

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Oversee the  
Resource Adequacy Program, Consider  
Program Refinements, and Establish Annual  
Local Procurement Obligations

R.09-10-032  
(Filed October 29, 2009)

**REPLY COMMENTS OF PACIFIC GAS AND ELECTRIC  
COMPANY ON PHASE 2 WORKSHOP ISSUES**

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Pursuant to the schedule established in the January 10, 2011, Administrative Law Judge's Ruling Revising Comment Schedule And Adding Energy Division Proposals Into The Record (January 10 Ruling), Pacific Gas and Electric Company (PG&E) files these reply comments on issues that have been raised in Phase 2, excluding the local capacity requirement study issues. PG&E, along with a number of other parties, provided opening comments on February 8.

For the most part, PG&E has already addressed comments and arguments raised by other parties in their opening comments. PG&E is not alone in this. Due to the phase 2 workshops held earlier this year, all parties were well informed of the primary issues and concerns associated with each of the proposals being considered when they filed their opening comments. While PG&E is not reiterating each of its arguments in these reply comments, that should not be interpreted to mean that PG&E has changed its position. PG&E's recommendations, set forth in PG&E's opening comments, remain unchanged.

These reply comments address some of the arguments made by other parties with respect to five issues:

- Local resource adequacy credit for demand response programs not callable by local area;
- The use of the Commission's adopted load impact protocols to determine the resource adequacy value of demand response programs;
- The use of back up generators by customers to support demand response participation;

- San Diego Gas & Electric Company’s proposal to have a seasonal program for local resource adequacy capacity; and
- The measurement hours for program performance to be used in 2012 for PG&E’s peak day pricing programs.

For the reasons presented in these reply comments, as well as those PG&E presented in its opening comments, the Commission should determine the following on these issues:

- Callability by local area should not be a requirement for local resource adequacy (RA) credit for demand response (DR) programs;
- The Commission’s adopted load impact protocols should be used to determine the RA value of DR programs;
- No changes to the DR programs with respect to the ability of customers to use back up generators (BUGs) to support demand response participation should be adopted as a part of this proceeding;
- San Diego Gas & Electric Company’s (SDG&E) “next steps” recommendation for the further evaluation of its proposal to have a seasonal program for local RA capacity should be adopted; and
- For year 2012, the measurement hours for program performance for PG&E’s peak day pricing (PDP) program should be consistent with the Commission’s adopted hours of operation for the program, 2:00 pm to 6:00 pm.

These five topics are addressed in more detail below.

**Requirement That DR Resources Need To Be Dispatchable By Local Area In Order To Count For Local RA Credit (November 3 Ruling, p. 4.)**

On page 8 of its comments, the California Independent System Operator (CAISO) offers an argument in support of its position that DR programs should not receive local RA credit unless they are callable locally.

While the CAISO points to uncertainties associated with the effect of DR programs in the CAISO balancing area, the CAISO’s arguments do not answer the question of whether the resource should receive local RA credit. A resource should receive local RA credit if it can deliver local RA when needed. That is, the test for local RA credit is, and should be, whether the resource is effective in meeting the local need, if called.

DR receiving local RA credit under the Commission's current rules can be expected to be effective in meeting a local need. The local RA credit received by a DR program is associated with the amount of capacity that program can be expected to provide in the local area. Hence if the CAISO needs a certain amount of MW in a local capacity area and the DR program can provide it, the DR program can be called and the MW will arise in that local area.

It is practically impossible for PG&E to modify all its DR programs for 2012 so that they would all be callable by local capacity area. Thus, if the local RA value of these programs is eliminated, PG&E ratepayers will incur the unnecessary cost of procuring more local RA, when the DR resources are already in place to serve that local need. This would not make sense. The CAISO's proposal should be rejected.

**Load Impact Measurement: Load Impact Protocols Vs. Other Methodologies, e.g., Settlement And Tests For Wholesale PDR Resources (November 3 Ruling, p. 5.);**

EnerNOC, Inc. (EnerNOC) argues that the Commission's load impact (LI) protocols should not be used to measure DR performance for PDRs. EnerNOC argues that the Commission should simply rely upon registered capacity for a PDR. (EnerNOC Comments, pp. 2-4.) EnerNOC's proposal to use registered capacity has several flaws, and should be rejected. First, contrary to what EnerNOC claims, the registered capacity proposal is less transparent than the LI protocols. The LI protocols provide a very detailed and unbiased process by which the expected performance of a DR program is measured. The LI protocols, which were developed over many months by consultants and stakeholders, were litigated in a public process, adopted by the Commission, and are publicly available to all who wish to understand the basis for the calculations. EnerNOC's registered capacity proposal has none of these features. A DRP's determination of its registered capacity is a "black box" to the rest of the world. Neither the Commission, the CAISO, nor any other market participants would have opportunity to understand or question the basis for the claimed capacity.

Second, EnerNOC proposes that a test event could be used to verify a claimed registered capacity. Such a proposal only raises further concerns. A test event could possibly be

manipulated to suggest that more DR capacity is available than might truly be the case, or the test might be carried out under particularly favorable/unfavorable conditions. For example, DR programs are, to varying degrees, temperature sensitive. If a test event were scheduled on a particularly hot day it might improve test performance above normally expected levels. Alternatively, if a particularly cold test day were chosen, test performance would be below normally expected levels. The LI protocols are designed to normalize the weather conditions and achieve a consistent result that is not contingent on the weather of a particular day.

