Rulemaking No.: 20-11-003

Exhibit No.: Joint Parties-02

Witnesses Greg Wikler

Commissioner Marybel Batjer

ALJ Brian Stevens

PHASE 2 REPLY PREPARED TESTIMONY OF THE JOINT PARTIES (California Efficiency + Demand Management Council, ecobee inc., Leapfrog Power, Inc., and Oracle)

Rulemaking 20-11-003
2021 Extreme Weather Event Reliable Electric Service

September 10, 2021

R.20-11-003 (Emergency Reliability)
PHASE 2 REPLY PREPARED TESTIMONY OF THE JOINT PARTIES

Q. Please state your name and business address

A. My name is Greg Wikler. My business address is 1111 Broadway, Suite 300, Oakland, CA 94607.

Q. On whose behalf are you testifying?

A. I am testifying on behalf of the Joint Parties who are comprised of the California Efficiency + Demand Management Council, ecobee Inc., Leapfrog Power, Inc., and Oracle.

Q. Have you testified previously in this proceeding?

A. Yes. On January 11, 2021, the DR Coalition served my Opening Prepared Testimony ("Ex. DRC-1").[1] My Statement of Qualifications was appended thereto as Appendix A. On January 19, 2021, the DR Coalition served my Rebuttal Prepared Testimony ("Ex. DRC-2"). On July 21, 2021, the California Efficiency + Demand Management Council submitted my Reply Prepared Testimony. On September 1, 2021, the Joint Parties submitted my Opening Phase 2 Prepared Testimony ("Ex. Joint Parties-01").

Q. What issues do you address in your Reply Prepared Testimony?

A. The Joint Parties address common demand response ("DR") programs such as the Emergency Load Reduction Program ("ELRP"), DR Auction Mechanism ("DRAM"), and recommendations made by Pacific Gas and Electric ("PG&E"), Southern California Edison ("SCE"), San Diego Gas & Electric ("SDG&E"), Marin Clean Energy ("MCE"), and Recurve Analytics, Inc. ("Recurve").

Q. What is your position on parties' proposals pertaining to the ELRP?

A. In their Opening Testimony, each of the investor-owned utilities ("IOUs") put forth different alternative proposals to the Energy Division proposal for expanding the ELRP

[1] The DR Coalition consisted of the California Efficiency + Demand Management Council ("the Council"), Google LLC ("Google"), Leapfrog Power, Inc., ("Leap"), NRG Energy, Inc. ("NRG"), OhmConnect, Inc. ("OhmConnect"), Oracle, Tesla, Voltus, Inc. ("Voltus"), and Willdan.

to residential customers.[2] Rather than address the merits of each one individually, the Joint Parties puts forth some recommendations to help guide the Commission in its decision.

- **Recommendation 1: Expanding the scale of the ELRP will help stabilize the grid.** Participation in the ELRP should be expanded to include residential customers in order to add additional load curtailment capability.
- **Recommendation 2: A level playing field must exist between IOU and third-party DR programs.** If the Commission chooses to expand ELRP to residential customers, it should ensure that this opportunity is available to both direct-enrolled as well as third-party customers to avoid any discrimination and to maximize the pool of potential participants. The Joint Parties echo the concerns expressed by MCE in its opening testimony, stating:

  > MCE is concerned that certain of the program proposals raised in this proceeding and discussed in the Staff Concept Paper may limit MCE's demand flexibility programs' expansion opportunities, and will have long-term, anti-competitive impacts on non-IOU DR programs. Any such "monopolization" of DR programs with the IOUs would limit innovation in creating new demand flexibility opportunities for customers. MCE strongly encourages the Commission to reject any such program proposals or modifications that would derail the significant CCA momentum in developing innovative demand flexibility programs by routing ratepayer funding strictly to IOU-administered DR programs.[3]

  In addition to the consideration of fairness, ensuring equal opportunities will have the practical effect of maximizing the pool of potential customers to in turn maximize the impacts of the ELRP.

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[2] Pacific Gas and Electric Company Emergency Reliability Order Instituting Rulemaking Opening Testimony, submitted on September 1, 2021 (Ex. PG&E Opening Testimony), at p. 2-1, line 4 through p. 2-14; Direct Testimony of Southern California Edison Company – Phase 2, submitted on September 1, 2021 (Ex. SCE-04), at p. 34, line 1 through p. 40; and Prepared Phase 2 Direct Testimony of San Diego Gas & Electric Company Regarding Demand-Side Actions to Reduce Peak and Net Peak Demand in 2022 and 2023, submitted on September 1, 2021 (Ex. SDGE-8), at p. 16, line 10 through p. 23, line 15.

