

Decision No. C24-0212

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 24M-0136E

IN THE MATTER OF THE COMMISSION'S EXAMINATION OF THE ACQUISITION OF DEMAND RESOURCES THROUGH COMPETITIVE BIDDING AS PART OF THE ELECTRIC RESOURCE PLANS OF PUBLIC SERVICE COMPANY OF COLORADO.

**COMMISSION DECISION
OPENING NON-ADJUDICATED PROCEEDING
ADDRESSING THE ACQUISITION OF
DEMAND RESOURCES THROUGH COMPETITIVE
BIDDING AS PART OF THE ELECTRIC RESOURCE
PLANS OF PUBLIC SERVICE COMPANY OF COLORADO**

Mailed Date: April 8, 2024
Adopted Date: February 21, 2024

I. BY THE COMMISSION

A. Statement

1. By Decision No. C23-0628, issued on September 18, 2023, the Commission opened Proceeding No. 23M-0466EG to explore third-party implementation of certain pilot programs in the electric and natural gas service areas of Public Service Company of Colorado (Public Service or Company) in accordance with Decision C23-0413.¹ The proceeding was intended to facilitate the development and implementation of Requests for Proposals (RFPs) for third-party implemented Virtual Power Plants (VPPs) as well as natural gas demand response and neighborhood electrification.

2. By Decision No. C24-0211, issued on April 4, 2024, the Commission closed Proceeding No. 23M-0466EG after adopting Decision No. R24-0009 with modifications, based in

¹ Decision No. C23-0413, issued on June 22, 2023, Proceeding No. 22A-0309EG.

part of our review of the exceptions to that Recommended Decision, including exceptions filed by Public Service.

3. We open this Proceeding as one of the next steps to advance Public Service's efforts to acquire electric demand response resources. The specific purpose of this Proceeding is to examine the acquisition of demand response resources in the competitive solicitations that Public Service implements as part of its Electric Resource Plans (ERPs).

B. Findings and Conclusions

4. While the Commission has long expressed an openness to the ability of supply-side and demand response resources to compete in competitive ERP solicitations, this concept has languished in part due to significant opposition from Public Service.² The acquisition of demand response has instead revolved in a circular space, where demand reduction targets for Public Service are set in isolated proceedings, typically without sufficient relevant information, and in turn, supply-side acquisitions are modeled without the latest information on demand response cost curves and the value of deferring both power purchases and grid investments.

5. In recent, prior decisions, the Commission has taken steps to align the process of modeling demand response with electric resource planning activities.³ Evolutions in technology and policy further challenge the separation of generation resources and demand response in competitive resource acquisitions. As established in Proceeding No. 23M-0466EG, emerging tools like VPPs create the potential to better optimize investments in resources and infrastructure. Decision No. R24-0009 explains that a VPP:

² See, e.g., Proceeding No. 10R-214E, Decision No. C10-0958, issued August 31, 2010, ¶¶ 46-54; Proceeding Nos. 11A-869E, 12A-782E, & 12A-785E, Decision No. C13-0094, issued January 24, 2013, ¶¶ 116-119, as modified by Decision No. C13-0323, issued March 15, 2013, ¶¶ 38-41.

³ See, e.g., Proceeding No. 22A-0309EG, Decision No. C23-0413, issued June 22, 2023, ¶ 195; Proceeding No. 21A-0141E, Decision No. C22-0459, issued August 3, 2022, ¶¶ 190-192.

refers to the collective management of dispatchable demand and supply of resources on the distribution grid. Ultimately, the role of the VPP is to maximize the efficiency of the operation of the distribution grid through the management of distribution-based energy resources. However, a VPP can also deliver targeted demand reduction services to reduce grid peaks, targeted events that shift demand to reduce costly curtailment of resources, management of behind-the-meter (BTM) generation and storage resources to provide ancillary grid services and localized generation resources at critical times, and the management of multiple simultaneous loads on a substation, feeder or transformer. The VPP is a dynamic resource that can respond to variations in demand and supply through remote communications signals that provide reliable and predictable services.⁴

