



April 27, 2020

Via E-File

Pennsylvania Public Utility Commission
Attn: Secretary Rosemary Chiavetta
Commonwealth Keystone Building
400 North Street, Second Floor
Harrisburg, PA 17120

RE: Act 129 Phase IV Tentative Implementation Order, Docket No. M-2020-3015228

Dear Ms. Chiavetta:

On March 12, 2020, the Commission issued a Tentative Implementation Order (“Tentative Order”) on Phase IV of Act 129 at Docket No. M-2020-3015228. In issuing its Tentative Order, the Commission considered sections of the Pennsylvania Act 129 Phase IV Demand Response Potential Study (“DR Potential Study”). However, the Tentative Order ignored the high cost-effectiveness of Large C&I DR found in the DR Potential Study due to a focus on using the PJM Peak Shaving Adjustment (“PSA”) mechanism, which prohibits dual participation.¹

The DR Potential Study thoroughly evaluated the cost-effectiveness of a Large C&I program operating outside of PSA as it does today in Phase III, but based on the new 2021 TRC Test. These findings are not summarized in the Study, but are discussed in the comments in this

¹ Tentative Implementation Order, Pennsylvania Public Utility Commission, March 12, 2020, p 27, <http://www.puc.state.pa.us/pcdocs/1658127.docx>



docket by Advanced Energy Management Alliance (AEMA), and result in \$53 million in net benefits. These net benefits would likely make up for the \$35 million gap between the two portfolios discussed in the Tentative Order and noted by the Chairman in her comments.²

Since this \$53 million of net benefits was not sufficiently considered in the Tentative Order, the decision to eliminate Large C&I DR from Phase IV is therefore based on incomplete information. In its Final Implementation Order, the Commission should fully account for the findings of the DR Potential Study and continue DR programs in Phase IV. Taking such action would clearly serve ratepayers and provide a valuable source of revenue to the Commonwealth's job creators at a necessary time.

Enel is a proud member of Advanced Energy Management Alliance (AEMA). Enel has reviewed and fully supports the detailed analysis AEMA conducted on the data found in the DR Potential Study and that is included in AEMA's comments in this docket. Enel highlights the following conclusions based on the AEMA analysis:

- The Tentative Implementation Order proposes eliminating the next phase of Act 129 DR programs based on an incomplete set of conclusions.
- This incomplete conclusion was based only on a review of residential and small C&I DR (not Large C&I) which makes up a minority of the overall DR in Pennsylvania and only applies assumptions suited for submission to PJM Peak Shaving Adjustment, which is only one option for program design out of many available to the Commonwealth.
- In fact, based on AEMA analysis, a next phase of Act 129 demand response C&I programs would be more cost-effective than the energy efficiency portfolio. Based on AEMA analysis, the Benefit-to-Cost Ratio TRC of Large C&I DR programs would be over 2.37, compared to 1.62 for EE programs.

² Statement of Chairman Brown Dutrieuille, March 12, 2020, <http://www.puc.state.pa.us/pcdocs/1658047.pdf>



- The Commission’s own Statewide Evaluator found that cumulative peak reductions from C&I DR over the course of Phase IV would be far larger (2,554 MW) than all EE passive peak reductions during that period.
- The Commission should maintain DR programs and roughly the current budget allocation of 90% and 10% between EE and DR. These programs are mutually beneficial and provide complementary environmental benefits to the Commonwealth.
- Removing DR from the program would lead to inequity in how dollars are spent and eliminate a dependable revenue stream for many of the Commonwealth’s businesses and institutions. In the aftermath of COVID, the Commonwealth should be pursuing actions to make its businesses as competitive as possible.

Enel X North America, formerly EnerNOC, Helps Customers Across Pennsylvania to Deliver Demand Response

Enel operates in the U.S. and Canada through multiple distinct business lines, such as Enel Green Power North America and Enel X North America, which provide unique products, services, and investments to different segments of the energy market. In particular, Enel Green Power North America, Inc. (“Enel Green Power”) is a leading owner and operator of renewable energy plants in North America with projects operating and under development in 24 U.S. states and two Canadian provinces. Enel Green Power projects include more than 100 power plants with a total managed capacity of over 5 GW powered by renewable hydropower, wind, geothermal, and solar energy.

In addition, Enel X North America, Inc. (“Enel X”), formerly known as “EnerNOC” before it was acquired by Enel in 2017, partners with 3,600 business partners in North America, across 14,000 sites, for a total of 4.5 GW of demand response capacity. Enel X also offers intelligent “smart charging” software in more than 30,000 electric vehicle charging stations. Enel X also offers energy storage and microgrid products to enable businesses to power critical



equipment during grid outages, avoid spikes in energy prices, reduce costly utility charges based on grid demand peaks, and earn payments through demand response and other pay-for-performance programs.

Enel staff, customers and other partners continue to help keep the lights on during the COVID crisis. Enel has committed to maintaining its hiring plan for staff and contractors across Pennsylvania and recently announced \$1.3 million in financial assistance to 75 local organizations across the country.³



Enel X demand response customer locations in Pennsylvania

The Tentative Order inaccurately describes the Phase III structure of dual participation

The March 12th Tentative Order describes the Phase III design but mistakenly claims that DR programs are compensated for taking the same action: “However, customers with DR commitments in PJM’s capacity market were also allowed to participate in Phase III DDR programs and were compensated from both programs for taking the same singular action.” While

³ <https://www.globenewswire.com/news-release/2020/04/15/2016547/0/en/Enel-North-America-Partners-With-75-Organizations-to-Support-Community-Based-Responses-to-COVID-19.html>



it is true customers may dual participate, they are not “compensated from both programs for taking the same singular action”.⁴ Over the course of Phase III, there have not been any Act 129 peak reduction actions that were also PJM emergency event actions. If that were to occur, PJM and Act 129 are coordinated such that there is no double compensation. The Tentative Order also does not note that customers that do dual participate receive less in Act 129 incentives, acknowledging that the up-front costs of enrollment are less for these customers.

