



MEMORANDUM

TO: LGSEC Energy Efficiency Policy Committee
cc: LGSEC Board

FROM: Jody London, Regulatory Consultant

SUBJECT: Update on CPUC Proceedings on Demand Side Issues

DATE: September 28, 2015

This memo provides an update on proceedings at the California Public Utilities Commission ("CPUC") that address demand side issues. There are two relevant dockets to track: the Integrated Demand Side Resources ("IDSR") rulemaking (R.14-10-003), and the Distribution Resources Plan ("DRP") rulemaking (R.14-08-013), which is joined with the utility applications (A.15-07-002, et. al.). The CPUC issued Decision 15-09-022 on September 17 in the IDSR rulemaking that adopts a definition and goal for the proceeding. The CPUC this Wednesday will hold a Prehearing Conference in the DRP case, which I will attend.

Overview of Integrated Demand Side Resources Decision 15-09-022

The IDSR decision adopts a definition for the integration of distributed energy resources, and a goal. The definition is:

A regulatory framework that enables customers to effectively and efficiently choose from an array of distributed energy resources. The framework is based on the impact and interaction of such resources on the grid as a whole, on a customer's energy usage, and on the environment.

The goal is:

To deploy distributed energy resources that provide optimal customer and grid benefits, while enabling California to reach its climate objectives.

As you recall, the LGSEC advocated for this proceeding to look broadly at the ability of programs to reduce emissions of greenhouse gases. So we should view this decision as a big win in that regard.

Decision 15-09-022 discusses in detail how this proceeding with work in tandem with the DRP rulemaking and applications "to create an end-to-end framework from the customer

side to the utility side of the grid.” The CPUC expects the two proceedings will identify tariffs, contracts, or other mechanisms for the deployment of cost-effective distributed energy resources. Distributed energy resources include distributed renewable generation resources, energy efficiency, energy storage, electric vehicles, and demand response technologies. The CPUC also anticipates looking at cost-effective ways to coordinate existing programs, incentives, and tariffs approved by the CPUC.

In the DRP Rulemaking, the CPUC will look at distribution system needs, and how they can be met by distributed energy resources. The CPUC will also, in that proceeding, develop values for those resources, using a tool called Locational Benefit Analysis.

The IDSR proceeding will create a framework for looking at how those distributed energy resources can be sourced, and as stated above how to implement tariffs, contracts, and other mechanisms that will be proposed in the DRP rulemaking. D.15-09-022 anticipates that pilots could be developed in a subsequent phase of the IDSR proceeding, but does not authorize anything right now. D.15-09-022 also broadens the scope of the proceeding to “focus on what customers offer the utility.” The Decision discusses the need to structure incentives based on where distributed energy resources are located, noting that incentives should reflect both grid-wide and locational benefits. A future phase of the proceeding will look at how to determine locational incentives.

Distribution Resources Plans

The CPUC is combining the DRP rulemaking with the utility applications submitted in July. The applications included proposals from the utilities for demonstration and deployment programs, as directed by the CPUC. These pilots are all the subject of the application, comments on which were submitted in late August and September; the LGSEC submitted comments as part of a large coalition organized by the Natural Resources Defense Council (“NRDC”).

After the Prehearing Conference this Wednesday, the schedule for the applications and the rulemaking will be more clearly understood. On a call this afternoon organized by NRDC in advance of the prehearing conference, the parties discussed their preferred categorization for the proceeding (basically, how stringent the *ex parte* rule), whether the Commission should schedule a series of workshops, how working groups might be used to address some of the technical issues in advance of workshops, how to address issues that occur across multiple proceedings, how to incorporate recent legislation, and related. This is something to which the LGSEC may want to pay attention, as it’s fair to say most of the people on the call are more on the policy side, and I don’t think there is much practical experience in the group. (We have voiced a similar concern over the composition of the proposed Coordinating Committee for the energy efficiency Rolling Portfolio.)

Please contact me with any questions or comments.