6. Decision No. C24-0211 further illustrates that the road to the implementation of robust and innovative demand response such as a VPP has been long and winding. Original proposals for a Demand Response Management System including Renewable Battery Connect and pay for performance use cases have finally been expanded into a more robust Distributed Energy Resource Management System (DERMS) with the overall functionality to support VPP implementation.⁵ Yet, as noted above, we have long expressed frustration with the Company's lack of leadership in advancing the field of demand response. While recognizing a churning software and technology marketplace,⁶ Public Service's planning for a future of dispatchable supply and demand has been slow and reactive in a way that we continue to fear could radically increase costs to ratepayers in future years.⁷

7. Notably, Decision No. C24-0211 largely adopts Public Service's plans to stage DERMS acquisition into a Phase I DERMS (the Company's "Aggregator DERMS") followed by a Phase II DERMS (the Company's "Grid DERMS"). We further directed Public Service to ensure that its Phase I DERMS was capable of supporting initial pilots by

⁴ Decision No. R24-0009, issued on January 5, 2024, Proceeding No. 23M-0466EG, p. 7, ¶ 20.

⁵ See, e.g., Proceeding No. 22A-0189E, Public Service Company of Colorado DSP DRMS Compliance Report, filed December 8, 2023.

⁶ Proceeding No. 23M-0466EG, Public Service Company of Colorado's Exceptions to Recommended Decision No. R24-0009, filed January 25, 2024, p. 3-4.

⁷ See, e.g., Proceeding No. 21A-0141E, Decision No. C24-0052, issued January 23, 2024, ¶¶ 132, 143.

September 2024 with a ramp-up the following year, and that its Phase II DERMS was capable of operation by summer 2026.

8. In this Proceeding, we intend to continue our exploration of certain questions regarding VPPs and DERMS that were raised in Proceeding No. 23M-0466EG through the lens of Public Service's ERP competitive solicitation process. This includes addressing the appropriate provisions for a model contract to acquire demand response resources through third-party aggregators which could be presented in future ERPs, and whether data provided through that process can be used to determine appropriate provisions for other VPP programs. This Proceeding immediately precedes the Company's Just Transition Solicitation (JTS) to be implemented as an interim ERP.⁸ While an interim ERP, the JTS is a critical proceeding to identify resource needs leading up to 2030. Furthermore, the timing of the phased ERP process has the potential to align with the timing for Public Service's deployment of a Phase I DERMS and scoping of a Phase II DERMS.

9. Initially we will convene a Commissioners' Information Meeting (CIM) to learn about robust demand response and VPPs in other states, including how they use hardware and software (*i.e.*, a DERMS) and the business models deployed by utilities and by third parties. The CIM will specifically examine how vertically integrated utilities similar to Public Service acquire demand response resources, including VPPs, through competitive bidding or through other means as part of their resource planning process.

10. This miscellaneous proceeding will also serve as a repository for the filing of presentations, studies, and comments regarding the acquisition of demand response resources and the potential implementation of a VPP by Public Service through its ERP competitive solicitations.

⁸ See Decision Nos. C22-0459 and C24-0161, issued August 3, 2022, and March 13, 2024, respectively, Proceeding No. 21A-0141E.

11. The Commission will conduct this Miscellaneous Proceeding *en banc*.

II. ORDER

A. The Commission Orders That:

1. A miscellaneous proceeding is opened to examine the acquisition of demand response resources through competitive bidding as part of the electric resource plans of Public Service Company of Colorado (Public Service), consistent with the discussion above.

2. This Proceeding shall serve as: a repository for Commissioner Information Meeting presentations; a platform to issue decisions, pose questions, and solicit comments from Public Service and interested persons; and a repository for comments and responses received.

3. The date and time of the initial Commissioners' Information Meeting in this matter shall be scheduled by separate decision.

4. The Commission will adopt additional procedures by separate decision.

5. This Decision is effective upon its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING
February 21, 2024.**

(S E A L)



ATTEST: A TRUE COPY

A handwritten signature in cursive script that reads "Rebecca E. White".

Rebecca E. White,
Director

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

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MEGAN M. GILMAN

TOM PLANT

Commissioners