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Decision 23-01-006 January 12, 2023

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company (U39E) for Approval of its Demand Response Programs, Pilots and Budgets for Program Years 2023-2027.	Application 22-05-002
And Related Matters.	Application 22-05-003 Application 22-05-004

DECISION APPROVING DEMAND RESPONSE AUCTION MECHANISM PILOT FOR PILOT YEAR 2024

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DECISION APPROVING DEMAND RESPONSE AUCTION MECHANISM PILOT FOR 2024

Summary

This decision approves the Demand Response Auction Mechanism Pilot for 2024 deliveries. It also approves and provides funding for continued Demand Response research supervised by the Commission's Energy Division.

The proceeding remains open to consider utility and intervenor proposals for demand response programs, program modifications, pilots, and budgets for 2024-2027.

1. Background

Demand Response (DR) programs encourage reductions, increases, or shifts in electricity consumption by customers in response to economic or reliability signals. Such programs can provide benefits to ratepayers by reducing the need for construction of new generation and the purchase of high-priced energy, among others. Commission Decision (D.) 17-12-003[1] directed Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), and Southern California Edison Company (SCE) (collectively, the Utilities) to file their 2023-2027 DR portfolio applications by November 1, 2021. A September 30, 2021 letter issued by the Commission's Executive Director extended the deadline to May 2, 2022.

On May 2, 2022, PG&E (Application (A.) 22-05-002), SDG&E (A.22-05-003), and SCE (A.22-05-004) filed their respective 2023-2027 DR portfolio applications. Pursuant to Rule 7.4, an Administrative Law Judge (ALJ) Ruling issued on May 25, 2022 consolidated these applications (A.22-05-002, *et al.*). On

[1] D.17-12-003 approved the Utilities 2018-2022 DR Programs.

June 6, 2022, a Protest to the consolidated applications was filed by the Public Advocates Office of the California Public Utilities Commission (Cal Advocates), and Responses to the consolidated applications were filed by the Small Business Utility Advocates (SBUA), Leapfrog Power, Inc. (Leapfrog), Google LLC, CPower and Enel X North America, Inc. (Enel X), California Efficiency + Demand Management Council (the Council), Polaris Energy Services (Polaris), Marin Clean Energy (MCE), Center for Energy Efficiency and Renewable Technologies (CEERT), California Energy Storage Alliance (CESA), California Large Energy Consumers Association (CLECA), and the Vehicle-Grid Integration Council (VGIC). Per ALJ Ruling, replies were filed on June 13, 2022 by PG&E, SDG&E, and SCE.

A prehearing conference (PHC) was held on June 16, 2022 to discuss the scope, schedule, and other procedural matters. At the PHC, oral Rule 1.4(a)(3) Motions for Party Status were presented by OhmConnect, Inc., Weave Grid, Inc., and Voltus, Inc. These Motions were granted at the PHC. On July 5, 2022, the Assigned Commissioner's Scoping Memo and Ruling (Scoping Memo) was issued, detailing the scope and schedule of this proceeding. The Scoping Memo detailed a phased schedule for this proceeding, with Phase I focusing on the 2023 Bridge Year Funding as well as 2024 funding for the Demand Response Auction Mechanism (DRAM) Pilot. The Scoping Memo planned for separate decisions on Phase I Bridge Year Funding Issues as well as the DRAM Pilot. Phase II will address the Utilities' 2024-2027 DR program proposals, the future of the DRAM Pilot, and any issues remaining following the conclusion of Phase I. D.22-12-009, issued on December 6, 2022, addressed Phase I issues other than those related to the DRAM Pilot, mainly the 2023 Bridge Year Funding requests.

A virtual workshop took place on July 7, 2022, related to the Demand Response Auction Mechanism Evaluation Report written by Resource Innovations (formerly known as Nexant) in partnership with Gridwell Consulting (Nexant Report). The Scoping Memo added the Nexant Report to the proceeding record and invited parties to provide testimony and comment on the DRAM Report. Supplemental Testimony on the DRAM Pilot was served on August 5, 2022 by PG&E, SDG&E, SCE, Cal Advocates, the Council and Leap, CESA, CPower, OhmConnect, and Voltus. Reply Testimony on the DRAM Pilot was served on September 2, 2022 by PG&E, SDG&E, SCE, Cal Advocates, The Council, Leap, and OhmConnect.

A Meet and Confer Session was held on September 9, 2022, regarding the admission of evidence on the DRAM Pilot as well as the need for evidentiary hearings. On September 16, 2022, an e-mail ruling was issued cancelling evidentiary hearings related to the DRAM Pilot, after the ALJs had been notified via e-mail by SCE that no party requested evidentiary hearings. On September 19, 2022, CPower and the Council filed a Joint Motion (Joint Motion) requesting that evidentiary hearings and discovery be re-instated, after learning that SCE would be seeking to move the Nexant Report into evidence. An ALJ ruling on September 22, 2022 denied the Joint Motion. On September 26, 2022, a Motion to Admit Evidence Regarding the Demand Response Auction Mechanism was filed by PG&E. Parties did not have issue with any exhibits proffered for admission into the record except for one SCE exhibit, the Nexant Report. An ALJ ruling on September 29, 2022, determined that the exhibit in question, marked as SCE-09, the Nexant Report, would not be admitted into the evidentiary record at this time.

Opening Briefs on the DRAM Pilot issues were filed on October 7, 2022 by PG&E, SCE, SDG&E, Cal Advocates, CPower, CELCA, CESA, OhmConnect, the Council and Leap, and Voltus. Reply briefs were filed on October 28, 2022 by PG&E, SCE, SDG&E, Cal Advocates, OhmConnect, CLECA, and a joint brief by the Council, Leap, CPower, and Voltus.

Opening Comments were also filed on October 7, 2022 by PG&E, SDG&E, SCE, and CLECA on the Energy Division proposal for continued DR modeling and research, which was entered into the record for comment via ALJ ruling on September 22, 2022. Reply comments on the issue were filed on October 28, 2022 by SCE.

2. Phase I Issues: DRAM and Energy Division DR Research Proposal

Given the late filing of these applications, the Utilities requested that we initially consider on an expedited schedule their requests for 2023 Bridge Funding, in order to ensure the continued operation of their DR programs through 2023, while leaving consideration of the 2024-2027 program year budgets until a later time (Phase II). Given the urgency involved with regards to ensuring that 2023 DR programs and budgets were approved, those issues were addressed in D.22-12-009. This decision will resolve the remaining issues scoped for Phase I, which include:

1. Should the Utilities be directed to conduct Auction Mechanism solicitations in 2023, for 2024 deliveries, as a continued pilot without further technical refinements, and if so, what budget should be authorized?
2. Should ratepayers provide $750,000 in 2023 for continued modeling of DR potential and related research overseen by Energy Division?

