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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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.	Rulemaking 20-11-003

ADMINISTRATIVE LAW JUDGE'S RULING INTRODUCING A STAFF REPORT AND QUESTIONS TO THE RECORD AND SEEKING RESPONSES FROM PARTIES IN OPENING AND REPLY TESTIMONIES

Attached to this ruling is an Energy Division staff proposal that addresses issues scoped into this proceeding and staff guidance and questions for parties to consider when developing their proposals in opening testimony to be served no later than January 11, 2021.

Parties to this proceeding are directed to address the staff proposal and staff guidance and questions, in part or in totality, in the testimony and reply testimony that is served and introduced to the evidentiary record in this proceeding.

Any questions regarding the staff proposal and staff guidance and questions shall be directed to the Commission's Energy Division. Jason Ortego is the staff contact regarding the staff proposal and staff guidance and questions, reachable by e-mail at Jason.Ortego@cpuc.ca.gov.

IT IS SO RULED.

Dated December 18, 2020, at San Francisco, California.

/s/ BRIAN STEVENS
Brian Stevens
Administrative Law Judge

ATTACHMENT 1

Final Staff Proposals and Guidance to Parties

Staff Proposal and Guidance to Parties for their January 2021 Proposals

Overview

This document includes an Energy Division staff proposal for addressing Summer 2021 reliability needs, as well as staff guidance and questions for parties to consider when developing their proposals for submission in opening testimony on January 11, 2021. The document is organized by topic area. The topic areas are based on the questions raised in the Order Instituting Rulemaking (OIR) (R.20-11-003) issued by the California Public Utilities Commission (CPUC) on November 19, 2020.

In addition to the questions posed below, parties should consider whether implementation of the staff proposal requires modifications to any existing Commission decisions. Parties should identify the specific decision by topic area, and address in their testimony whether a modification is warranted.

One staff proposal is included that addresses the Flex Alert paid media campaign. For other topic areas raised in the OIR, staff is providing guidance and questions for parties to address in developing in their own proposals due January 11, 2021:

A. Critical Peak Pricing (CPP) design, marketing, and expansion to non-investor-owned utility (IOU) load serving entities (LSEs)
B. New Emergency Load Reduction Program (ELRP)
C. Changes to existing IOU demand response (DR) programs
D. Expedited Integrated Resources Plans (IRP) procurement
E. Expanding electric vehicle (EV) participation in DR programs

Parties are asked to provide as much detail as possible in their proposals, such that the proposals could be adopted by the CPUC "as is" or with minor modification, if needed.

Energy Division Staff Proposal

Flex Alert Paid Media Campaign

This proposal directs the electric IOUs to participate in a paid media Flex Alert Campaign using ratepayer funds to offset and prevent the need for rolling blackouts. The program would be managed through a contract between one IOU and a marketing agency. The CPUC could either direct the IOU to develop a new contract with the existing time of use rates Statewide Marketing, Education and Outreach vendor, or the CPUC could direct the IOU to develop a solicitation to competitively source a new vendor. Time permitting, solicitations for marketing vendors would occur in the early spring of 2021 with the intention of launching the program in the summer of 2021. The contract would be in place for the summers of 2021 and 2022.

Background

A Flex Alert is a voluntary call for consumers to conserve electricity when there is a predicted shortage of energy supply. The California Independent System Operator (CAISO) determines when to call a Flex

Alert, and it typically does so when extremely hot weather increases electricity supply demand and threatens to create a situation where electricity demand in the State exceeds supply.

The first Flex Alert campaign started in the early 2000s in response to rolling blackouts from the 2000-2001 electricity crises. The paid media portion of the campaign was funded by the large electric utilities. In 2015 the CPUC modified the Flex Alert program so that it would be administered by CAISO and would only have an earned media component to it. In 2016, the CPUC restarted a paid media component to the campaign by directing SoCalGas to provide $5 million to support Flex Alert advertising. In 2017, the CPUC authorized SoCalGas to spend an additional $5 million for the same purpose.

The SoCalGas Flex Alert funding was still focused on reducing electric demand, but it was funded by SoCalGas due to the need to reduce the pressure on the gas system from electric generation in response to the Aliso Canyon gas leak. Because over 35 percent of California's electricity is generated by natural-gas-powered plants, it followed that a widespread reduction in electricity would reduce natural gas demand. The CPUC authorized $5 million per year beginning in the summer 2016 to continue Flex Alerts.