[3] Marin Clean Energy Prepared Direct Testimony of Alice Havenar-Daughton in Rulemaking 20-11-003, submitted on September 1, 2021 (Ex. MCE-01), at p. 1-4, lines 11-18.

- **Recommendation 3: Defaulting residential customers into a program with monetary incentives is inappropriate.** The Joint Parties recommend that the Commission not adopt SCE and PG&E's proposals for automatically enrolling ("auto-enrolling") residential customers in programs that provide monetary incentives for load reductions. As noted by SDG&E and SCE, doing so would be effectively the same program design as what was once known as Peak Time Rebates ("PTR").[4] This program design was implemented by both SDG&E and SCE nearly a decade ago, and the Commission-led evaluation concluded that the program was a failure. As SDG&E states in its opening testimony, "PTR paid $0.75/kWh for load reduction determined by comparing a customer's actual energy use to a baseline, but there were significant issues with free-ridership and the program was quickly changed from default to opt-in by D.13-07-003."[5] SDG&E goes on to encourage the Commission to look toward behavior-based residential programs which auto-enroll customers in an alert-based program which notifies them:

> via email or an automated message phone call when a peak day event is approaching. These notifications provide customers with tips and recommendations on how to conserve energy. Customers would also receive a follow up notification to inform them of the energy savings results.[6]

The Joint Parties agree with SDG&E's negative assessment of proposals to auto-enroll customers in ELRP, and we support their recommendation to auto-enroll customers in a communications-based behavioral DR program. Such a program design can serve as a marketing platform for driving customer adoption of even more impactful DR programs.

For these same reasons provided above, the Commission should not adopt PG&E's proposal to add incentive payments to "Option A" of their July 7 Power Saver Rewards Pilot. In addition to the free-ridership problem with auto-enrolled incentive-based programs noted above, there are already program

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[4] Ex. SCE-04, at p. 8, lines 1-19 and Ex. SDGE-8, at p. 20, lines 5-24.
[5] Ex. SDGE-8, at p. 20, lines 7-10.
[6] _Id._, at p. 21, lines 5-8.

opportunities for residential customers to earn financial payments for load reductions during specified events and times that are administered by third parties who would be denied the opportunity to compete for these customers.

Conversely, the Commission should approve PG&E's initial July 7 proposal for an opt-out behavior-only program that relies solely on targeted, personalized communications to drive load reductions, without the use of incentive payments.[7] This avoids free-ridership and will ensure that load reductions are accurately measured via randomized controlled trials ("RCTs") that eliminate free ridership while simultaneously avoiding any conflicts with existing and future third party programs targeted at this customer segment.

- **Recommendation 4: CARE customers and customers residing in Disadvantaged Communities (DACs) should receive a premium for saving during ELRP events.** As CEJA has testified, low-income and DACs bear a disproportionate burden of environmental inequities.[8] Low-income customers also pay a disproportionate share of household income for energy expenses. Paying a premium to CARE customers and customers residing in DACs could be an effective approach to engage disadvantaged customers in DR programs while providing them with an opportunity to defray their own utility expenses. For example, the Energy Division staff proposal recommended a $1/kWh payment for reductions during Flex Alerts. In this case, CARE and DAC customers could receive $1.50 or $2/kWh to further incentivize participation, and address equity concerns.
- **Recommendation 5: There should be a friction-less process for unenrolling in the ELRP and enrolling in another DR program.** The Joint Parties echo OhmConnect's concerns regarding the difficulty of unenrolling from a DR

[7] Pacific Gas and Electric Company Emergency Reliability OIR – Power Saver Rewards Pilot Supplemental Testimony, submitted on July 7, 2021 (Ex. PG&E Supplemental Testimony), at p. 4, line 1 through p. 5, line 18.

[8] Prepared Phase 2 Testimony of Dan Sakaguchi, MS, on behalf of the California Environmental Justice Alliance on R.20-11-003, submitted on September 1, 2021 (Ex. CEJA-05), at p. 11, lines 2-21.

program.[9] It is critical that customers wanting to move from the ELRP to a different DR program can do so expeditiously.