3. Admission of Testimony and Exhibits into Record

In order to fairly access the record, it is necessary to include all testimony and exhibits properly served. D.22-12-009 has already admitted a number of exhibits into the record.[2] On August 5, 2022, PG&E (Exhibits PG&E-2, PG&E-4, and PG&E-6),[3] SCE (Exhibits SCE-07 and SCE-08)[4], SDG&E (Exhibits SDG&E-1C, SDG&E-2C),[5] Cal Advocates (Exhibits Cal Advocates-02, Cal Advocates-03-CONF, Cal Advocates-04-CONF, Cal Advocates-05-CONF, and Cal Advocates-06),[6] the Council and Leap (Exhibits Council/Leap-02, Council/Leap-03),[7] CESA (Exhibit CESA-01)[8], CPower (Exhibit CPower-1),[9] OhmConnect (Exhibit

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[2] *See* D.22-12-009, at 5-6.

[3] PGE-2, PG&E's 2023-2027 Demand Response Programs, Pilots, and Budgets 2024-2027 Full Proposal Prepared Testimony, Chapter 5.

[4] SCE-07, SCE's Testimony in Support of Its Application for Approval of its 2023-2027 Demand Response Programs: Exhibit 7 – Supplemental Testimony on Nexant Report and Auction Mechanism.

[5] SDG&E-1C, SDG&E's Prepared Supplemental Testimony of E Bradford Mantz – Chapter 1C.

[6] Cal Advocates-02, Public Advocates Office Opening Testimony on Application of PG&E for Approval of its Demand Response Programs, Pilots, and Budgets for Program Years 2023-2027 (Public Version); Cal Advocates-03-CONF, Public Advocates Office Opening Testimony on Application of PG&E for Approval of its Demand Response Programs, Pilots, and Budgets for Program Years 2023-2027 (Confidential-PG&E); Cal Advocates-04-CONF, Cal Advocates-03-CONF, Public Advocates Office Opening Testimony on Application of PG&E for Approval of its Demand Response Programs, Pilots, and Budgets for Program Years 2023-2027 (Confidential-SCE); Cal Advocates-05-CONF, Cal Advocates-03-CONF, Public Advocates Office Opening Testimony on Application of PG&E for Approval of its Demand Response Programs, Pilots, and Budgets for Program Years 2023-2027 (Confidential-CPUC).

[7] Council/Leap-02, California Efficiency + Demand Management Council and Leapfrog Power, Inc.'s Opening Testimony served August 5, 2022.

[8] CESA-01, California Energy Storage Alliance's Supplemental Testimony of Jin Noh.

[9] CPower-1, CPower, Inc's Phase 1 Supplemental Testimony on 2023 Demand Response Auction Mechanism and Nexant Report served August 5, 2022.

OhmConnect-2)[10], and Voltus (Exhibit Voltus-01)[11] served their Opening Phase I DRAM Testimony. On September 2, 2022, the Council and Leap[12] (Exhibit Council/Leap-03), PG&E (Exhibit PG&E-06),[13] SDG&E (Exhibit SDG&E-2C),[14] SCE (Exhibit SCE-08),[15] Cal Advocates[16] (Exhibit CalAdvocates-06) and OhmConnect[17] (Exhibit OhmConnect-3) served their Phase I DRAM Rebuttal Testimony. On September 26, 2022, the parties filed a Joint Motion to Offer Prepared Testimony into Evidence (Evidentiary Motion). In addition to the above, SCE moved that Exhibit SCE-09, consisting of the Nexant Report, be moved into the record. As discussed above, the Commission declines to admit the Nexant Report into the evidentiary record at this time. For the remaining exhibits, good cause being shown, and in the absence of party objection, the Evidentiary Motion is granted, and these exhibits are formally accepted into the record of this proceeding.

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[10] OhmConnect-2, OhmConnect, Inc.'s Supplemental Testimony on the Demand Response Auction Mechanism Pilot.

[11] Voltus-01, Voltus, Inc.'s Supplemental Prepared Testimony on the Demand Response Auction Mechanism and Nexant Report (Phase I, Bridge Year).

[12] Council/Leap-03, Reply Testimony of The California Efficiency + Demand Management Council and Leapfrog Power, Inc. Served September 2, 2022.

[13] PG&E-6, Demand Response Auction Mechanism Pursuant to the July 5, 2022 Scoping Memo in A.22-05-002, Rebuttal Testimony

[14] SDGE-2C, Prepared Rebuttal Testimony of E Bradford Mantz on Behalf of San Diego Gas & Electric Company (Demand Response Auction Mechanism).

[15] SCE-08, SCE Testimony In Support of Its Application for Approval of Its 2023-2027 Demand Response Programs: Reply Testimony on Nexant Report and Auction Mechanism.

[16] CalAdvocates-06, Public Advocates Office's Reply Testimony on Application of PG&E for Approval of its Demand Response Programs, Pilots and Budgets for Program Years 2023-2027.

[17] OhmConnect-3, Reply Testimony of Ohmconnect, Inc. on the Demand Response Auction Mechanism Pilot.

4. Outstanding Motions

Cal Advocates on October 7, 2022 filed a Motion for Leave to File Under Seal Confidential Version of its Demand Response Auction Mechanism Opening Brief (Motion to File Under Seal). The October 7, 2022 Opening Brief of the Public Advocates Office on the Demand Response Auction Mechanism (Opening Brief) contains information that PG&E, SCE, and the California Independent System Operator (CAISO) claim are confidential.[18] Cal Advocates states that its reliance on these materials is necessary to support and demonstrate Cal Advocate's testimony regarding the documentation of invoices. The types of information marked confidential include PG&E DRAM Sellers' August 2020 performance, aggregate PG&E DRAM Proxy Demand Resources (PDRs) sellers' 2019 performance, and information related to demonstrated capacity invoices for the 2020 DRAM delivery year.[19] Good cause being shown, Cal Advocates' Motion to File Under Seal is granted.

5. Should the Demand Response Auction Mechanism Pilot be Approved for 2023 Solicitations for 2024 Deliveries?

The DRAM is a pay-as-bid solicitation through which each of the Utilities seek monthly demand response system capacity, local capacity, and flexible capacity, which contributes to the Utilities' resource adequacy (RA) obligations. Winning bidders in the Auction Mechanism, or Sellers, are required to bid aggregated DR directly into the California Independent System Operator (CAISO) energy markets. The Utilities acquire the capacity and receive RA credit for it, but have no claim on revenues the winning bidders may receive from the

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[18] Cal Advocates Motion for Leave to File Under Seal Its Opening Brief of the Public Advocates Office on Demand Response Auction Mechanism (Confidential Version).