Finally, a registered capacity test would make it more difficult to directly compare various DR resources. The LI protocols are designed to allow planners to determine the likely amount of DR that would be available at the peak. The “black box” registered capacity approach would not provide the same level of comparability.

For all of the above reasons, EnerNOC’s registered capacity proposal should be rejected. The Commission should continue to use its adopted LI protocols to determine the RA value of DR programs, including those associated with PDRs bid into the CAISO markets.

**Use Of Back-Up Generators As Part Of PDR That Counts For RA (November 3 Ruling, p. 5; ED Proposal 7.)**

In their comments several parties, including the California Large Energy Consumers Association (CLECA), EnerNOC, Southern California Edison Company (SCE), and SDG&E, observe that the use of BUGs in DR programs is a long standing condition and consideration of any such change to DR program should be addressed (if needed) in the 2012-2014 DR application. (CLECA Comments, pp. 2-3; EnerNOC Comments, pp. 6-8; SCE Comments, p 10; SDG&E Comments, pp. 8-9.)

CLECA notes that the Energy Division’s reading of previous Commission decisions on this topic is in error. (CLECA Comments, pp. 2-3.) Contrary to the Energy Divisions’ reading, the Commission has not prohibited the use of BUGs by customers participating in DR programs. If the Energy Division is proposing that the status quo be changed, the more appropriate forum for this issue is in the 2012-2014 DR program application.

**Incorporation of Standard Capacity Product III rules for DR resources (November 3 Ruling, p. 5.)**

The CAISO discusses the topic of a standard capacity product (SCP) for DR programs in its comments, stating, for example, on page 6 that in early 2011 the CAISO will undertake an initiative to extend SCP to RA DR resources. Later in its comments the CAISO states “Retail demand response programs that cannot be configured to operate under the SCP provisions will not meet the requirements to be RA capacity under the ISO tariff.” (CAISO Comments, p. 13.)

At this point, it appears to PG&E that the CAISO believes that it is the CAISO, not the Commission, who determines whether a resource should receive Qualifying Capacity (QC) value. It is PG&E’s understanding that this is not the framework for RA. PG&E’s understanding of the RA framework is that the Commission determines the RA value of a resource. If the CAISO is intending to use its SCP to set the requirements for RA capacity, then the CAISO is overreaching.

The purpose of SCP is to help ensure that an RA resource performs as expected. In the case of generation facilities that is a relatively straightforward endeavor. A plant should be available and operate reliably.

However, the approach is less clear in connection with DR. How does one determine if a DR program is available and delivering as expected? Whatever the answer is, it is not, as the CAISO seems to think, that SCP allows the CAISO to dictate the structure of the DR program. That is within the Commission’s purview, not the CAISO’s.

In order to ensure that what the CAISO develops with respect to SCP for DR is consistent with the Commission’s DR programs, PG&E urges the Commission and the CAISO to address SCP for DR in the upcoming 2012-2014 DR program applications. Due to the fact that the structures of DR programs are inextricably intertwined with the availability of those programs, the SCP availability rules for DR must be considered in conjunction with the designs of the DR programs. SDG&E makes a similar point at pages 6 and 7 of its comments.

### **Seasonal local RA requirement (SDG&E)**

As PG&E noted in its opening comments, based on the limited information provided to date, PG&E does not believe adoption of SDG&E's recommended seasonal local RA requirement in this phase of the proceeding has been justified.

In its comments SDG&E recommends next steps, additional studies, rather than immediate adoption. PG&E supports SDG&E's "next steps" proposal.

### **Measurement Hours for PDP (PG&E)**

As described in the workshops and in its comments, PG&E proposes that the RA evaluation period for its PDP program for 2012 be 2:00 pm to 6:00 pm, consistent with the adopted hours of operation of the program, rather than the standard 1:00 pm to 6:00 pm period. The Commission provides for such a request for exemption in D.10-06-036 (p. 44). In its comments the Division of Ratepayer Advocates (DRA) supports PG&E's request, noting that "[c]hanging already publicized DR programs could lead to confusion by ratepayers and adversely affect their success." (DRA Comments, p. 7.) SDG&E supports PG&E's request for similar reasons. (SDG&E Comments, p. 11.) Other parties, including Calpine and AReM, oppose PG&E's proposal. (AReM Comments, p. 9; Calpine Comments, p. 5.)

PG&E's requested exemption should be granted. First, PG&E's request is only for the 2012 RA compliance year. These issues can be re-examined next year when there will likely be more clarity on the various filings that are under consideration for PDP.

PG&E's request, to have the current PDP hours be used to compute the RA value of PDP, is fully consistent with the process given in D.10-06-036. The structure of the PDP program is determined in general rate case (GRC) rate design proceedings. And with the program still in its initial roll out phase, it is not reasonable for the Commission to revise the hours right now. The Commission understood that the utilities would need time to implement the PDP program, and established the possibility of an exemption in anticipation of just this type of circumstance.

Revisions to the PDP program should be considered as a part of the GRC rate design process. In the interim, PG&E requests this exemption for 2012. If this is not approved, then PG&E's customers will have to pay more for RA to replace the RA value that PDP is reduced for 2012.

Respectfully Submitted,

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Dated: February 22, 2011



## CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of **“REPLY COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY ON PHASE 2 WORKSHOP ISSUES** on all known parties to the official service list for R.09-10-032:

- transmitting an e-mail message with the document attached to each party providing an email address; or
- by first-class mail, postage prepaid, to each party not providing an email address.

Executed on February 22, 2011 at San Francisco, California.

/s/

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MARTIE L. WAY