Staff Proposal for Paid Flex Alert Campaign

Staff proposes that the following issues are addressed in any future paid media campaign for Flex Alerts:

- Budget: Staff proposes that all the electric IOUs be directed to use ratepayer funds to support a paid media campaign for Flex Alerts beginning the summer of 2021 and extending through the summer of 2022. Regarding a funding amount, the annual budget for the paid media campaign should be determined through consultation with the stakeholders. The budget for similar paid media campaigns have a range of $10 million to $24 million. The Flex Alert campaign should focus heavily on social media and texting, which are less production- and cost-intensive than more traditional media channels like TV and radio. Because of much lower advertising costs, the forecast for the Flex Alert Campaign is expected to be approximately $12 million per year.
- Administration: The CPUC, with the IOUs, the media vendor, and the CAISO would need to closely coordinate future Flex Alert campaigns. The CAISO would continue to issue a Flex Alert when and where conservation will be helpful in reducing the strain on the power grid and issue a news release when a Flex Alert is issued. The Flex Alert vendor would run the paid media campaign and create media assets to distribute through paid media channels, such as advertising, managing the messaging, and outreach aspects to the public. The vendor would drive both development of the paid media content and the media channel strategy. The vendor would issue Flex Alert notices to the public upon direction from the CAISO.
- Content and Delivery Channels: Staff recognizes that marketing channels have changed since the previous paid media Flex Alert campaigns prior to 2016 and recommends that the CPUC revise the marketing strategy to heavily focus on social media and texting campaigns which could be deployed rapidly after a Flex Alert is triggered. The CPUC is looking to the vendor to rethink the paid Flex Alert campaign strategy and develop innovative new approaches, possibly including cross marketing with demand response providers. Between Flex Alerts, there should also be an education and outreach component to the campaign to better inform Californians of what Flex Alerts are and provide a vehicle for list sign up.

- Oversight Process: The CPUC would work with an outside consultant, possibly a consultant who has conducted stakeholder research for programs such as Energy Upgrade California (EUC), to conduct market research in early 2021 that would help identify and address marketing campaign priorities to inform the Flex Alert vendor. The vendor would then drive the development of the paid media content with CPUC direction. The process of content development would be similar to existing programs such as EUC, wherein the vendor develops and presents an annual plan to stakeholders and the CPUC demonstrating the overall strategy for the coming year. During the year, the vendor could develop additional content that would require CPUC review. Monthly or quarterly stakeholder meetings would be established to update stakeholders on campaign performance and new content.
- Interface with Other Programs: If CPUC authorizes an emergency load reduction program (ELRP), also contemplated in this OIR, then the CPUC would need to coordinate it with the Flex Alert campaign.

Questions for Parties

Parties are asked to address the following questions in their testimony, in addition to responding to the details of the staff proposal:

1. Should the CPUC direct an IOU to develop a new contract with the existing time-of use Statewide Marketing, Education and Outreach vendor, or direct an IOU to develop a solicitation to competitively source a new vendor?
2. Should the contract be for at least two summers (2021 and 2022) or should it be longer?
3. What should be the campaign priorities and strategies for the new Flex Alert program, and what budget estimates seem reasonable to address those priorities?
4. What should the cost recovery mechanism be for funding the Flex Alert campaign?
5. How could the Flex Alert campaign be integrated with DR programs and smart thermostats?
6. If the CPUC authorizes a new emergency load reduction program (ELRP) how would the Flex Alert paid media campaign interface with it?

Guidance and Questions to Parties for Party Proposals

A. Critical Peak Pricing (CPP) Marketing, Design, and Expansion to Non-IOU LSEs

CPP Marketing Guidance

To any parties providing proposals on CPP, please address the following items in the marketing portion of your proposal:

- Please provide a proposed marketing/education budget as well as the cost recovery mechanism.
- Specify whether the marketing budget is for one year or more.
- Describe the types of messaging and content that would be in the marketing/education. Parties should explain how the messaging and content will improve the performance of the program.

- Specify strategies for the marketing, such as targeting specific subsets of participants or geographic areas, as well as strategies for delivering content and messaging.

CPP Design Questions

IOUs should respond to each of the questions below and include information on the feasibility of implementing these ideas if the CPUC were to direct these changes in a Proposed Decision.

