

From: Ho, Nick  
Sent: 9/30/2013 5:40:03 PM  
To: nicolas.chaset@cpuc.ca.gov (nicolas.chaset@cpuc.ca.gov)  
Cc: Dietz, Sidney (/O=PG&E/OU=Corporate/cn=Recipients/cn=SBD4); Redacted  
Redacted Johnson, Aaron  
(/O=PG&E/OU=Corporate/cn=Recipients/cn=AJJ9); Redacted  
Redacted  
Bcc:  
Subject: RE: Rule 24 implementation in 2014 and beyond

Nick,

Thanks for following up with us. Let me emphasize that we understand the State's desire to capture the full potential value of DR, and we will continue to take all reasonable steps to support this goal. In response to your note:

We are on board with the idea of a limited scale, "manual" implementation of the IOUs bidding bundled load into the CAISO in 2014, with further implementation in time for 2015 and beyond. We cannot commit to "full implementation" of bidding bundled load by 2015 because we do not yet know what technical/customer-related issues we may surface in the 2014 pilots, and, more importantly, because the question of which programs should be bid into the CAISO as "supply" has yet to be answered in the pending OIR. In so far as the CPUC comes up with an expansive definition for what needs to participate as "supply," we may simply need more time (and money) for implementation. Finally, just to manage set expectations, PG&E believes that even with "full implementation," a significant number of current DR customers (e.g., highly variable load customers) would be poor candidates for CAISO bidding, given that the current CAISO wholesale settlement rules will not compensate them fairly for load reductions.

As for the implementation of Rule 24 to enable the IOU bidding of unbundled customers, as well as third-party bidding of bundled customers, you are correct that we plan to file an application for cost recovery next year, once the Rule 24 tariff is finalized. Assuming the minimum 4-6 months required for CPUC approval (decision by end of 2014), we could commence with implementation in 2015 with delivery in the first half of 2016. That said, we think a 2015 pilot to test Rule 24 (similar to the "manual" implementation described above) and surface any unanswered questions or unintended consequences embedded in such a complex tariff should be done prior to full-scale implementation. Such a pilot will determine the level of third-party interest in Rule 24 (vs. participation via a utility program like AMP) and help

inform full-scale implementation.

The key for us is that we learn to walk before we run, and if history is any indication, we still have a lot of learning to do before we get it right. We look forward to hearing your thoughts.

Regards,

**Nicholas Ho**

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**From:** Johnson, Aaron

**Sent:** Monday, September 30, 2013 5:04 PM

**To:** Ho, Nick

**Cc:** Dietz, Sidney;

**Subject:** FW: Rule 24 implementation in 2014 and beyond

Nick H., per our discussions on this topics, can you please send a note to Nick C. memorializing where we are on these issues, per his request below? Please include all the folks on this email and anyone else you think is crucial (maybe someone from the proceedings side of the house). Thanks.

**From:** Chaset, Nicolas L. [<mailto:nicolas.chaset@cpuc.ca.gov>]

**Sent:** Thursday, September 26, 2013 5:24 PM

**To:** Johnson, Aaron; Dietz, Sidney

**Subject:** Rule 24 implementation in 2014 and beyond

Thanks again for taking the time to discuss this with me. Here is where I believe we have left things. You (PG&E) are going to consider what needs to be included in the scope of a cost recovery application to operationalize Rule 24 for DR programs that cover your bundled customers, that may include a more limited technology role out in 2014, but seeks full funding for the necessary upgrades. The idea being that PGE may not want to move forward with a full implementation until after testing direct participation of DR resources using manual

modifications to your existing systems. The expectation would still be for full implementation to be completed by 2015, but this way you aren't spending all the money prior to fully understanding what CAISO is looking for. On the application of Rule 24 to unbundled customers and/or DRPs that are not participating in your DR programs but are bidding in your bundled customers, the timeline in the Gantt chart suggests work would start next June with an application for cost recovery. The question I have is, if the Commission were able to consider that application in short order, how quickly could the implementation commence to enable these resources to directly participate?

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