[19] *Id*. at 2.

energy market. The DRAM was created to encourage new participation in the DR market and to ensure reliability of DR. D.19-07-009 approved a four-year continuation of the DRAM Pilot through 2023. In approving the DRAM Pilot for four years, D.19-07-009 noted that "[t]he Auction Mechanism has been successful to a certain extent but requires several immediate critical changes to address its shortcomings in order for the Commission to continue its operation."[20] It also approved the creation of a monitoring and evaluation program for performance years 2018-2021 and solicitation years 2019-2021, which became the Nexant Report. D.19-12-040 implemented further technical refinements to the DRAM Pilot. Pursuant to D.16-09-056 and D.19-07-009, the Nexant Report focuses on six criteria in determining whether the DRAM Pilot was successful:

1. Did the DRAM engage new, viable Demand Response Providers (DRPs);
2. Did DRAM engage new customers;
3. Were auction bid prices competitive;
4. Were offer prices competitive in wholesale markets;
5. Did DRPs meet their contractual obligations; and
6. Were resources reliable when dispatched?

This Decision will focus on whether the DRAM Pilot should be continued as is for 2023 solicitations and 2024 deliveries. It will not consider program refinements to the DRAM. The initial applications filed by the Utilities in this proceeding did not request any additional funding for the DRAM Pilot. The parties were asked in the Scoping Memo to provide testimony and briefing on whether the DRAM Pilot should be continued. Parties' testimony and briefing discussed a number of issues related to the DRAM, which are considered below.

[20] D.19-07-009, at 9.

At the outset, we note that parties provided much debate over the usage of the Nexant Report for evidentiary purposes. Although the Nexant Report is not in the evidentiary record, parties were provided copies of the report and allowed to provide testimony and comment on the provided analysis and conclusions. The Nexant Report was created in conjunction with the Commission's Energy Division, and was authorized by the Commission in D.19-07-009. To the extent that parties have relied on the analysis and conclusions found in the Nexant Report, such arguments shall be given appropriate weight.

PG&E, SCE, SDG&E, and Cal Advocates recommended discontinuing the DRAM Pilot for 2024. The Council, CPower, CESA, Voltus, OhmConnect, and Leap recommended continuing the DRAM Pilot for 2024. Parties also recommended technical changes to the DRAM to improve its performance.

5.1. DRAM Reliability and Effectiveness

Most parties did not take issue with performance of the auction or business models themselves.[21] However, PG&E, SCE, SDG&E, and Cal Advocates expressed concern with the performance of DRPs that have successfully received contracts. All four parties state that the Nexant Report found that the DRAM Pilot has so far had mixed results and questioned the performance of the DRAM relative to all six criteria.[22] Other parties disagree and state that the results show that the DRAM has shown mixed results with improvement overall.

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[21] SDG&E-0X, at 4:17-18.

[22] SDG&E Opening Brief, at 6.

5.1.1. Did The DRAM Engage New, Viable DRPs?

The Nexant Report notes that this criterion is met because "two of the nine DRPs that won contracts were new" but notes that integration challenges remain and that the market is moderately to highly concentrated.[23] Additionally, there has been a net decline of DRPs winning contracts at SCE. SDG&E and SCE also note a lack of significant new DRP bidders, to replace any DRPs that are not meeting contractual obligations.[24]

The Council/Leap note that every DRP in the state will at some point have decided whether it would like to participate in DRAM, so slowing participation would be expected.[25]

5.1.2. Did DRAM Engage New Customers?

The Nexant Report concludes that this criterion is met but notes that "the proportion of new customers is decreasing in each cycle."[26] SCE states that on this particular requirement, the DRAM is moving in the wrong direction over time.[27] Similarly to criterion one, the Council/Leap note that the rate of new customers added would likely be expected to decrease due to a slowing in growth of the DR market.[28]

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[23] *See* Assigned Commissioner's Scoping Memo and Ruling, July 5, 2022, Attachment 1 , Demand Response Auction Mechanism Evaluation, Submitted by Nexant in Partnership with Gridwell Consulting (Nexant Report), at 2.

[24] SDG&E DRAM Opening Brief, at 6; SCE-06, at 7:5-8.

[25] Council/Leap-02, at 6:13-18.

[26] Nexant Report at 2.

[27] SCE Opening Brief, at 12.

[28] Council/Leap-02, at 6:19-23.

5.1.3. Were Auction Bid Prices Competitive?

The Nexant Report concludes that this criterion is "mostly" met, based on the conclusion that "at the statewide average level, average DRAM contracts [were] lower than the Long Run Avoided Cost of Generation (LRAC) and [were] more competitive with the LRAC at the end of this evaluation period than at the beginning (2019 to 2021)."[29]

5.1.4. Were Offer Prices Competitive in Wholesale Markets?

The Nexant Report concludes that this criterion was not met but has shown improvement.[30] SCE notes that according to the Nexant Report, overall DRAM bid prices in the CAISO wholesale day-ahead (DA) and real-time (RT) markets were over 80 percent of the CAISO bid cap of $1,000/Megawatt-hour (MWh). Given these high bid prices, SCE questions whether DRAM DRPs' bid prices satisfy the Commission's mandate that DRAM be competitively bid.

OhmConnect states that the Nexant Report did not sufficiently define what "competitive" means, for purposes of comparing DRAM resources to the energy wholesale market.[31] It also disputes the analysis presented in the Nexant Report, because it does not attempt to consider what scheduling effectiveness rates would be sufficient, instead just comparing them to Investor-Owned Utility (IOU) DR.[32]

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[29] Nexant Report at 2.

[30] *Id*.

[31] OhmConnect-2, at 4-12.

[32] *Id*. at 5:8-18.

5.1.5. Did DRPs Meet Their Contractual Obligations?

The Nexant Report concludes that results for this criterion were mixed because while Must Offer Obligation compliance is high, alignment of Supply Plan Qualifying Capacity and Demonstrated Capacity with contracted capacity is declining year-over-year.[33] SCE notes that the Nexant Report also states that "the majority of DRPs and DRAM contracts fell short of fulfilling their minimum dispatch requirement in 2021."[34]

PG&E, SCE, SDG&E, and Cal Advocates all noted that DRAM contracted capacity is not consistently delivered, and is in fact declining insofar as demonstrated capacity has fallen from 2019-2021.[35] SDG&E notes that demonstrated capacity has continuously declined, and that in 2021 only 30 percent of evaluated contracts fulfilled their minimum dispatch obligation.[36] SCE's testimony noted that the CAISO's Department of Market Monitoring 2021 Demand Response Issues and Performance Report stated that [i]n the aggregate, the total third-party demand response fleet shown as RA reported to under-perform compared to CAISO dispatch instructions on high load days."[37]

Cal Advocates also noted that based on 2019 tests and dispatches, DRAM PDR sellers are reporting more Supply Plan Capacity than will ultimately be available.[38] Cal Advocates also noted that based on 2019 and 2020 DRAM

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[33] Nexant Report at 2.

