, AEE emphasizes that smart thermostat customers’ enrollment in required DR
11 programs should be as simple and streamlined as possible; in this case, AEE also finds
12 value in eliminating customer requirements to provide utility account numbers when
13 enrolling, considering that names and addresses could be easily used to identify
14 customers.

15
16 **Q. What recommendations do the California Energy Storage Alliance (CESA) and LS**
17 **Power Development, LLC (LS Power) make with respect to accelerating the**
18 **operation of large-scale resources to support resource adequacy in 2022-2023?**

19 A. CESA and LS Power generally recommend the introduction of a voluntary incentive to
20 encourage load serving entities (LSEs) to accelerate procurement of capacity resources
21 authorized in recent procurement decisions.¹⁶

¹⁵ Opening Phase 2 Prepared Testimony of the Joint Parties at 8, filed September 1, 2021.

¹⁶ Opening Testimony of Jin Noh on Behalf of the California Energy Storage Alliance at 11, filed September 1, 2021. Prepared Phase 2 Opening Testimony of Sandeep Arora on Behalf of LS Power Development, LLC at 4, filed September 1, 2021.

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Q. Does AEE agree with this recommendation?

A. Yes. As CESA notes, there are incremental costs associated with accelerated project development that could be addressed by an incentive adder.¹⁷ While accelerating resource development slated for procurement in 2023 to 2022 may be infeasible, there may be greater opportunity to accelerate procurement of resources targeted for 2024 to 2023. At this stage, it is important that this accelerated procurement be incented, not required. Moreover, an incentive to accelerate project development should not preclude or be viewed as a substitute for the near-term modifications recommended earlier in this testimony.

III. CONCLUSION

Q. Does this conclude your reply testimony?

A. Yes, it does. AEE appreciates the opportunity to submit reply testimony on the SCP and looks forward to continued engagement in this proceeding.

¹⁷ Opening Testimony of Jin Noh on Behalf of the California Energy Storage Alliance at 12, filed September 1, 2021.

1 **APPENDIX A – Statement of Qualifications**

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Q. Please state your name, occupation and business address.

A. My name is Noah Garcia and I am a Policy Principal at Advanced Energy Economy (AEE.) My business address is 1010 Vermont Avenue NW, Suite 1050, Washington, D.C., 20005. I am testifying on behalf of AEE.

Q. Please describe your professional and educational background.

A. I have been a Policy Principal at AEE for the past year, where I have represented AEE in a range of regulatory proceedings before this Commission and other Western public utilities commissions on issues pertaining to distributed energy resources (DERs), integrated resource planning, and electric vehicles (EVs). Prior to joining AEE, I was a consultant at ICF where I supported alternative fuel vehicle and fuels projects and analyses for government and industry clients. Prior to ICF, I was a clean transportation analyst at the Natural Resources Defense Council where I supported the organization’s efforts to advance transportation electrification through regulatory engagement on the East Coast and Midwest. I have a Masters in Public Policy from Stanford University and a Bachelors in International Relations from Stanford University.

Q. Have you previously testified before the California Public Utilities Commission (Commission)?

A. No, I have not previously testified before the Commission with the exception of opening testimony provided on September 1, 2021, in this instant proceeding.

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Q. Was Exhibit AEE-02 prepared by you or under your supervision?

A. Yes.

Q. Are the statements made in your testimony true and correct to the best of your knowledge?

A. Yes.

Q. To the extent that your testimony contains expressions of opinion, do they represent your best professional judgment?

A. Yes.

Q. Do you adopt Exhibit AEE-02 as your sworn testimony in Phase II of R.20-11-003?

A. Yes.

Q. Does this concluded your statement of qualifications?

A. Yes, it does.