
**Meeting with CPUC
Commissioner Offices on RA
PD and on DR Application**

September 1, 2011

PG&E Presentation

Objective

- Discuss Resource Adequacy (RA) Proposed Decision
 - Local calling for Local Resource Adequacy
 - Back Up Generators (BUGs)
- Discuss Related Issues in 2012-14 DR Budget Application and Future RA proceeding
 - CAISO proposal for DR to be bid as PDR, PL, or RDRP to count for RA

Summary

- The benefits and costs of proposals need to be quantitatively evaluated
 - The CAISO requests are not cost effective
 - Load bids can provide most of the market benefits of DR, without additional costs required by PDR
 - CAISO direction is to have all DR bid as supply, but there is a cheaper way to integrate all DR.
- Dynamic rates (PDP) are particularly negatively impacted

Resource Adequacy Proposed Decision: Local RA Issue

- The PD proposes that DR programs need to be locally dispatchable to count for local RA
 - All PG&E DR programs are planned to be dispatchable by local area, except the dynamic rates, such as PDP.
 - PG&E can dispatch PDP if a local need arises. There has been no economic justification of benefits from CAISO for adding the complexity and cost of local dispatch to PDP. Procuring duplicative RA is costly for PG&E.
 - Dynamic Rate programs (i.e. PDP) should be exempt from the local dispatch requirement to count for RA, unless it is found to be cost effective to add this feature to PDP in an appropriate proceeding.

Demand Response 2012-2014 Budget

Application

- CAISO proposal that DR must be bid as PDR, PL or RDRP to count for RA
 - The costs and benefits need to be quantified. PG&E has seen no economic justification from CAISO for this added complexity for most DR programs. Procuring duplicative RA is costly.
 - Need time to work through possible changes to the CAISO processes to reduce costs
 - Reached one agreement on not requiring SQMD in 5 days which will save millions of dollars
 - Several other items under consideration by the CAISO.
- Proposing a stakeholder process with the CAISO to quantify the incremental benefits of bidding various programs, overcoming barriers, and updating the current processes for DR as load

Resource Adequacy Proposed

Decision: BUGs Issue

- The PD proposes that DR participants using Fossil-Fueled Back-up Generators (BUGs) not be allowed to count for RA
 - PG&E is compelled to either procure duplicative RA to cover reliable DR/PDP participation, or direct DR/PDP participants not to run their back-up generators during events, negatively impacting reliability.
 - Environmental and Economic Impacts: The costs and benefits of the proposed change are uncertain as it depends on the cost and operating characteristics, including emissions of the alternative to the BUGs-DR.
 - If CPUC approves this proposal, IOUs should not have to “police” this.

Summary

- Need to consider costs and benefits of proposals that impact Resource Adequacy
- The CAISO proposals do not appear to have significant benefits, but will likely have significant costs.
- DR as load can provide most of the RA benefits at lower cost.