[34] SCE Opening Brief, at 13.

[35] PG&E DRAM Opening Brief, at 3-4; SCE DRAM Opening Brief, at 13-15; SDG&E DRAM Opening Brief, at 6; Cal Advocates Opening Brief, at 8.

[36] SDG&E-01C, at 4:5-10.

[37] SCE-07, at 7:11-14.

[38] Cal Advocates-02, at 1-6:15-1-7:12.

resource invoices and CAISO settlement and bid data, they conclude that DRAM DRPs are not meeting their contractual capacity obligations and are not reliably providing energy reductions when dispatched.[39]

OhmConnect states that the lowered capacity on month-ahead supply plans likely is due to DRPs using more discretion in submitting supply plans, due to changes to the DRAM made in 2020.[40] OhmConnect also states that demonstrated capacity for DRPs was at an equal or larger proportion of their supply plan capacity in 2021 versus 2020, and that the decrease in performance cited to by the Utilities is due to new DRAM design.[41]

5.1.6. Were Resources Reliable When Dispatched?

The Nexant Report found on this criterion that results were mixed, as the accuracy of DRP-estimated delivered energy varied.[42] The report also concluded that while performance was improving, alignment of Supply Plan Qualifying Capacity and Demonstrated Capacity with contracted capacity is declining year-over-year. Also, only 30 percent of contracts evaluated fulfilled their 2021 minimum dispatch requirement.[43]

Parties against the DRAM noted a lack of availability during critical hours,[44] such as during heatwaves when need is highest. Parties note that much of the issue can likely be attributed to the fact that the DRAM contract allows the Qualifying Capacity to be reduced from the contracted capacity, meaning that

[39] Cal Advocates-02, at 1-7:15 - 1-12:10.

[40] OhmConnect-3, at 4:6-15.

[41] OhmConnect Reply Brief, at 10.

[42] Nexant Report at 2.

[43] *Id*.

[44] SDG&E DRAM Opening Brief, at 7-8; SCE DRAM Opening Brief, at 14.

ahead of monthly RA compliance filing deadlines, IOUs are unsure of whether what was bid and contracted for will appear on their monthly RA supply plans, increasing uncertainty and thereby reducing the reliability of the grid.[45]

OhmConnect highlights the fact that performance is improving, and that average market performance has increased consistently. It also disputes the focus on August 2020 DRP performance, stating that the issue was due to limits on same-day baseline adjustments. Due to extreme temperatures and customer loads, the existing baseline adjustments were unable to generate a fair representation of the day-of-reference load. The issue lead to CAISO allowing DRPs to use an uncapped same-day baseline adjustment in 2021 and 2022.[46]

5.1.7. Summary of Positions

In sum, the Utilities and Cal Advocates seek to end the DRAM Pilot, based on the findings in the Nexant Report and their own analysis of DRAM performance. SDG&E notes the Nexant Report was commissioned by the Commission and is not a biased advocacy piece.[47] The Utilities state that the lack of improvement relative to most of the criteria set forth by the Nexant Report is sufficient reason to end the DRAM, as these criteria were specifically selected by the Commission as a basis for evaluation.[48] Cal Advocates notes that DRAM failed on the same three criteria that it previously failed to satisfy.[49] Additionally, SDG&E argues that the DRAM was unsuccessful on the most important criterion, reliability, noting that SDG&E was not invoiced by its largest

[45] SCE DRAM Opening Brief, at 15;

[46] OhmConnect-3, at 4:15-5:13.

[47] SDG&E Reply Brief, at 3-4.

[48] SDG&E-2C, at 5:4-19; SCE Opening Brief, at 16.

[49] CalAdvocates-02, at 2.

DRAM DRP for any DR delivery in August 2020, during a major heatwave.[50] SDG&E questions whether the DRAM can or should be continued without a lack of cost-effectiveness test, considering the negative findings of the Nexant Report.[51] SDG&E notes that no cost-effectiveness analysis was done that could instead bolster the DRAM.[52]

The DRPs and other parties state that the Nexant Report reflects a finding that the DRAM has had mixed results but is showing improvement,[53] and that it should be approved for another year while Phase II decides the future going forward. OhmConnect states that only on Criterion 4 did the Nexant Report find DRAM to have failed,[54] and OhmConnect disputes this finding, as discussed above. CESA notes that storage-specific DRAM may out-perform other types.[55] CESA also notes that an additional year with the performance enhancements to minimum dispatch requirements and heightened penalties may prove useful.[56] Parties also state that the DRAM is being scrutinized more heavily than IOU DR programs.

Voltus also states in testimony that the data relied upon in the Nexant Report has errors that undermine the accuracy of the findings and reliability of

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[50] *Id*. at 7:1-3; 7:1-16.

[51] SDG&E-1C, at 7:9-8:2.

[52] *Id*.

[53] Voltus-01, at 3; OhmConnect-3, at 3:5-12; CESA-01, at 3:20-25.

[54] OhmConnect-3, at 3:13-22.

[55] CESA-01, at 5:1-3.

[56] CESA-01, at 5:15-21.

the recommendations.[57] Cal Advocates notes that this seems to be a misunderstanding on the part of Voltus.[58]

CPower believes that modifications can be made to DRAM, as noted by the Nexant Report, that could improve the program's viability, including customer enrollment standardization, meter management, and system integration challenges.[59] A number of parties note that the load impact protocols are a significant hindrance to DRPs participating in all-source solicitations for RA, a barrier that does not exist with the DRAM.[60] Voltus states that the total volume of RA contracted through bilateral agreements between DRPs and IOUs or Community Choice Aggregators (CCAs) is constrained by the DRP's Load Impact Protocol award.[61] According to Voltus, this would limit a DRP's ability to cover the loss of DRAM volume through bilateral contracts.

5.2. DRAM Pilot Continuity, Grid Reliability, and Alternative DRP Participation Options

SCE notes that the DRAM could be continued if there were a basis to believe that with technical improvements the DRAM could be salvaged, or if the Commission believed that necessary DR resources would be lost if another year of DRAM were not ordered.[62] SCE notes that it does not believe such evidence exists.[63] SDG&E argues that DR should no longer be given preferential treatment in its own separate Requests For Offers (RFOs) where it does not have to

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[57] Voltus-01, at 3.

[58] CalAdvocates -06, at 2-3:1-6.

