

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

Order Instituting Rulemaking to Create a Consistent  
Regulatory Framework for the Guidance, Planning,  
and Evaluation of Integrated Demand Side Resource  
Programs

R.14-10-003  
(Filed October 2, 2014)

**REPLY COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE  
ON PROPOSED DECISION ADOPTING AN EXPANDED SCOPE,  
A DEFINITION, AND A GOAL FOR THE INTEGRATION OF  
DEMAND SIDE RESOURCES**

Donald C. Liddell  
DOUGLASS & LIDDELL  
2928 2<sup>nd</sup> Avenue  
San Diego, California 92103  
Telephone: (619) 993-9096  
Facsimile: (619) 296-4662  
Email: [liddell@energyattorney.com](mailto:liddell@energyattorney.com)

Attorney for the  
**CALIFORNIA ENERGY STORAGE ALLIANCE**

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## TABLE OF CONTENTS

I.	INTRODUCTION .....	2
II.	IDSR DEFINITIONS SHOULD REFLECT CUSTOMER-SIDE NEEDS, BARRIERS, AND BENEFITS, AS WELL AS SYSTEM NEEDS.....	3
III.	IDSR SCOPE AND PROCEDURAL SCHEDULE MUST BE CLARIFIED AND DIFFERENTIATED FROM DRP PROCEEDING. ....	4
IV.	IDSR SHOULD NOT BE DELAYED OR AWAIT DETERMINATIONS FROM OTHER PROCEEDINGS.....	6
V.	THE SCOPE OF THE PROCEEDING AS PROPOSED IS MANAGEABLE.....	7
VI.	CONCLUSION.....	8

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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”)<sup>1</sup> hereby submits these Reply Comments in response to opening comments filed by other parties on the *Proposed Decision Adopting an Expanded Scope, a Definition, and a Goal for the Integration of Demand Side Resources*, issued August 13, 2015 (“PD”).

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<sup>1</sup>The California Energy Storage Alliance consists of 1 Energy Systems Inc., Abengoa, Advanced Microgrid Solutions, AES Energy Storage, Aquion Energy, ARES North America, Brookfield, Chargepoint, Clean Energy Systems, CODA Energy, Consolidated Edison Development, Inc., Cumulus Energy Storage, Customized Energy Solutions, Demand Energy, Duke Energy, Dynapower Company, LLC, Eagle Crest Energy Company, East Penn Manufacturing Company, Ecoult, EDF Renewable Energy, Elevation Solar, ELSYS Inc., Energy Storage Systems, Inc., Enersys, EnerVault Corporation, Enphase ENERGY, EV Grid, Flextronics, GE Energy Storage, Green Charge Networks, Greensmith Energy, Gridtential Energy, Inc., Hitachi Chemical Co., Hydrogenics, Ice Energy, IMERGY Power Systems, Innovation Core SEI, Inc. (A Sumitomo Electric Company), Invenergy LLC, K&L Gates, LG Chem Power, Inc., LightSail Energy, Lockheed Martin Advanced Energy Storage LLC, LS Power Development, LLC, Manatt, Phelps & Phillips, LLP, Mobile Solar, NEC Energy Solutions, Inc., NextEra Energy Resources, NRG Solar LLC, OutBack Power Technologies, Panasonic, Parker Hannifin Corporation, Powertree Services Inc., Primus Power Corporation, Princeton Power Systems, Recurrent Energy, Renewable Energy Systems Americas Inc., Rosendin Electric, S&C Electric Company, Saft America Inc., Sharp Electronics Corporation, Skylar Capital Management, SolarCity, Sony Corporation of America, Sovereign Energy, STEM, SunEdison, SunPower, Toshiba International Corporation, Trimark Associates, Inc., Tri-Technic, 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>.

## **I. INTRODUCTION**

In its Opening Comments, CESA signaled support for the Commission’s initiating this proceeding to develop an end-to-end regulatory framework for integrating demand-side resources (“DSRs”) and considering relevant valuation methodologies and sourcing mechanisms for DSRs. In these reply comments CESA, seeks to ensure the Commission successfully achieves the goals of this proceeding. CESA believes that certain ideas raised by parties in opening comments may actually or inadvertently work to thwart the goals of this proceeding.

Primarily, CESA views this proceeding as intended to unleash the value of customer-driven adoptions and use of DSRs. To do this, the Commission will likely need to design new tariffs and rate structures. These tariff and rate structures will need to be substantially informed by findings and analyses in the Distribution Resources Plans (“DRPs”) submitted in R.14-08-013. To CESA, the DRPs represent both: (a) a more modern approach to utility distribution system planning in which a broader suite of solutions can and should be considered for addressing needs and (b) an analytical effort designed to develop and provide more granular and detailed information regarding the capabilities, capacities, upgrade needs, and operational challenges of the distribution system. These reply comments seek to effectuate this understanding and direct the proceeding towards these goals in a timely and efficient manner.