1. Several parties raised concerns that some CPP rate schedules have event windows that are not aligned with the net peak period. Should CPP rate schedules be adjusted such that their event windows be aligned with the net peak period? Please specify the rate schedules and the specific time frame of the adjusted event window (for example, 4pm-9pm).
2. Should CPP have a maximum number of events? Provide the pros and cons of removing the current maximum.
3. Should SCE and SDG&E be directed to offer CPP to residential customers, as PG&E does?
4. Should Net Energy Metering (NEM) non-residential customers in SCE's and SDG&E's territories be allowed to participate in non-residential CPP? (For example, see PG&E's CPP tariff—Peak Day Pricing—which permits this.)
5. Should general-service customers with qualifying distributed energy resources be allowed to enroll in CPP in SCE and PG&E's territory? (For example, see SDG&E's rate schedule DG-R.)

CPP Expansion to Non-IOU LSEs Questions

Parties should respond to the questions below regarding expansion of CPP to non-IOU LSEs:

1. Are there benefits that could motivate non-IOU LSEs to develop rate offerings that are similar to CPP, and how can the non-IOU LSEs achieve these benefits?
2. What are the barriers to non-IOU LSEs implementing CPP or dynamic rate options in 2021? Is there a clearer pathway for 2022 and future years?
3. What actions are necessary to coordinate non-IOU LSE potential CPP programs with CAISO to ensure those CPP programs are effective in addressing summer reliability conditions? Are there existing non-IOU LSE CPP (or similar) programs that currently coordinate with CAISO?
4. IOUs provide the CPUC with Load Impact Reports (LIPs), which estimate the expected capacity of their CPP programs. LIPs are also used to determine resource adequacy. Should non-IOU LSEs be similarly required to produce LIPs to estimate the capacity of their CPP programs, and is this feasible for 2021? Are there other alternatives to estimate CPP capacity that non-IOU LSEs?
5. Since CCAs' bills are collected through the IOU billing system, what billing system changes would the IOUs need to make to implement CPP rates for CCAs?
    a. Is it feasible to implement these changes by summer 2021?
    b. Are there interim billing solutions that could be administered by the IOUs or non-IOU LSEs, if changes to the IOU billing system are not feasible by summer 2021?
6. What actions do the non-IOU LSEs need to take to implement CPP rates? CCAs that already administer CPP-like programs (e.g., Clean Power Alliance, CleanPowerSF, Redwood Coast Energy Authority) are encouraged to describe their experience implementing their respective programs and offer proposals for how the CPUC could encourage other CCAs to offer CPP rates.

7. Please describe the forms of communication that would be necessary to educate non-IOU LSE customers about CPP rates to participate in CPP programs.

B. Emergency Load Reduction Program (ELRP)

ELRP Guidance

CPUC staff expects the Emergency Load Reduction Program (ELRP), if adopted, could be suited to be a multi-year effort, such as a five-year pilot. Parties are encouraged to develop proposals assuming a similar timeline and assume the following:

- The "resource" is out of market (i.e., not bid into the CAISO market) and outside the resource adequacy (RA)/California Energy Commission (CEC) planning framework (i.e., not counted for RA or embedded in CEC load forecast)
- Compensation for the emergency load reduction and/or energy supply is after-the-fact "pay for performance" only (i.e., there is no stand-by, capacity-like payment).

ELRP Questions

Parties should address the following questions as part of their proposals regarding an ELRP, or may respond to them individually, if not providing a proposal:

1. Program Trigger. CAISO suggests "the dispatch trigger [for ELRP] could be a Warning or Stage 1 emergency or its equivalent." What is the case for or against limiting the trigger to CAISO-declared Warning/Emergency stage vs. extending the trigger discretion to Alerts or day-ahead?
    a. Should the ELRP be allowed or required to dispatch before the Base Interruptible Program (BIP) is triggered? If yes, under what circumstances should this be allowed? Are there any other conditions that should be met before ELRP could be dispatched?
    b. Should the IOUs be allowed to trigger ELRP for localized transmission and distribution emergencies? Why or why not?
2. Eligibility
    a. Load Reduction Resources:
        i. Should customers who are already enrolled in IOU (directly or via aggregators) or third-party demand response programs or critical peak pricing be permitted to participate in the ELRP? If so, what specific program rules will be needed to ensure that dual participants are not compensated twice for the same load reductions? If there are distinctions in the rules depending on the DR program or rate, please describe. Please provide an estimate of potential MWs available for each dual participation permutation.
        ii. What rules and processes need to be in place to ensure that the load reductions expected from dual participants are appropriately accounted for and communicated to CAISO for grid operations?