- **Recommendation 6: The Commission must clarify a compensation structure for DR aggregators/automation service providers facilitating customer response to Flex Alerts.** To the extent Flex Alerts are adopted as an ELRP trigger and intend for third parties to provide an automated signal to customers, the Commission should direct IOUs to enter into Emergency Agreements with vendors for providing this service.
- **Recommendation 7: Transparent quantification of residential response.** A residential ELRP would provide an excellent opportunity for the Commission to test different approaches to measuring customer performance beyond the typical type of baseline. The Joint Parties recommended a 5-in-10 methodology in its opening testimony, but the Commission should also test other methodologies that could prove more accurate and have broader applications in any future UNIDE proceeding. As discussed further below, the use of the CalTrack 2.0 and GRIDmeter methodologies by Marin Clean Energy ("MCE") in its Peak FLEXmarket program and by Recurve in its Demand FLEXmarket program could be particularly promising and should be explored further in the ELRP.
- **Recommendation 8: The Commission should adopt an open enrollment period to encourage residential DR participation.** OhmConnect put forth an interesting proposal to hold an annual open enrollment period comprised of an information campaign to encourage residential customers to participate in DR programs.[10] This should be adopted for residential ELRP participants at minimum to capture those desiring to commit to a more frequently-dispatched DR program, but preferably it would target customers of all classes regardless of their DR participation status.

[9] Opening Testimony of Maria Belenky on behalf of OhmConnect, Inc. (Ex. OhmConnect Opening Testimony), at p. 5, line 19 through p. 6, line 10.
[10] Ex. OhmConnect Opening Testimony, at p. 7, line 15 through p. 8, line 17.

Q. What is your position on parties' proposals pertaining to the DRAM?

A. All three IOUs, as well as the Public Advocates Office ("PAO"), argue against conducting a supplemental 2022 DRAM auction and expanded 2023 DRAM budget on the basis that doing so is unsupported by the record, pending completion of the Independent Evaluator's ("IE") assessment.[11] In addition, SDG&E and PAO have cast doubt on whether an expanded DRAM would even result in significant amounts of additional DR.[12]

Before the Joint Parties address these claims below, we respectfully remind the Commission that these same parties argued in workshops in 2019 in favor of reducing the DRAM budget for the 2020-2023 delivery years on the basis that there was no resource need despite indications that additional capacity was going to be needed. The Commission ultimately reduced the DRAM budget by almost 50% for the 2020-2023 delivery years. In summer 2020, the state experienced blackouts and CAISO System Emergencies in August and September. Though the Joint Parties do not assert that additional DRAM capacity would have completely avoided these events, it very likely would have mitigated the severity of their impacts.

In Phase 1 of this proceeding, the DR Coalition recommended a supplemental 2021 DRAM auction and expanded 2022 DRAM budget because, based on the quantity of DR procured through the 2019 DRAM auctions, there was clearly additional available DR capacity that could be deployed.[13] The IOUs and PAO again argued against this. The Commission again concurred and chose not to utilize the DRAM to procure additional DR capacity in favor of creating the ELRP and adopting several changes to the IOU DR programs. The steps approved by the Commission were well-intentioned and the Joint Parties supported most, if not all of them, but there was never any clear indication of how much additional DR would materialize. Now, for the third time, the

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[11] Ex. PG&E Opening Testimony, at p. 6-1, line 19 through p. 6-2, line 5; Ex. SCE-04, at p. 69, lines 22-26; Ex. SDGE-8, at p. 23, line 24 through p. 24, line 3; and Public Advocates Office Prepared Testimony, submitted on September 1, 2021 (Ex. PAO Opening Testimony), at p.2-3, lines 8-12.

[12] Ex. SDG&E Opening Testimony, at p. 24, lines 7-11 and Ex. PAO Opening Testimony, at p. 2-3, lines 5-8.

[13] Ex. DRC-1, at p. 6, line 16 through p. 7, line 2.

state finds itself with a forecasted capacity shortage and the IOUs and PAO yet again argue against using the DRAM to procure additional DR. The Joint Parties respectfully urge the Commission to disregard these arguments against expanding the 2022 and 2023 DRAM budgets because, as we have seen in 2020 and 2021, doing the same thing and expecting different results is not an effective strategy.