[59] CPower DRAM Opening Brief, at 18-19.

[60] CESA DRAM Opening Brief, at 4; Council/Leap-03, at 6:2-11.

[61] Voltus DRAM Opening Brief, at 4.

[62] SCE Opening Brief, at 16.

[63] *Id*. at 16-17.

compete against other resources, especially where cost-effectiveness was not a consideration in the Nexant Report.[64] Cal Advocates states that eliminating the DRAM Pilot will create a more efficient marketplace for sellers by allowing the IOUs to send accurate signals about actual resource needs.[65]

SCE states that alternative solicitations make the DRAM Pilot unnecessary as a mechanism to procure DR resources.[66] PG&E argues that DRAM resources would switch to the Capacity Bidding Program (CBP), since both programs utilize PDRs, meaning no loss of capacity in megawatts (MWs).[67] PG&E also notes that both CPower and Leap have participated in IOU DR RA solicitations or have contracted with CCAs.[68]

OhmConnect disputes PG&E's characterization of PDRs, noting that for DRPs bidding directly into the CAISO, the CBP is a different process that requires working with an intermediary, which some DRPs may not prefer.

Voltus also states that DRAM and CBP are not interchangeable, and that DRAM is preferred due to differences in predictability and economic benefits to customers.[69] Voltus also states that there are administrative losses when converting customers from DRAM to other programs. Voltus also notes competition, diversity, and consumer choice reasons for continuing the DRAM. The DRAM has helped create a competitive marketplace by supporting

[64] SDG&E-1C, at 1:18-2:6; SDG&E Opening DRAM Brief, at 4.

[65] Cal Advocates DRAM Opening Brief, at 5.

[66] *Id*.

[67] PG&E-6, at 4:12-18.

[68] PG&E-6, at 4:19-24.

[69] *Id*. at 4-5.

third-party providers and has increased the supply of demand-side resources into the CAISO.[70] Voltus also notes that the DRAM helps support California's sustainability goals.[71] For these reasons, Voltus believes it would be imprudent to not approve the DRAM for 2024 deliveries.

The DRPs state that a DRAM gap year would have consequential negative effects. CESA and other parties note that a gap year in the DRAM could undermine regulatory certainty and depress future participation.[72] This could reduce the amount of capacity the DRAM Pilot provides, which currently sits at around 150 to 200 MWs per solicitation.[73] Voltus states that ending DRAM at this point in time would lead to a drop in California DR resources registered. Cal Advocates notes that Voltus provides no evidence in support of these claims.[74]

PG&E states that Voltus' and CPower's arguments regarding a potential reduction of DR megawatts and loss of customers if DRAM is not authorized are false dichotomies that assume DR customers will not choose another method of participating in DR other than DRAM.[75] CPower, however, states that in its experience customers who participate in DRAM and then lose that ability do not then search for another way to participate in DR.[76]

SDG&E argues against any implications that a gap year in the DRAM would lead to customer attrition, as customers would have other opportunities to

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[70] *Id*. at 7-9.

[71] *Id*. at 10.

[72] CESA DRAM Opening Brief, at 3; Council/Leap-02, at 4:12-26-5:1-23.

[73] CESA-1, at 7:19-21.

[74] Cal Advocates DRAM Reply Brief, at 2.

[75] PG&E Reply Brief, at 8.

[76] CPower-1, at 7:26-8:2.

participate in DR, including bilateral contracts between DRPs and CCAs.[77] OhmConnect states that the "bilateral contract" cited to by SDG&E between itself and San Diego Community Power is simply a marketing arrangement, rather than any market participation agreement. CPower states that the Utilities' and Cal Advocate's references to other opportunities for DRP participation are specious.[78]

5.3. Grid Reliability

A number of parties raised the issue of loss of grid flexibility should the DRAM not be approved for the 2024 Pilot Year. CESA notes that shortfalls in capacity resources during the 2022-2025 period may be extreme, especially during summer months.[79] CESA notes that the Commission has recognized this and taken a number of steps to remedy the issue, including approving the Emergency Load Reduction Program. PG&E states that it would not be reasonable to extend DRAM due to tight grid conditions, where DRAM's actual performance has been poor and unreliable.[80]

5.4. Analysis

At the outset, we note that as a pilot the DRAM could simply be allowed to sunset. The burden is not on the Utilities in this instance to prove that the DRAM should be eliminated – the DRAM Pilot is being considered in this proceeding for administrative purposes at the behest of the Commission. CPower's claims that the Nexant Report's observations do not provide any evidentiary basis for the Commission to decline to authorize a 2023 DRAM

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[77] SDG&E-2C, at 8:5-12; 9:1:13.

[78] CPower Opening Brief, at 24.

[79] CESA-01, at 8:9-19.

[80] PG&E DRAM Opening Brief, at 7.

solicitation for 2024 deliveries[81] misstates the status of a pilot reaching its sunset period.

After consideration of the above, the Commission finds it reasonable to approve the DRAM Pilot for an additional 2024 Pilot Year. Although the Nexant Report has found that the DRAM has not successfully met all six criteria presented, it did show at least improving performance in most of the areas that were found to be insufficient.[82] Parties, particularly the DRPs, noted a number of issues and modifications they would like to address in this proceeding that could improve DRAM performance. As modifications to the DRAM will not be considered until Phase II, it is reasonable to keep the DRAM Pilot running until then, to avoid any potential negative consequences of a gap year such as temporary or permanent losses in customer enrollment and reduced investments by DRPs in the California DR market.[83] The DRPs also noted that DRAM may still serve as a reliability resource for the grid, and given current conditions it would be reasonable to keep DRAM as a resource for one more year.[84]

However, CPower and other parties' focus on whether the Nexant Report appropriately weighed the criteria is not persuasive. The Nexant Report was designed to consider the six criteria and provide its findings and analysis on the performance of the DRAM Pilot relative to those criteria. The fact that the Nexant Report did not apply weights to the criteria does not invalidate its

[81] CPower Opening Brief, at 19.

[82] Nexant Report, at 2.

[83] Voltus-1, at 2.

[84] CESA Opening Brief, at 3; Council/Leap Opening Brief, at 6.

findings, since the ultimate decision making would lie with the Commission, as it does here.[85]

This extension of the DRAM Pilot should not be construed as the Commission locking itself in to further approvals of the DRAM. Given the lack of time to fully consider the repercussions of letting the program sunset, it is reasonable to err on the side of caution and approve the program for an additional year. However, in Phase II of this proceeding there will be time to develop a full record so the Commission can adequately consider the future of the DRAM. In order to transition the DRAM out of pilot status, the Commission must be affirmatively shown in Phase II that the DRAM successfully served as a cost-effective and reliable demand response resource for Californians.[86] In other words, if DRAM is to transition to permanent status, at a minimum, the record developed in Phase II must show that DRAM achieved a sufficient level of success in meeting the six criteria adopted in D.16-09-056 for determining the success of the pilot.