iii. Should customers be permitted to use prohibited resources during an ELRP event to achieve incremental load reduction in excess of any load reduction commitments under other dual enrolled DR programs?

b. Eligibility – Energy Supply Resources

i. Should customer-sited behind-the-meter combined heat and power (or other technology, please specify) energy supply resources without firm capacity contracts be permitted to participate in ELRP, provided they have existing export permits and are able to provide metered firm export energy in response to an emergency request? Given that these resources may require longer lead times to become available, should there be separate trigger (e.g., restricted maintenance call) and availability window defined for these resources? If so, how should they differ? Please provide an estimate of potential MWs available.

ii. Should exports from customer-sited behind-the-meter hybrid (i.e., solar plus storage) resources during an emergency dispatch be eligible for compensation under ELRP? Please explain how potential interconnection, safety, and reliability concerns would be addressed. Please provide an estimate of potential MWs available. If these resources have already been accounted for as load reduction in the demand forecast, how could marginal energy in response to an emergency be metered and confirmed as a marginal additional energy supply resource?

iii. Are there other customer-side resources with the capability to supply energy during an emergency that should be eligible for participation under ELRP? Please discuss any associated special requirements or issues and provide an estimate of potential MWs available.

3. Program Administration and Implementation

a. Should the IOUs establish a voluntary tariff program that could be open for new customer enrollment in advance of summer 2021? Would the program be open on a pilot basis, and if so, for what time period for enrollment and/or operation?

b. Should non-IOUs LSEs establish similar programs, and if so, in what time frame?

4. Compensation. What should be the specified "pay for performance" compensation rate(s) ($/MWh) for load reduction or energy supply achieved by participants during an ELRP dispatch? For example, should there be a price floor, and if so, what amount should participants be paid above that floor? Or should there be a pre-set, fixed compensation rate? Please explain the basis for your proposed compensation rate(s) and any conditions that should be tied to those rate(s). If a resource type is already eligible for compensation under another tariff or contract structure, explain how the resource compensation scheme would prevent double payment.

5. Other: What market or regulatory issues related to sector-specific customers or technology configurations (e.g., ports, military, microgrids) should be addressed to maximize potential load reduction under ELRP? Please provide specific proposals along with estimates of potential MWs available in these cases.

C. Changes to Existing IOU DR Programs

Base Interruptible Program (BIP) and Agricultural & Pumping Interruptible (API) Questions

Parties are encouraged to address the following questions related to BIP and API:

1. Should the CPUC consider a temporary expansion of the 2 percent cap limited to a specified number of years (such as 5 years)? If the cap is increased, are there other changes to the BIP design that should be considered to forestall any potential unintended consequences?
2. Currently BIP/API are all-year programs. To encourage more customers (and MW) to participate, should the CPUC consider an option for customers to enroll for selected months? Should the selected months be pre-defined (such as July-October)? How should the capacity incentive level be modified for partial year enrollment? Please provide an estimate for additional MWs that could result from this. What is the case against this change?
3. What would be the most effective way to retain as well as attract participants to BIP, while preserving or improving the program's contribution to grid reliability? Increase capacity incentive level, add an energy payment component (with existing or modified capacity payment), reduce penalties for underperformance, allow additional enrollment opportunities, reduce the availability requirement to specific hours of the day (instead of 24 x 7), or limit the number of allowed events in a year? For your proposals, please be specific in describing the proposed program modifications, including quantifying parameters where appropriate, and provide the rationale. Please provide an estimate for additional MWs that could result from the changes.

If you oppose any of these changes, please explain why.

Capacity Bidding Program (CBP) Questions

Parties are encouraged to address the following questions related to CBP:

4. What would be the most effective ways to attract and retain CBP participants, while preserving or improving the program's contribution to grid reliability? Potential actions include increasing capacity incentives, reducing penalties for underperformance, or limiting the number of allowed events per a month or year.
5. For party proposals, please describe the proposed program modifications, including quantifying parameters where appropriate, and provide the rationale. Please provide an estimate for additional MWs that could result from the changes. Similarly, if you oppose any of these changes, please explain why.

Air Conditioner Cycling Programs Question

Parties are encouraged to address the following question related to Air Conditioner Cycling Programs:

6. Should incentives for residential air conditioner cycling be increased to limit attrition or increase enrollment? If so, please provide the recommended incentive amount and the aggregate budget and capacity impacts of the increase. If not, please explain why.