Q. Should waiting for the Independent Evaluator's Report be a prerequisite for an expanded DRAM budget?

A. No. The preliminary IE Report was originally due to the Energy Division on September 1, 2021 but the consultant, Nexant, submitted an August 31 letter to the Energy Division through the service list requesting an extension until December 30, 2021.[14] The Joint Parties note that pursuant to Decision ("D.") 19-07-009, Ordering Paragraph 16, a preliminary IE Report is due to the Energy Division by September 1, 2021 and a final version is due by December 1 of the same year. Therefore, at best, the final IE Report would not be issued to the public until February 1. Once this occurs, it would likely take approximately six months for an Energy Division-led process for parties to consider whether the DRAM should be adopted as a full program and if so, what changes should be made. Add to this another three to four months for a Commission decision at the end of 2022 and it is clear that even if the Commission ultimately chooses to adopt the DRAM permanently, additional capacity beyond the current budget could not be procured through the DRAM in time for summer 2023 delivery.

This delay is outside the control of the DR Providers ("DRPs"), so it would be unfair and counter-productive to condition any expansion of the DRAM on a report that has been delayed for a minimum of four months. In the meantime, the state continues to experience reliability issues due to tight supplies.

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[14] *Request for Extension to Submit DRAM Preliminary Evaluation Report*, Nexant, August 31, 2021.

Q. Do the Joint Parties support an additional penalty structure to ensure delivery on DRAM structures?

A. Yes. SCE, SDG&E, and PAO express concern that a supplemental 2022 auction and expanded 2023 budget would not result in additional DR capacity or, in the case of the supplemental auction, would create an opportunity for gaming. SCE states that because

> DRAM is not tied to an identifiable set of customers, a DRP could choose to bid a higher price into the proposed supplemental auction than it was awarded in the initial 2022 auction and then 'move' the customers' accounts and their underlying MWs originally intended to meet the MWs of DRAM contracts awarded in the initial 2022 auction to the higher price of the DRAM contracts potentially awarded in the proposed supplemental 2022 auction."[15]

SDG&E states,

> SDG&E does not believe that an additional DRAM auction will add significant capacity and the minimal value potentially derived from an additional DRAM auction is not justified when compared to time and resources required to run a separate solicitation in a condensed timeframe, including to procure an independent evaluator, rank and evaluate the bids, issue additional contracts, administer those contracts, and provide settlement with invoicing.[16]

PAO states, "[a]dditionally, the Commission should not authorize an additional DRAM auction as it is unlikely to result in the procurement of a significant quantity of reliable resources."[17]

The IOUs and PAO provide no evidence to support these claims. In fact, a great deal of evidence exists that directly contradicts these claims. First, as the Joint Parties cited in opening testimony, the 2019 DRAM auctions, with a total budget of $27 million, resulted in the procurement of over 150 MW more capacity than the 2020 auction, which had a $14 million prorated budget. Another more recent indicator that additional capacity is available is the significant growth in the number of DRPs participating in the DR Load Impact Protocol ("LIP") process from 2020 to 2021. In the 2020 process (for the 2021 delivery year), three DRPs received 221 MW of qualifying capacity ("QC")

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[15] Ex. SCE-04, at p. 71, lines 4-11.
[16] Ex. SDGE-8, at p. 24, lines 7-11.
[17] Ex. PAO Opening Testimony, at p. 2-4, lines 4-5.

value from the Energy Division.[18] This increased in the 2021 process (for the 2022 delivery year) to six DRPs with approximately 635 MW of claimed QC.[19] So, over the course of one year, the amount of available capacity that has been vetted through the LIP process has increased by over 400 MW, almost triple the prior year's quantity. Though the claimed 2020 delivery year QC values are pending Energy Division approval, and it is unknown to what degree the QC that is ultimately awarded by the Energy Division will be available at the time of a supplemental 2022 auction and the 2023 auction, it is quite clear that there is a great deal of very real DR capacity that is available to be procured through the DRAM.

In opening testimony, the Joint Parties have recommended against making changes to the DRAM rules in this proceeding. However, for the sake of providing greater assurance that DRAM Sellers will do their utmost to deliver on their DRAM contracts, the Joint Parties revise their position to support the Energy Division's penalty structure proposal with regard to contract capacity versus monthly supply plans. To address SCE's gaming concern, the Joint Parties propose that this penalty structure apply retroactively to 2022 DRAM contracts already submitted by the IOUs.[20]

As the Joint Parties have indicated in their straw proposal timeline for a supplemental 2020 auction, time is short to develop this additional penalty structure, so the Commission would need to move swiftly. By the Joint Parties' estimation, there are a few ways that this penalty structure could be developed. The first option is to issue a Ruling as soon as possible (prior to a Phase 2 decision in this proceeding) and request party proposals submitted as supplemental testimony, followed by a round of reply testimony, all of which would inform the November decision. The second and most expeditious option would be to simply modify the scope of comparison of the existing DRAM penalty structure from Demonstrated Capacity ("DC") versus month-ahead

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[18] This is based on August 2021 QC values from the August 19, 2021 NQC List which can be found here.

