PUGET SOUND ENERGY

Puget Sound Energy
P.O. Box 97034
Bellevue, WA 98009-9734
PSE.com

June 15, 2020

Filed Via Web Portal

Mark L. Johnson, Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

Re: **Dockets UE-190698 and UE-191023: Follow-Up Comments to June 8, 2020 Demand Response Workshop**

Dear Mr. Johnson:

Puget Sound Energy ("PSE") submits these comments as follow-up to the Washington Utilities and Transportation Commission's ("Commission") Demand Response ("DR") Potential and Target Setting Technical Workshop ("Workshop") held on June 8, 2020. PSE appreciated the informative presentations from the Brattle Group and Pacific Northwest National Laboratories, as well as the opportunity for dialogue amongst staff and stakeholders. These comments are provided as additional feedback in response to the discussion questions that were posed at the Workshop.

DR Potential

In its Integrated Resource Planning ("IRP") process, PSE currently incorporates a capacity value in determining the cost-effective level of DR. The conservation potential assessment ("CPA") identifies the achievable potential from various DR programs, both in residential and commercial sectors, and these programs range from day-ahead to 10 minutes ready or fast responding DR available 24/7. The CPA develops what we refer to as the "nameplate capacity" value for the programs in megawatts ("MW"). The IRP takes the nameplate value from the CPA and applies the effective load carrying capability ("ELCC") from the resource adequacy analysis to establish a peak value for the DR programs. These peak values increase by year for the 20 year forecast period and are then offered in the portfolio model as a resource alternative along with other Distributed Energy Resources ("DERs") and supply side resources. The portfolio model also allows the DR program to be started at a later time or an earlier time, whichever leads to a lower portfolio cost. Along with the capacity value (avoided generation capacity), PSE also calculates the avoided energy costs by using the portfolio model for dispatch, and PSE brings in the deferred transmission and distribution ("T&D") costs to assess the value of DR programs.

The social cost of greenhouse gas emissions ("SCGHG") is also considered as part of the IRP process. Electric utilities in Washington State are required to incorporate the SCGHG in conservation decisions, IRPs, and in making intermediate and long-term resource decisions. Clean Energy Transformation Act ("CETA") treats the cost adder as a factor to consider when planning for whether to build, acquire or retire generating resources. The SCGHG is added as a cost to the carbon emissions of thermal generating plants rather than as a direct benefit to the non-emitting resources.

PSE is working on developing the tools and processes needed to capture the other value streams that may be associated with DR programs, such as the ancillary services. For example, PSE is putting together a framework for performing flexibility analysis for some of the other supply side resources in the IRP. In future IRP cycles, PSE will be exploring how to incorporate DR programs into this framework. Some of the additional values that PSE would need to estimate the flexibility benefits would include:

- Nameplate capacity values and ELCC by DR program type;
- Program characteristics such as: event frequency and duration, response time (day ahead, 10 minute);
- Cost of the program: fixed and variable;
- Capital deferral value of the T&D system;
- Life of the program; and
- Costs associated with providing ancillary service.

While not necessary to address in this rulemaking, PSE would welcome further conversations with the Commission and staff after the conclusion of this and other CETA-related rulemakings about what non-energy impacts ("NEI") associated with DR should be accounted for and how those NEIs could be quantified in the future. If the Commission feels it is important to address DR potential and/or NEIs as part of this rulemaking, PSE would prefer policy guidance from the Commission as opposed to rule language.

Target Setting

With respect to DR Target Setting, PSE believes DR targets proposed by a utility in its CEIP generally should reflect, in most cases, all of the cost-effective and economic DR potential identified in the IRP. While DR pilots may not be reflected in the proposed CEIP target itself, PSE anticipates that current or anticipated DR pilots may be discussed in the narrative accompanying the proposed DR target in the CEIP to demonstrate the utility's efforts in the area of DR that may eventually lead to more cost-effective DR in subsequent CEIPs when pursued at scale. PSE does not believe that additional guidance around the setting of DR CEIP targets is useful or necessary at this time. It may be beneficial to wait on developing rules until after the utilities have gone through at least one target-setting cycle for DR and have gained experience in

applying CETA's factors into their target setting process. That said, if the Commission has specific expectations for DR targets beyond what was communicated in the CETA statute, then. PSE would welcome more feedback from the Commission on those expectations through policy guidance.

PSE appreciates the opportunity to provide additional comments as follow-up to the DR Workshop. Please contact Kara Durbin at (425) 456-2377 for additional information about these comments. If you have any other questions please contact me at (425) 456-2142.

Sincerely,

/s/ Jon Piliaris

Jon Piliaris
Director, Regulatory Affairs
Puget Sound Energy
PO Box 97034, EST-07W
Bellevue, WA 98009-9734
425-456-2142
Jon.Piliaris@pse.com

cc: Lisa Gafken, Public Counsel
Sheree Strom Carson, Perkins Coie