Miscellaneous

Smart Thermostats: Some parties recommend deploying rebated smart thermostats as a key strategy to get more DR capacity. For proposals concerning smart thermostats, please address the following:

7. Explain how the deployment of smart thermostats will be integrated with existing IOU or third-party demand response programs and/or critical peak pricing rates and specify the customer segments that will be targeted.
8. Provide the number of smart thermostats that could be deployed in time for summer 2021, the amount of the rebate, the total budget, and the method of cost recovery. Provide an explanation for the rebate amount.
9. Estimate the additional amount of MWs that could be reasonably anticipated from the proposal. Please explain how the estimate was calculated.

Proxy Demand Resources (PDR) in CAISO Markets: Please provide responses to the questions below:

10. For PDR resources that are procured for Resource Adequacy (IOU, DRAM and third-party non-DRAM PDR resources) and are able to dispatch only in response to CAISO Day-Ahead Market awards, should the CPUC adopt a bid price cap for these resources bidding in the CAISO Day-Ahead market for the purpose of increasing the probability of these resources being utilized and dispatched during periods of grid stress experienced in Real-Time Market? If so, what should that bid price cap be set at and why?
11. What are the potential positive and negative consequences of the Day-Ahead market bid price cap?

Demand Response Performance Improvements

12. Based on preliminary settlement data received by the CPUC, demand response resources (IOU and third-party operated) did not always deliver up to their commitments during the 2020 heat waves. This information will be made public in the Final Root Cause Analysis on the August 14 and 15 rotating outages that is anticipated to issue before end of 2020. Please provide:
    a. Reasons for the results. .
    b. Solutions that address the reasons you provide.

Cost-effectiveness: Please provide a response to the question below:

13. IOU DR programs are required to demonstrate cost-effectiveness using the methods described in the Demand Response Cost-Effectiveness Protocols. Considering the acute reliability needs being considered in this proceeding, should the CPUC waive cost-effectiveness analyses and requirements for any DR program changes that might be ordered in this proceeding? Please provide a rationale for your position.

Marketing & Outreach: Some parties recommend expanding eligibility requirements and increased marketing for existing demand response programs. For any such proposals, please provide the following:

- The specific program or rate, and the how the eligibility requirements would change.

- A rationale explaining how the new eligibility requirement would lead to increased demand response MWs, an estimate of the amount of enrollment growth that could occur, and the DR MWs associated with that customer growth.
- An estimated budget for any additional costs associated with communicating new eligibility requirements to potential customers (e.g., more customer outreach), as well as a method of cost recovery.

Question to SCE: Please provide more details on the Virtual Power Plant (VPP) pilot discussed in your opening comments on the OIR. In your description, please provide:

- An explanation of how the pilot operates and how it could provide reliability in a heat storm.
- Number of additional customers that could be added by Summer 2021.
- The amount of MWs the expanded VPP pilot could provide.
- The associated budget for the expansion and how costs would be recovered.

D. Expedited IRP procurement

Expedited IRP Procurement Questions

Parties are encouraged to address the following questions related to expedited IRP procurement:

- Should the CPUC offer an incentive to LSEs that voluntarily expedite their 2021 IRP procurement to come online by Summer 2021 (i.e., approximately 6-8 weeks sooner than the August 1st requirement)? For LSEs that support this proposal, please specify the project, resource type, and amount of MW that could be expedited.
    - How should this process be implemented?
    - How should the incentive amount be determined, and how should the costs of the incentive be allocated?
    - Should this proposal be limited to procurement for Summer 2021, or should it also include Summer 2022 and 2023?

E. Expanding Electric Vehicle (EV) Participation in DR Programs

Expanding EV Participation in DR Programs Questions

Parties are encouraged to address the following questions related to EV participation in DR programs:

- Should the CPUC revise EV programs and/or incentives designed to manage and/or dispatch EV loads in order to respond to a reliability event in Summer 2021?
    - If so, what program, rate, or incentive should be revised and how?
    - Should these revisions be offered to all EV customers, or would offering them to a subset be sufficient to achieve reliability objectives?
    - Please provide examples or data to justify your proposal, including any examples of EV participation in a similar program or incentive, as well as estimated impacts for Summer 2021 reliability.

(END OF ATTACHMENT 1)