[19] This estimated is based on the 2022 ex ante 1-in-2 load impacts contained in the DRPs' respective Final LIP Reports because the Energy Division has not yet posted their 2022 QC values; the Sunrun load impacts are redacted so the QC used is based on its aggregate QC from the August 19, 2021 NQC List.

[20] Ex. SCE-04, at p. 71, lines 4-14.

supply plan to contract capacity versus DC. As a variant of the latter option, the Commission could apply the new penalty structure to the initial and supplemental 2022 auctions, with its application to the 2023 auction contingent on an updated penalty structure developed through the successor to the DRAM proceeding in 2022. This would ensure a contract value-to-DC penalty is in place for the 2023 auction but leave flexibility to update the penalty structure as necessary.

Q. What is your position on PGE&'s Capacity Bidding Program ("CBP")?

A. PG&E proposes to transition weekend CBP participation from a voluntary option in return for a higher incentive payment to a mandatory requirement for 2022-2023, at minimum.[21] The Joint Parties recognize that the Commission has adopted mandatory Saturday availability for all Maximum Cumulative Capacity ("MCC") resources which should of course be reflected in the CBP tariff.[22] However, simply extending the DR availability requirement to Sunday before the impact of Saturday availability on the DR industry has even been observed is extremely premature and should not be adopted. Furthermore, PG&E offers no real support for this proposal other than stating that the cost of making full weekend availability mandatory is not expected to vary significantly relative to the optional approach, which is irrelevant to whether or not this is a worthwhile change.[23] The Joint Parties would only support this proposal if CBP aggregators could nominate a different capacity level on the weekend days.

Q. What is your position on PG&E's recommendation to increase the Base Interruptible Program (BIP")?

A. PG&E proposes to increase the current BIP compensation level by $1/kW for the summer months (May-October) for at least 2022 and 2023 in order to increase enrollment and reflect higher summer opportunity costs.[24] The Joint Parties agree with the Joint DR Parties that this would improve customer enrollment and retention in the face of customers moving to the ELRP.[25] Based on the Joint DR Parties'

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[21] Ex. PG&E Opening Testimony, at p. 4-2, lines 2-3.
[22] D.21-06-029, at Ordering Paragraph 7.
[23] Ex. PG&E Opening Testimony, at p. 4-2, lines 12-14.
[24] *Id.*, at p.4-2, line 21 through p. 4-3, line 13.
[25] Phase 2 – Reliability for 2022-23 – Update: Opening Prepared Testimony of Joint Demand Response Parties, submitted on September 1, 2021 (Ex. JDRP-3), at p. 8, lines 8-13.

characterization of customers leaving BIP to participate in ELRP, the Commission should also adopt their proposal to reduce the Excess Energy Charge by 75% across all IOUs.[26] If some customers are leaving BIP in favor of the ELRP, it is highly likely this is due to BIP having a higher risk/reward ratio in the eyes of these customers compared to the ELRP. Reducing the Excess Energy Charge will reduce the risk side of this equation and hopefully attract former BIP participants back to the program which, as the Joint DR Parties imply, would be a positive development because firm resources have a greater value.

Q. What is your position on PG&E's SmartAC enhancements?

A. PG&E proposes several modifications to this program to improve enrollment and effectiveness. These include: 1) exchanging one-way technology with two-way load control switches ("LCS") with a $25 retention incentive, 2) offering a one-time $25 retention incentive for customers who request to leave, and 3) folding Option B of its proposed Power Saver Rewards Pilot ("PSRP") into SmartAC as an out-of-market direct load control ("DLC") bring-your-own-thermostat ("BYOT") pilot.[27]

The Joint Parties support upgrading the SmartAC technologies and folding Option B of the PSRP into the program and recommend the Commission adopt them. Two-way LCSs are clearly superior to one-way technology based on the load impacts provided by PG&E.[28] Folding Option B of the PSRP into the SmartAC program is logical because the SmartAC is an existing DLC platform. In terms of the compensation structure, an initial up-front technology incentive with a smaller annual incentive should encourage technology adoption as well as continued participation in the program.