Specifically, these reply comments recommend that the Commission develop the appropriate definitions and tariffs that will create more opportunities for customer-directed DSRs to engage with a “plug-and-play” infrastructure and be appropriately compensated for their full range of customer and system benefits.

## **II. IDSR DEFINITIONS SHOULD REFLECT CUSTOMER-SIDE NEEDS, BARRIERS, AND BENEFITS, AS WELL AS SYSTEM NEEDS.**

CESA agrees with the opening comments of a number of parties on the importance of emphasizing customer needs and barriers in deploying DSRs and distributed energy resource (“DER”) solutions and specifying how this proceeding intends to ensure effective and efficient customer choice. As Enphase Energy stated in its opening comments, “DER deployment decisions are highly decentralized, thereby making this proceeding an inherently customer-centric one that should work to develop a bottom-up structure that allows for simple and easy customer-directed actions.”<sup>2</sup> CESA agrees, and advocates that this customer focus should guide all decisions made in this proceeding.

Several parties, including Southern California Edison (“SCE”), Natural Resources Defense Council (“NRDC”), and the Sierra Club, recommend that the Commission redefine and refocus this proceeding from one on DSRs to one focused on DERs. SCE says the use of the term “DSR” is inconsistent with the scope of the PD whereas the term “DER” expands the scope of this proceeding to include resources on the utility side of the meter.<sup>3</sup> NRDC and the Sierra Club filed joint opening comments proposing a similar terminology change to “DER” in order to be consistent with R.14-08-013, and to not limit technological options for customers.<sup>4</sup> While CESA understands the importance of using agreed-upon terms in meaningful ways, CESA advocates that the Commission should set its goals first, and then seek agreement that applicable definitions fit these goals. For instance, if the intent is to provide Commission rulings, tariffs, and related structures to enable customer-directed actions that can offer both customer and system benefits, then the definition should fit this. With that goal in mind, the Commission

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<sup>2</sup> *Opening Comments of Enphase Energy*, p. 5.

<sup>3</sup> *Opening Comments of SCE*, pp. 8-9.

<sup>4</sup> *Opening Comments of NRDC and Sierra Club*, pp. 4.

should also clarify and distinguish between each of these terms to avoid confusion for all parties involved.

Pacific Gas & Electric (“PG&E”) proposes an amendment to integrated demand-side resource (“IDSR”) definitions and goals to include “cost-effectiveness” and “avoided cost” criteria to be consistent with California law and other procurement and planning processes.<sup>5</sup> While CESA agrees with PG&E that DSR deployment and procurement should be conducted reasonably and cost-effectively to the benefit of customers and ratepayers, CESA cautions the Commission against language that could block the adoption of beneficial DSRs by utilizing an overly strict cost-effectiveness comparison between competing DSRs. If this proceeding develops a comprehensive compensation structure with accurate pricing signals, as intended at the conclusion of Phase I, this cost-effectiveness criterion should already be accounted for. The resulting tariffs and service-based incentives should already incorporate costs and benefits to the customer and to the system from deploying a DSR and/or DER solutions. In other words, this structure will already produce a market signal to procure the most cost-effective resource for the specified customer benefit and distribution system service. However, if the customer chooses a slightly more expensive/less beneficial (but still cost-effective) DSR technology that fits better with its risk profile and lifestyle, it should not be precluded from doing so. To CESA, this highlights the fact that a “least cost best fit” model may provide more value to the system, again necessitating caution over how the term “cost-effective” is used and interpreted.

**III. IDSR SCOPE AND PROCEDURAL SCHEDULE MUST BE CLARIFIED AND DIFFERENTIATED FROM R.14-08-013.**

Nearly all parties that submitted opening comments requested clarification of the linkages between this proceeding and a number of other DER-related proceedings, especially R.14-08-

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<sup>5</sup> *Opening Comments of PG&E*, p. 2.

013. CESA applauds the PDs effort in clearly delineating that this proceeding is intended to spur “collective action to optimize demand-side resources” and explore what customers can offer utilities, while integrated demand-side management (“IDSM”) should be focused on programs and services offered by the utilities to customers. However, in the opening comments, there appears to be different understandings of the respective scopes of this proceeding and R.14-08-013.

SCE, for example, recommends that the Commission leave the issue of integrating DERs in the R.14-08-013 because integration should be closely tied to system planning. SCE also raises concerns about redundancy, inefficient resource use, and confusion with R.14-08-013 Phase 2(b), in which DER procurement policies and mechanisms are to be developed.<sup>6</sup> Meanwhile, other parties seem to suggest that this proceeding should make up for gaps in R.14-08-013 in establishing dynamic and sustainable sourcing mechanisms.