5.5. Modifications to DRAM

Various parties suggested revisions or changes to the DRAM. As noted in the Scoping Memo issue, we will not be considering changes at this time given the short timeframe allotted to consider changes. In Phase II we will consider whether changes should be made to the DRAM; parties are invited to present their modifications again so we can fully consider all proposed changes concurrently.

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[85] CPower Opening Brief, at 14.

[86] D.16-09-056, at 64.

To avoid modifications to the DRAM Pro Forma Contract, the Commission exempts the 2024 DRAM from changes to the 4-hour testing requirement, which was expanded to all third-party DR in D.22-06-050. However, D.22-06-050 exempted the 2023 DRAM pilot from the testing requirement, and it is reasonable to exempt the 2024 DRAM pilot as well.

PG&E also requests clarification with regards to D.21-06-029, a decision in the Resource Adequacy proceeding that retained the Distribution Loss Factor (DLF) Adder with regards to DR. It is not necessary to modify the DRAM Pro Forma Contract to comply with Ordering Paragraph 13 of D.21-06-029 because the DLF adder is incorporated when DRPs submit Net Qualifying Capacity values, year-ahead RA showings, and month-ahead RA showings. We therefore clarify here that the DLF Adder remains in effect.

5.6. 2024 DRAM Pilot Budget

The Scoping Memo also asked parties to provide comment on what the budget for the DRAM should be. PG&E recommends approval of the same budget for 2024 as was approved for 2023.[87] These amounts are $6 million for PG&E, $6 million for SCE, and $2 million for SDG&E.[88] SDG&E is against any budget increase due to reliability issues and lack of performance.[89] SCE proposes to decrease the budget to half of the amounts authorized for 2023 deliveries, as well as allow IOUs to reject bids that exceed the Long Run Avoided Cost.[90]

DRPs and others requested that the DRAM budget be increased. CPower and the Council/Leap recommend increasing the budget to $28 million, due to

[87] PG&E-06, at 2:4-7.

[88] PG&E Opening Brief, at 9, citing PG&E-6, at 1:24-2:1.

[89] SDG&E Reply Brief, at 10.

[90] SCE-07, at 9:19-10:4.

continued need for demand-side resources and due to funding set forth by the legislature.[91] CPower also cites to the 2019 DRAM budget for a $27 million figure. Cal Advocates notes that this amount included a second, one-time $13.5 million auction authorized for 2019 deliveries and is double counting the auction estimate.[92]

Given that this Decision makes no other changes to the DRAM, approving budgets at the level approved for 2023 DRAM deliveries is reasonable. PG&E and SCE are each allotted $6 million, and SDG&E $2 million, to fund the DRAM Pilot for 2024 deliveries. The Utilities are authorized cost recovery by tracking costs through the same methods as those adopted previously[93]:

- PG&E: a Subaccount in the Demand Response Expenditure Balancing Account;
- SDG&E: its Advanced Metering and Demand Response Memorandum Account; and
- SCE: its Base Revenue Requirement Balancing Account.

5.7. Schedule for 2023 Solicitation with First Deliveries in 2024

Table 1 Schedule for 2024 Auction Mechanism	
Utilities Launch Request for Offers	February 13, 2023
Utilities Submit Tier One Advice Letters with Executed Contracts	June 1, 2023

[91] The Council/Leap DRAM Reply Brief, at 6; CPower Opening Brief at 7-10;

[92] Cal Advocates DRAM Reply Brief, at 8.

[93] D.19-07-009, at 107, Ordering Paragraphs 2-3.

Parties did not propose a schedule for solicitations. We approve the following schedule, based on what was previously approved in past DRAM Pilot decisions.[94]

6. Energy Division Research Budget Request

The Commission's Energy Division requests $750,000 to continue funding DR potential and related research. Since 2015 Commission staff have overseen Lawrence Berkeley National Laboratory (LBNL) production of three DR Potential Studies and related research, with an additional Phase 4 study due this year. The LBNL research has developed supply curve modeling frameworks and assessed the cost and value created from having a diverse set of flexible loads.[95] Energy Division states that the money here will be used for potential study updates for the next cycle of Integrated Resource Planning, as well as related research that supports Demand Response. D.17-12-003 authorized $1 million per year from 2018-2022 for DR research overseen by the Energy Division, in a 40-40-20 cost ratio (PG&E, SCE, and SDG&E, respectively).

PG&E, SCE, and SDG&E are in favor of the research. Both SCE and SDG&E note that they have already allocated $400,000 and $200,000 respectively in their 2023 Bridge Year Funding Request for such purposes.[96] PG&E did not allocate any money for the research. CLECA states that the funding should be denied, as ratepayers are facing an affordability crisis and should not be the

[94] D.19-07-009, at34-35; D.19-12-040, at 77-78.

[95] ALJ Ruling Denying Motions for Evidentiary Hearing and Adding Energy Division Research Proposal to Record for Party Comment, September 22, 2022, at 3-5.

[96] SDG&E Opening Comments on The Energy Division Straw Proposal to Conduct Further Demand Response Research, at 1-2; SCE Comments On Energy Division Proposal

default funding source for LBNL research.[97] CLECA also states that recent legislative actions suggest that alternative sources of funding should be explored, such as legislative or California Energy Commission funding. CLECA states that additional specificity regarding what LBNL is authorized to do with the funds is required.[98]

CLECA's analysis ignores the fact that the funding is available at the Energy Division's discretion,[99] and would not be provided as a blank check to the LBNL. It would be subject to Energy Division direction, to ensure the results of the research provide substantive benefits to ratepayers. CLECA's focus on the open-ended nature of the research at this juncture is unwarranted, given that novel research of the type that the LBNL has pursued with this funding in the past necessarily requires some flexibility. Additionally, funding for the research has already been set aside in SCE and SDG&E's 2023 Bridge Year budget for this research. Given these factors, it is reasonable to approve the additional DR Potential and Research funding for an additional year of 2023.

PG&E did not request additional funding in its budget.[100] PG&E is authorized to collect an additional $300,000 in 2023 to pay for its 40 percent share of the $750,000 allocated for DR research. PG&E may record the costs in its Demand Response Expenditure Balancing Account, to be collected in

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[97] California Large Energy Consumers Association Opening Comments on Scoping Issue 3.1.5, at 2-5.

[98] *Id*.

[99] SDG&E Opening Comments On The Energy Division Straw Proposal to Conduct Further Demand Response Research, at 1-2.