Q. What is your position on PG&E's click-through bridge enhancements?

A. The Joint Parties greatly appreciate PG&E calling attention to the urgency it is facing with regard to the ability of its Share My Data ("SMD") platform to respond to the rapidly growing demands that DRPs have been placing upon it.[29] The scalability and

[26] Ex. JDRP-3, at p. 8, lines 7-8.
[27] Ex. PG&E Opening Testimony, at p. 4-4, line 13 through p. 4-10, line 2.
[28] *Id.*, at p. 4-4, Table 4-2.
[29] *Id.*, at p. 5-2, line 1 through p. 5-2, line 11.

performance problems that PG&E identifies are having tangible and consequential impacts on DRPs' ability to grow their portfolios.[30]

The Commission should approve PG&E's request to recover $1.2 million to fund its IT bridge work to enhance SMD scalability to support the projected rapid increase in volume for Rule 24 customer enrollments and data access on the current on-premise infrastructure, to enable completion of PG&E's stress testing program of existing SMD and Rule 24 systems and processes for purposes of identifying constraints due to supporting simulated mass market volumes for Rule 24 participation.

These steps will only provide a temporary reprieve from the rapidly-growing demands being placed on PG&E's SMD platform. Therefore, the Joint Parties join PG&E in urging a prompt Commission decision in the Click-Through proceeding.

Q. What is your position on SCE's changes to the PCT Incentive Program?

A. SCE proposes to increase its Programmable Controllable Thermostat ("PCT") Incentive Program incentive from $75 to $125.[31] According to SCE, the incremental $50 incentive is meant to replace the lost energy efficiency program PCT incentive that had been stacked on top of SCE's DR PCT Incentive Program.[32] In addition, SCE proposes to activate DR program pre-enrollment through its SCE Marketplace website and apply the PCT incentive as an instant rebate to customers who enroll in a DR program.[33] This is meant to remove a barrier to customers who may not want to, or be able to, pay for the PCT up front.[34]

The Joint Parties recommend that the Commission approve this proposal. The DR Coalition made the same proposal as part of its broader proposal for third-party administration for smart thermostat incentives in Phase 1 of this proceeding, which was based on similar programs by Arizona Public Service and Consumers Energy.[35] However, the Commission should also direct SCE to remove the requirement for

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[30] Ex. PG&E Opening Testimony, at p. 5-3, line 12 through p. 5-4, line 2.
[31] Ex. SCE-04, at p. 27, lines 11-12.
[32] *Id.*, at p. 27, lines 12-19.
[33] *Id.*, at p. 27, line 22 through p. 28, line 1.
[34] *Id.*, at p. 28, lines 1-3.
[35] Ex. DRC-1, at p. 29, line 27 through p. 32, line 2.

customers to enter their utility account number to enroll in the DR program.[36] SCE can significantly increase customer participation by removing this unnecessary requirement and performing backend customer validation using the customer's name and address. SDG&E's and PG&E's BYO programs already do this, in addition to the large majority of BYO programs across the country.[37] The Commission should also specify that the eligible programs to satisfy the pre-enrollment requirement should include third-party programs (i.e., CBP or DRAM).

Q. What is your position on SCE's proposed extension of its Virtual Power Plant ("VPP") Phase II Pilot through 2023?

A. SCE proposes to extend its VPP Phase II Pilot through 2023 to expand the pilot by including "additional partners, approaches, technologies, and megawatts."[38] SCE also plans to test a pay-for-performance structure to improve customer participation.[39]

The VPP Phase II Pilot was only approved in March 2021 for summer 2021 and 2022, which does not appear to be an adequate period of time to rigorously explore the full range of approaches to best engage and utilize solar-paired battery systems. Customer-side solar-plus-storage systems will certainly continue to proliferate throughout the state, so it is critical that the Commission provide time for SCE to continue along its path. SCE's proposal indicates that it will be testing a new pay-for-performance incentive structure that will hopefully appeal to certain types of aggregators

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[36] Ex. Joint Parties-01, at p. 29.