CESA recommends that the Commission go further in clarifying the distinct scopes as well as the linkages between R.14-08-013 and this proceeding. CESA agrees with SolarCity’s analogy in which the DRPs serve a planning function akin to the Long-term Procurement Plans developed in the Long-Term Procurement Planning (“LTPP”) proceeding (R.13-12-010) and IDSRs represents and/or supports a procurement phase, meeting the identified needs established through the DRPs.<sup>7</sup> Separately, the DRPs may also produce utility-directed approaches for soliciting distribution system-focused solutions. In some cases, aggregators of customer-focused solutions may compete in such solicitations. In this regard, CESA reaffirms comparable points made in its Opening Comments.<sup>8</sup>

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<sup>6</sup> *Opening Comments of SCE*, p. 6.

<sup>7</sup> *Opening Comments of Solar City*, p. 4.

<sup>8</sup> *Opening Comments of CESA*, p. 3.

**IV. IDSR SHOULD NOT BE DELAYED OR AWAIT DETERMINATIONS FROM OTHER PROCEEDINGS.**

CESA supports the close coordination of this proceeding with other DER-related proceedings but does not believe that this proceeding should defer its schedule to the determinations of these relevant proceedings as suggested by PG&E and San Diego Gas & Electric (“SDG&E”). PG&E posits that this proceeding should wait for the determinations of not only R.14-08-013, but also nearly every statewide proceeding and initiative related to resource planning and procurement issues.<sup>9</sup> CESA believes it is unreasonable to wait for all other proceedings and initiatives to conclude before advancing this proceeding, which is intended to serve as the overarching regulatory framework to allow for customer-directed adoption of DSRs. To do this, a primary need is the distribution system challenges and valuation findings from the DRPs. As much of this work is already underway, CESA believes the Commission can readily proceed with rule and tariff development in this proceeding, so that findings from the DRPs are immediately input into the IDSR approach. This logic also leads CESA to disagree with SDG&E’s point that the IDSR proceeding should await determinations from R.14-08-013, which serve as critical inputs to any proposed compensation mechanism for DSRs.<sup>10</sup> The locational values derived from R.14-08-013 are only one input to the IDSR framework, and finalized or updated valuation information can be planned for an incorporated in this work. As stated in CESA’s Opening Comments, it is widely known that the valuation methodology used in R.14-08-013 does not capture the full benefits of integrating DSRs, such as time-based and attribute-based value.<sup>11</sup> This proceeding can nevertheless continue without final determinations from R.14-08-013 by carefully considering how to incorporate DRP inputs into

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<sup>9</sup> *Opening Comments of PG&E*, pp. 3-5

<sup>10</sup> *Opening Comments of SDG&E*, p. 4.

<sup>11</sup> *Opening Comments of CESA*, pp. 8-9.



the IDSR framework while advancing other components of the framework. Ultimately, a parallel path for both proceedings seems smartest.

Finally, CESA agrees with Vote Solar when it says that DSRs are already being rapidly deployed with or without the frameworks developed by this proceeding. Urgency is needed to advance this proceeding because delaying the implementation of a smart DSR integration framework and compensation structure will likely lead to sub-optimal location of DSRs. Deferring the schedule for this proceeding to R.14-08-013 and other related proceedings is therefore not advisable. Instead, this proceeding should occur in parallel with its counterparts to the maximum extent possible.

**V. THE SCOPE OF THE PROCEEDING AS PROPOSED IS MANAGEABLE.**

In its comments, the Coalition of California Utility Employees (“CUE”) raise concerns that the as-proposed expanded scope and definition of DSRs will create a strain on an already complex proceeding.<sup>12</sup> CESA believes that the issues highlighted in the expanded scope and definition are paramount and should be addressed, even if requiring additional resources. CESA believes the resource-needs of this proceeding can be satisfactorily met, particularly once the Commission details the specific schedule linkages and timing between this proceeding and those of R.14-08-013.

CESA sees some merit in CUE’s view that the IDSR approach may be best-served by excluding third-party owned distribution-interconnected resources. These resources do not immediately fit the context of customer-directed actions, but rather invoke a third party seeking to provide generation or other services to the grid. The development of rules and tariffs for this

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<sup>12</sup> *Opening Comments of California Utility Employees*, pp.1-2.

latter action seem different from those of the former, and conflation of the two could create confusion and increase the scope of this proceeding significantly.

**VI. CONCLUSION**

CESA appreciates this opportunity to submit reply comments on the PD, and looks forward to working with the Commission and stakeholders in this proceeding going forward.

Respectfully submitted,



Donald C. Liddell  
DOUGLASS & LIDDELL  
Email: [liddell@energyattorney.com](mailto:liddell@energyattorney.com)

Attorney for the  
**CALIFORNIA ENERGY STORAGE ALLIANCE**

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