[100] PG&E Opening Comments on Administrative Law Judge Ruling Issued September 22, 2022, on Proposed Budget for Energy Division Research in the 2023 Bridge Year, at 1.

distribution rates.[101] SCE and SDG&E may utilize previously collected ratepayer funds, in the amount of $300,000 and $150,000, respectively, to support this DR research.

7. Conclusion

The DRAM Pilot is approved for 2024. The Commission's Energy Division's continued Demand Response research budget request is also approved.

8. Comments on Proposed Decision

The proposed decision of ALJs Jason Jungreis and Garrett Toy in this matter was mailed to the parties in accordance with Section 311 of the Pub. Util. Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure.

On December 29, 2022, Opening Comments were timely filed by Cal Advocates, CESA, CLECA, the "Joint Parties" (the Council, CPower, Leapfrog, and Voltus), OhmConnect, PG&E, and SCE. On January 5, 2023,[102] Reply Comments were timely filed by the Joint Parties, OhmConnect, PG&E, SCE, and SDG&E. The comments will be addressed by subject.

Regarding the DRAM solicitation launch date, PG&E proposed advancing the solicitation launch date to February 13, 2023. PG&E asserted that doing so would enable greater planning opportunity for both the IOUs and the potential DRAM bidders. PG&E reported that the IOUs met and agreed on a joint timeline, which it provided in its Opening Comments. In their Reply Comments,

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[101] *Id.* at 1-2.

[102] Pursuant to a December 29, 2022, ALJ Ruling, a request for an extension of time to file Reply Comments was granted, extending the Reply Comments deadline from January 3, 2023, to January 5, 2023.

SCE, SDG&E, and the Joint Parties concurred with PG&E's proposal. We adopt the proposal, and the decision is adjusted accordingly.

Regarding Energy Division's DR research budget request, CLECA argued that there are factual and legal errors in authorizing the request, asserting the decision factually failed to address CLECA's arguments that alternative funding sources may be available, and asserting the decision legally erred by violating the statutory duty to protect ratepayers from unjust/unreasonable rates. In reply, SDG&E supported the continued research, noting that Commission staff have overseen such research since 2015, and has used it to develop supply curve modeling frameworks and assessed the cost and value created from having a diverse set of flexible loads. SDG&E also noted the funding would only be available at ED's discretion and would not be a "blank check," would be used to provide substantive benefits to ratepayers, and that funding for the research has already been set aside in SCE and SDG&E's 2023 Bridge Year budget.

We find that CLECA's assertions of factual and legal error concerning continued DR research do not stand. We have explored the underlying facts of the matter in the body of the decision, including its history and prior decisions directing such research. We do not find CLECA to have offered an alternative funding source. The decision prudently protects ratepayers through the rationale provided in the accompanying staff proposal on the subject. The research request provides a substantive benefit to ratepayers through funding research institutions with specific expertise in DR programs.

Regarding Cal Advocates' assertions that the decision poses legal error in enabling DRAM in 2024, it raised no new contentions that it had not previously argued in its briefing. While Cal Advocates asserted the record doesn't support the decision's determinations, the decision has explored the issues of grid reliability and DRAM's service as a reliability resource, weighed DRAM's performance for purposes of this one-year pilot program continuation, and considered the detriment of a "gap year." Cal Advocates' arguments regarding the purported lack of detriment of a gap year fail to address the attendant business and market disruptions and self-evident negative implications of not having adequate time to wind down business and market operations.

Regarding the decision's Findings of Fact, Cal Advocates proposed changes and additions to the decision's Findings of Fact. PG&E and SCE concurred with Cal Advocates' proposed changes and additions to the decision's Findings of Fact. Certain changes have been made to the decision's Findings of Fact, substantially as proposed by Cal Advocates.

Regarding issues concerning the Nexant Report, in their Opening Comments, CLECA and the Joint Parties request full discovery of the Nexant Report for Phase II. In reply, SCE and PG&E argued that any issues concerning discovery of the Nexant Report are outside the scope of this Phase I proceeding. Further, PG&E proposed that regarding issues concerning discovery of the Nexant Report in Phase II of this proceeding, the Report's DRAM sales analysis and data could be provided to the respective DRAM sellers involved, to the IOU buyer, and to Cal Advocates, but not to other DRAM sellers. PG&E also proposed that DRAM sellers must be obligated to respond to discovery requests from Nexant "relevant to the DRAM seller's conduct in connection with its DRAM contracts." Lastly, PG&E argued that if, pursuant to such discovery, the Nexant Report contractor incurred additional costs that the IOUs must reimburse under the terms of the Nexant contract, the IOUs must be allowed to record those costs for inclusion in a future application for cost recovery.

It is correct that issues concerning discovery of the Nexant Report are outside the scope of this Phase I proceeding. These issues are subject to address in Phase II of this proceeding. Therefore, we do not now rule on Nexant discovery requests, nor on PG&E's proposals regarding the handling of issues concerning Nexant Report discovery.

Regarding arguments concerning DRAM standards for cost-effectiveness and reliability, OhmConnect argued that the Commission must specify how cost-effectiveness is to be assessed and by whom, and that there must be a determination of an alternate methodology to assess the cost-effectiveness of the pilot if it were to become a permanent program.

The Joint Parties requested more guidance regarding demonstration of DRAM cost-effectiveness and reliability, noting that a past decision exempted DRAM from proving cost-effectiveness, and asserting that DRAM cost-effectiveness and reliability only becomes a requirement when DRAM is considered as a possible permanent non-pilot program. The Joint Parties argued that the decision must be modified by eliminating the last full sentence in Section 5.4, at page 22, to correct legal error and avoid prejudging issues to be addressed in Phase II (that sentence reads as follows: "In order to transition the DRAM out of pilot status, the Commission must be affirmatively shown in Phase II that the DRAM successfully served as a cost-effective and reliable demand response resource for Californians." [citing D.16-09-056 at 64.]). The Joint Parties argued that to transition from pilot to non-pilot, a program only needs to show its "success" as a pilot.

PG&E replied that parties arguing that requiring DRAM performance standards are out of scope for Phase I. SCE and SDG&E replied to OhmConnect by contending that a non-pilot DRAM program would necessarily use different standards than the pilot program, and deferred to the Commission regarding how to approach the issue of cost-effectiveness. SCE argued that the Nexant Report provides a starting point for identifying a methodology to determine cost-effectiveness and reliability. SDG&E supported the proposed decision's finding that in order to transition DRAM out of pilot program status, the Commission must be affirmatively shown that DRAM successfully served as a cost-effective and reliable demand response resource.