[37] A 2019 report by the California Public Utility Commission's Energy Division described an analysis by demand response provider EnergyHub finding that: requiring customers to provide utility account numbers to enroll in DR [demand response] programs – not required in programs in Texas − resulted in an 84% drop-off in customer enrollments. In addition, requiring customers to complete CISR [Customer Information Standardized Request] forms resulted in a 39% decrease in customer enrollment applications, according to EnergyHub. These obstacles led EnergyHub to enroll just 3% of eligible California customers it targeted for DRAM [the Demand Response Auction Mechanism], as compared with over 40% in Texas.
Source: Energy Division's Evaluation of Demand Response Auction Mechanism – Final Report [Public Version – Redacted] at (Jan. 4, 2019), available at https://www.cpuc.ca.gov/WorkArea/DownloadAsset.aspx?id=6442460092 (citing EnergyHub, "Optimizing the demand response enrollment process"

[38] Ex. SCE-04, at p. 31, line 4.

[39] *Id.*, at p. 31, lines 6-7.

and customers for whom the "flat-fee" approach is less attractive.[40] Regardless, the Commission should approve this request to allow SCE the time to continue testing different approaches to deploy this pilot with the hope that it will evolve into a full-scale program in the near future.

Q. What is your position on SCE's proposed changes to ADR?

A. SCE proposes several modifications to the ADR program to mitigate customer attrition and increase program enrollment.[41] These include 1) replacing the current 60%/40% incentive payment split with a 100% incentive payment once the ADR control installation is verified and tested, 2) increasing the DR enrollment requirement from three years to five years, and 3) opening the ADR program to ELRP and Base Interruptible Program ("BIP") program participants.

The Joint Parties support all three of these proposals and recommend the Commission adopt them for the other two IOUs. As SCE noted, the Energy Solutions report conclusively demonstrates that the 60%/40% incentive structure has been detrimental to customer participation and should be restored to the 100% up-front incentive structure.[42] Extending the minimum DR enrollment duration from three to five years is a reasonable step toward balancing out any incremental risk that the Commission may perceive as a result of a transition back to an up-front incentive structure. Finally, expanding ADR eligibility to ELRP and BIP customers aligns with the Commission's goal in this proceeding to add additional demand-side resources because these technologies will improve participant performance.

Q. What is your position on SDG&E's AC Saver Program enhancements?

A. SDG&E proposes several constructive modifications to its AC Saver program to further grow participation as well as a name change to the Smart Energy Program ("SEP"). First, they propose to expand the program to include additional customer-owned devices beyond those that curtail air conditioning use that can be signaled by SDG&E or by a qualifying vendor.[43] Examples of qualifying devices could include

[40] Ex. SCE-04, at p. 32, Table II-9.
[41] *__Id__*., at p. 40, lines 5-8.
[42] *__Id__*., at p. 41, lines 11-15.
[43] Ex. SDGE-8, at p. 2, lines 14-18.

batteries, smart plugs, water heater controls, pool pump control, and whole home device.[44] Non-AC technologies would be enrolled in the Day-Ahead product only.

SDG&E's second proposed modification is to add a $50 enrollment incentive for each new thermostat and a $200/kW incentive for any new, non-thermostat controls.[45] The third proposed modification would provide $50/kW annual incentives to eligible commercial customers in 2022 and 2023.[46]

The Joint Parties support all of these proposals and recommend the Commission adopt them. Transitioning AC Saver to a BYOD platform similar to SCE's Smart Energy Program and PG&E's SmartAC proposal in Phase 2 of this proceeding is a logical step to harnessing the proliferation of smart technologies to augment participation in the program as well as per-customer load impact. In addition, adding a per-device enrollment incentive should encourage participants to adopt multiple smart devices. Finally, an additional incentive to attract newly-eligible commercial customers could be effective in pulling them into a DR program for at least 2022 and 2023, with the hope that most, if not all, will remain on the program even once the annual incentives expire.