In fact, the benefits of each program are incremental to one another. PJM’s load management program is available in times of emergency. Act 129 programs reduce peak, avoiding costly transmission & distribution, capacity, energy, ancillary service and environmental costs for all ratepayers that are based on total peak demand over few hours of the year. Forcing ratepayers to choose between programs is illogical and unnecessary.

Ultimately, the Commission risks abandoning commercial and industrial entities that are very actively participating in PJM programs, and also participating in Act 129. This entire class of customers could now find themselves prohibited from providing value to a Phase IV of Act 129. The PJM and Act 129 programs each reduce costs by millions of dollars for all Pennsylvania consumers, but they do so via complementary means.

The SWE’s Analysis Illustrates the Path Forward for Large C&I to be Fully Evaluated for Act 129 Phase IV

Enel acknowledges the extensive work done by the Commission and SWE to plan Phase IV already and solve challenging questions. The DR Potential Study thoroughly evaluated the cost-effectiveness of a Large C&I program operating as it does today, but these results were not summarized in the report, nor were they discussed in the Tentative Order. Comments in this docket from the Advanced Energy Management Alliance summarize the SWE findings and illustrate the cost-effective nature of this portfolio.

⁴ Tentative Order, p 27



The Commission should now leverage this AEMA analysis, which is based upon the 2021 TRC Test, which does not dictate that customers must be submitted to PJM’s program and provides consistent data that can be leveraged with or without PJM. While the Commission considered requiring customers to participate in PJM’s Peak Shaving Adjustment mechanism, ultimately the Commission astutely recognized the limitations of such a decision and did not. Now, with further evidence that Peak Shaving Adjustment will not be practical for a Phase IV, Enel encourages the Commission to leverage the 2021 Total Resource Cost Test fully and include Large C&I DR in its final review.

Demand Response Saves Ratepayers and Protects the Environment

Currently, 3,900 Pennsylvania small businesses, schools, manufacturers, local governments and others participate in both PJM and Act 129 demand response programs. The latest Act 129 Program Year 10 Independent Statewide Evaluator report found that Act 129 DR provided \$19 million in net benefits for the year to the state ensuring both participants and all ratepayers benefit.

Overall, in Program Year 10, the Act 129 DR program achieved \$38 million in gross benefits at a cost of only \$19 million. This cost of \$19 million represents mostly incentives to Pennsylvanians to reduce the peak, which based on the SWE data, paid for itself at roughly a 2:1 ratio. Even adopting the latest 2021 TRC which reduces the value of DR relative to the 2016 TRC, the programs are still highly cost-effective as noted in the SWE PY 10 report.⁵ The Commission’s nullification of demand response could increase Pennsylvanians’ utility bills.

Customers are empowered to reduce their utility bills through the Act 129 demand response programs. Enel X serves as CSP, along with many other CSPs, for EDCs in Pennsylvania under Act 129. Across the EDCs that Enel X serves, we have achieved roughly 200 MW of peak reduction each year (2017, 2018, 2019) and consistently met the goals that the

⁵ PY 10 Annual Report, p 14, http://www.puc.state.pa.us/Electric/pdf/Act129/Act129-SWE_AR_Y10_021920.pdf



Commission and EDCs have set for customers. Enel X not only supports Large C&I customers, but also Small C&I, with roughly 20% of our Act 129 customer MWs from the Small C&I sector, based on sector definitions maintained by the Independent Statewide Evaluator.

Finally, demand response is crucial for environmental protection in Pennsylvania. Many Pennsylvania electricity customers make Act 129 demand response participation a key element of their sustainability plan due to its benefits of avoiding dirty fossil generation. An increasing number of demand response customers nationally have added behind the meter energy storage and distributed solar as a complement and more customers in Pennsylvania are considering this option.

Further, in terms of complementariness, energy efficiency reduces MWh and demand response reduces MW, which are both critical for reducing pollution. Peak demand is measured in MW and GW. These are what the grid operator, PJM, measures to serve the grid and build generation. The PJM Independent Market Monitor regularly recognizes the impact that DR has in avoiding need for new fossil generation. In addition to protecting ratepayer benefits, the Commission should preserve the Act 129 DR programs to protect these important environmental benefits.

Conclusion

Accordingly, Enel respectfully requests that the Commission maintains commercial and industrial DR in Phase IV. AEMA's analysis demonstrates that Large C&I programs, under the latest 2021 Total Resource Cost test assumptions, are indeed highly cost-effective under a similar program design to the current Phase III. The Phase IV Tentative Implementation Order ignores the fact that Large C&I DR is highly cost-effective and was not considered in the final review and instead, only considered residential and small C&I DR cost-effectiveness.



Further, the proposed Phase IV design allocates 94.8% of funding to EE programming at a TRC cost of \$1.9 billion⁶. However, at this tremendous cost, peak reductions are lower than under a DR portfolio with Residential and Small C&I. In other words, spending 5.2% of the budget on DR amounts to greater reduction in Pennsylvania's peak demand than spending the other 94.8%.

When one considers that Large C&I, which has consistently been the most cost-effective means of peak reduction, was not considered, it is vital that the Commission closely assess the DR Potential Study again for Large C&I and move forward with a program design similar to its current Phase III design.

In conclusion, Enel respectfully requests that the Commission maintain Large C&I DR programs into Phase IV based on the evaluation presented in comments in this docket by the Advanced Energy Management Alliance.

Respectfully submitted,

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On behalf of Enel North America, Inc.

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⁶ Tentative Implementation Order, p 33