We clarify that the Commission already adopted the six criteria used in the Nexant Report as the objectives that DRAM must meet in order to be deemed successful and moved out of pilot status,[103] and that these criteria were adopted to ensure that DRAM be cost-effective and reliable in line with the goals and principles for all Commission-regulated demand response programs.[104] However, we find that issues concerning setting a standard for DRAM pilot program cost-effectiveness and reliability beyond the six criteria already adopted by the Commission are out of scope for Phase I of this proceeding. Phase II of this proceeding will further address the analysis for meeting that standard.

Finally, SCE argued that the decision should explicitly state that no further extensions of DRAM as a pilot will be granted. That position is not substantively addressed, as it is outside the scope of Phase I of this proceeding.

9. Assignment of Proceeding

John Reynolds is the assigned Commissioner and Jason Jungreis and Garrett Toy are the assigned ALJs.

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[103] D.16-09-056 at 64-66.

[104] D.16-09-056, OP 7-8.

Findings of Fact

1. The DRAM Pilot was authorized by D.19-12-040 through the end of the 2023 Pilot Year.

2. The DRAM Pilot has shown increased Demand Response Provider participation and customer engagement from 2019 to 2021, but the market has become increasingly concentrated.

3. The DRAM pilot has shown increased customer engagement from 2019 to 2021, but the proportion of new customers is decreasing each cycle.

4. DRAM auction bids were mostly competitive from 2019 to 2021.

5. DRAM wholesale market bids were not competitive from 2018 to 2021, but there was a downward trend in prices starting in 2020 and scheduling rates have been increasing year-over-year since 2019.

6. DRAM resources showed mixed results in meeting contractual obligations. While DRAM resources consistently complied with their Must-Offer Obligation, the alignment of Qualifying Capacity and Demonstrated Capacity with Contracted Capacity has declined year-over-year since 2019 and approximately 30% of contracts evaluated fulfilled their Minimum Energy Dispatch Requirement in 2021.

7. The performance of DRAM resources when dispatched in the CAISO market improved from 2018 to 2021 but was overall sub-par. In addition, performance varied significantly between DRPs.

8. A gap year in the DRAM Pilot could prove detrimental if the Commission decides to continue the DRAM in Phase II of this proceeding.

9. The Distribution Loss Factor can be incorporated into DRAM qualifying capacity values, as required in D.21-06-029, without changes to the DRAM Pro Forma Contract.

10. The DRAM provides the equivalent of approximately 150-200 megawatts of procurement.

11. The California electric grid continues to face reliability issues.

12. The approved budget for the 2023 DRAM Pilot Year is $14 million.

13. Previous decisions have provided three months between DRAM solicitations and the filing of executed contracts.

14. The Energy Division's DR research has led to the production of numerous DR potential studies, leading to the development of a supply curve modeling framework which is used by various California agencies.

15. Further Energy Division DR research will provide benefits to ratepayers.

16. PG&E did not allocate any funding for Energy Division DR research in its application in this proceeding.

Conclusions of Law

1. Due to the expedited schedule of this Phase I, it is reasonable to delay until Phase II of this proceeding consideration of any proposed changes to the DRAM.

2. Given the short amount of time for consideration, it is reasonable to approve the 2024 DRAM Pilot Year with no technical modifications to the program.

3. It is reasonable to approve the DRAM for an additional pilot year to ensure program continuity should the DRAM be continued in Phase II of this proceeding.

4. It is reasonable to approve the DRAM for an additional pilot year, due to ongoing grid supply concerns, while the Commission fully considers the program in Phase II.

5. It is reasonable to incorporate the distribution loss factor adder into qualifying capacity values for 2024 DRAM resources, as described in D.21-06-029,

where this program change does not require modifications to the DRAM Pro Forma Contract.

6. It is reasonable to exempt the 2024 DRAM Pilot Year from any Commission requirements that would necessitate changes to the DRAM Pro Forma Contract.

7. It is reasonable to approve $14 million in total budget for the 2024 DRAM Pilot Year.

8. SCE should be authorized to recover $6 million for 2024 DRAM Pilot activities.

9. PG&E should be authorized to recover $6 million for 2024 DRAM Pilot activities.

10. SDG&E should be authorized to recover $2 million for 2024 DRAM Pilot activities.

11. It is reasonable for PG&E, SCE, and SDG&E to continue to use the same cost recovery methods for DRAM Pilot costs.

12. It is reasonable to provide PG&E, SCE, and SDG&E three months to conduct the DRAM contract solicitation.

13. It is reasonable to provide $750,000 for continued DR research overseen by the Commission's Energy Division, with PG&E and SCE each paying $300,000 toward this total, and SDG&E paying $150,000 toward this total.

14. It is reasonable to increase PG&E's approved 2023 Bridge Year Demand Response Program Budget by $300,000 to fund 2023 Energy Division Modeling and Research.

15. The following exhibits should be received into evidence: Exhibits SCE-07, SCE-07, PG&E-02, PG&E-4, PG&E-6, SDG&E-1C, SDG&E-2C, CalAdvocates-02, CalAdvocates-03CONF, CalAdvocates-04CONF, CalAdvocates-05CONF,

CalAdvocates-06, Council/Leap-02, Council/Leap-03, CESA-01, CPower-1, OhmConnect-2, OhmConnect-3, and Voltus-01.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company shall recover up to $6 million for 2024 Pilot Year Demand Response Auction Mechanism costs through distribution rates using the Distribution Revenue Adjustment Mechanism by filing Annual Electric True-up Advice Letters. Pacific Gas and Electric Company shall continue using the Demand Response Expenditure Balancing Account to track Demand Response program expenses and authorized budget.
2. Southern California Edison Company shall recover up to $6 million for 2024 Pilot Year Demand Response Auction Mechanism costs, and shall track these costs through the Base Revenue Requirement Balancing Account, for recovery in distribution rates.
3. San Diego Gas & Electric Company shall recover up to $2 million for 2024 Pilot Year Demand Response Auction Mechanism Pilot costs, and shall track these costs in its Advanced Metering and Demand Response Memorandum Account for recovery in distribution rates.
4. Pacific Gas and Electric Company shall recover up to $300,000 to fund 2023 Energy Division Demand Response modeling and research. Pacific Gas and Electric Company shall track these costs in its Demand Response Expenditures Balancing Account, for recovery in distribution rates.
5. Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company shall each file Tier 1 Advice Letters by June 1, 2023 with Demand Response Auction Mechanism executed contracts for 2024 deliveries.

6. Applications (A.) 22-05-002, A.22-05-003, and A.22-05-004 remain open.

This order is effective today.

Dated January 12, 2023, at San Francisco, California.

ALICE REYNOLDS
President
GENEVIEVE SHIROMA
DARCIE L. HOUCK
JOHN REYNOLDS
Commissioners