Q. What is your position on SDG&E's CBP modifications?

A. Similar to its AC Saver program, SDG&E proposes several modifications to its CBP. These include: 1) adding a day-of and day-ahead CBP Elect with three nomination trigger price options, 2) higher capacity incentives for commercial customers electing lower trigger prices in CBP Elect, 3) higher capacity incentives for delivering more than 100% of nominated load reduction, and 4) extend its Residential CBP Pilot through 2022.[47]

The Joint Parties fully support these proposed modifications, with one amendment, and they should be approved by the Commission. SDG&E should be applauded for their creativity in linking lower trigger prices to higher capacity incentives to reduce customer trigger prices rather than imposing an administratively-determined bid cap, as has been proposed by the Energy Division and other parties in the recent

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[44] Ex. SDGE-8, at p. 2, lines 18-20.
[45] *Id.*, at p. 3, lines 9-14.
[46] *Id.*, at p. 5, lines 6-11.
[47] *Id.*, at p. 7, line 6 through p.13, line 16.

past. The proposal to apply a 20% incentive adder if load drop is more than 100% of the nominated load reduction would be very attractive but the Joint Parties can foresee a significant opportunity for gaming this because it would incentivize CBP aggregators to under-nominate their load in order to ensure they over-perform and qualify for the incentive adder. As a friendly amendment, the Joint Parties propose that SDG&E simply compensate CBP aggregators for their load reduction at the prevailing incentive rate, including any in excess of their nominated quantity. This will still incentivize load curtailment above the nominated quantity while avoiding the potential for gaming. Finally, extending the Residential CBP pilot for another year is perfectly logical given that it was only approved in March 2021 for this summer, to allow SDG&E additional time to perform a well-informed assessment.

Q. What is your position on MCE's Peak FLEXmarket Program?

A. MCE requests Commission approval to allocate $11.56 million in unrequested energy efficiency ("EE") program funds approved in its January 17, 2017 EE Business Plan to scale up its Peak FLEXmarket program.[48] This program rewards aggregators for day-to-day load shifting and/or more traditional load shed DR on a pay-for-performance basis.

The Joint Parties find MCE's program to be highly innovative in several aspects. Specifically, the program's partial focus on providing consistent load shifting for the purpose of flattening participating customer load curves is highly relevant, given the Energy Division's May 25, 2021 UNIDE proposal. This program appears to employ several elements of the UNIDE proposal in that it incentivizes conformity with a specific load shape in an out-of-market environment, in this case based not on a dynamic rate signal, but on an hourly avoided cost. The program also includes an element of standard load shed which can be deployed during high demand periods. The other innovative aspect of this program is its use of the CalTRACK 2.0 methods along with Recurve's GRIDmeter methods to calculate load curtailments. This would be a good opportunity to test these on a broader level and assess their accuracy relative to the current DR baseline.

[48] Ex. MCE-01, at p. 2-17, lines 3-8.

The Joint Parties recommend the Commission approve MCE's Peak FLEXmarket program and proposed funding because it is an innovative approach to managing the load curve and could have direct relevance to potential an upcoming Commission proceeding based on the Energy Division's UNIDE framework.

Q. What is your position on Recurve's Demand FLEXmarket proposal?

A. Recurve proposes a unified EE/load shift DR/load shed DR program called Demand FLEXmarket that can be deployed for residential and non-residential customers alike.[49] This proposal compensates aggregators for the long-term EE savings, day-to-day load shifting, and targeted load shedding during acute grid conditions of their customers. Recurve proposes to fund the program through unused EE Emerging Technologies and Evaluation budgets; participating IOU/load-serving entities ("LSEs") would submit a Tier 2 advice letter to request the funding and provide estimated savings and load impacts.[50] According to Recurve, this program would "provide a stable price signal that aggregators and customers can plan load shifting and demand response operations around."[51] This is critical, especially with regard to load shifting. One of the key themes from the Energy Division's UNIDE proposal is the need to create transparent price signals to incentivize persistent load shifting.

Recurve's proposal is very intriguing in that it would provide a transparent price signal for aggregators to approach virtually any customer that can provide these services with a clear value proposition. The Joint Parties recognize that with such an abbreviated Phase 2 schedule, approving Demand FLEXmarket as a full program might be difficult to justify. Instead, the Commission could approve it as a pilot and direct IOUs and LSEs to submit a Tier 2 advice letter to request program funding in the form of unspent EE Emerging Technologies and Evaluation funds, or perhaps leave it up to the IOU or LSE to choose from which unspent pool of EE or DR budget to fund it, pursuant to existing fund-shifting rules.

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[49] Comment and Testimony of Recurve Analytics, Inc. in Response to ALJ Stevens Email Ruling of August 16, 2021 Regarding Staff Concept Proposals for Summer 2022 and 2023 Reliability Enhancements (Recurve Comments), Appendix A.
[50] *Id*., Appendix A, at p. 10.
[51] *Id*., Appendix A, at p. 4.