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Olivine comments on Draft Load Management Tariff Standard

Additional submitted attachment is included below.

March 16, 2020

Commissioner J. Andrew McAllister
California Energy Commission
1516 Ninth Street
Sacramento, CA 95814

Re: Docket Number 19-OIR-01, Load Management Rulemaking

Dear Commissioner McAllister:

Olivine, Inc. (Olivine) greatly appreciates the opportunity to comment on the California Energy Commission's (CEC) Draft Amendments to the Load Management Tariff Standard as presented in the February 14, 2020 workshop for the 2020 Load Management Rulemaking.

As indicated in Olivine's previous comments, and as noted in the Order Instituting Rulemaking Proceeding, the CEC has broad authority to update its existing Load Management standards "to increase flexible demand resources, through rates, storage, automation, and other cost-effective measures."1 Working with load serving entities, independent system operators (ISOs), aggregators and other resource owners, Olivine provides program management, real-time bidding and award monitoring, telemetry and scheduling coordinator services. Our infrastructure and services enable distributed and aggregated resources—such as solar, demand response, electric vehicles and battery storage—to effectively and efficiently offer grid services. Our unique approaches, especially relating to behind-the-meter challenges, enabled us to be the first third-party to integrate battery storage and other demand-side technologies into California's wholesale markets. Our deep expertise in demand response and distributed energy resource underpins our belief in these resources and their ability to provide grid services.

Accordingly, Olivine strongly supports this examination of the potential for flexible demand[2] to help control daily and seasonal peak loads and possible amendments to the load management standards. We agree that more can and should be done with "demand flexibility."

While Olivine is generally supportive of the Draft Amendments to the Load Management Tariff Standard, there are several points that we feel should be resolved before this language is finalized:

- As noted in our previous comments, it is critical that any such order go beyond the three investor owned electric utilities, Sacramento Municipal Utility District, and Los Angeles Department of Water and Power and include other Load Serving Entities as well. Among other concerns, this ensures that an ultimate real-time-pricing facility would include the energy costs, from non-utility entities (i.e., specifically for Community Choice Aggregators and Energy Service Providers).

- It is important to understand how this may impact wholesale markets both in the short and medium-to-long term. CAISO has made significant changes in enhancing supply-side Demand Response but there have not been recent actions on retail load-modifying response. The Energy Commission should work with CAISO and the CPUC on understanding how new dynamic rates will be factored into Resource Adequacy and in price formation in day-ahead and real-time energy markets.
- It is clear that third parties can provide significant value and support to customers who engage in such real-time rates. As a result, it is critical that a state-wide customer data access standard is put into place. Similar to Electric Rule 24, this would ensure that such third parties are able to get access to data on behalf of customers to better serve them.
- We are concerned that the definition of the marginal cost rate is not precise enough. A strictly marginal rate would leave out fixed costs, which we know are substantial for the transmission and distribution of electricity. We understand this is not exactly the intent; however, it is critical to ensure that the order is clear.

In addition, Olivine strongly supports shifting the first objectives of this OIR to be to develop pilots. This is due to the complexity of designing and implementing such new tariffs. Many technology providers will state that the technology is ready and therefore we do not need pilots, and they are partially right: we do not need technology pilots to test that devices can be responsive to signals. But we do need pilots that cover the gamut of regulatory, policy, utility and LSE systems, **and** device technologies. As a concrete example that we can speak to, Olivine's co-design and management of the PG&E Supply Side Pilots was significant in the development of the California Demand Response Auction Mechanism (DRAM). These pilots were specifically designed to manage through this complete gamut. Similarly, with new real-time pricing tariffs, there will be many challenges to be resolved through implementation. Without pilots we will – as a state and as ratepayers specifically – pay for significant utility upgrades to systems in advance of testing the entire tariff. Beginning with pilots will greatly reduce the costs for potential rework and ensure the best outcome for the state.

Note that we do not believe that making the tariff elective is a replacement for piloting. Certainly, the optionality may reduce immediate scale, but does not reduce the criticality of ensuring that the tariff is ready for production for customer education, equity, financial risk mitigation, billing, etc. Actual pilots are needed to design and implement such tariffs correctly.

Finally, Olivine recommends explicit consideration of the impacts of load management on low-income customers and Disadvantaged Communities (DACs), which face a higher pollution burden than other areas. It seems the "winners" that receive the most direct benefits will be wealthier households that can afford technologies that can be responsive to pricing (e.g., batteries, electric vehicles, controllable electric water-heaters, smart thermostats, etc.). Many California residents living in DACs are subject to some of the worst pollution impacts in the country, even though California's power grid is relatively clean. As California transitions to a higher penetration of renewables on the grid, the short to medium term impacts may include increased concentration of NOx emissions in certain areas due to increased cycling of existing fossil-fueled peaking power plants.

Considering these communities and the significant time and ratepayer investment that will be required to implement real-time rates, we are concerned that any rulemaking ensure not only equity but also access for these communities. Otherwise we are at risk of increasing the divide in the new energy economy, furthering the disparity for nearly one third of all customers.

Olivine accordingly encourages inclusion in the scope an examination of programs and tools that can incent or automate demand flexibility in DACs; the scope should also include an examination of strategies that enhance the use of programs or tools to mitigate emissions impacts on DACs and provide beneficial economic impacts for the residents of DACs.

Olivine appreciates the opportunity to offer these comments and looks forward to further engagement in this important rulemaking.

/s/
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