BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Enhance the Role of Demand Response in Meeting the State's Resource Planning Needs and Operational Requirements

Rulemaking 13-09-011 (Filed September 19, 2013)

PREHEARING CONFERENCE STATEMENT OF ENVIRONMENTAL DEFENSE FUND

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Dated: October 11, 2013

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Environmental Defense Fund (EDF) commends the Commission for launching this Order Instituting Rulemaking to Enhance the Role of Demand Response in Meeting the State's Resources Planning Needs and Operational Requirements, and for identifying important issues to be examined in the proceeding. EDF recommends the following questions and issues be added to those listed in the Rulemaking:

- 1. (b) If demand response (DR) programs are bifurcated into demand- and supply-side resources, how can the Commission ensure that both sides be provided commensurate financial incentives that match the system benefits they provide? EDF would like utilities to be presented with economic incentives to procure demand-side resources, such as time-variant tariffs, in a manner that is commensurate with procurement of supply-side resources. To the extent that each side provides equivalent services to the grid, the utilities and third parties should be presented with similar financial incentives to develop them.
 - (c) Will bifurcation of DR into supply- and demand-side resources result in missed opportunities for integration? From the perspective of residential and commercial energy users, decisions to invest in energy efficiency, self-generation, storage and DR capacity will be based on balancing the benefits associated with reducing grid purchases (a demand-side resource) with those derived by creating supply-like resources that can be exported to the grid. Policy decisions should similarly be based on presenting energy users and investors with transparent, commensurate information and incentives on both the supply- and demand-sides.
- 2. (a) How should time-variant tariff programs be treated within the DR rubric so that they have an equal opportunity as other resources to achieve valuable load shifts and conservation? Tariffs should be in the first line of defense in communicating to ratepayers the actual costs of their electricity use, and this information should be distinguishable on the grid at a given time and place. Yet, as evidenced by penetration rates for existing voluntary residential time of use rates (TOU), the utilities have little incentive to effectively design and market these tariffs. Methods to induce the utilities to develop and effectively market voluntary, fully cost-based, time-variant

and area-specific rates should be explored. As well, mechanisms to dynamically evolve rates as system conditions necessitate should be considered as part of a strategy to quickly update existing voluntary TOU rates to make them more attractive to residential customers.

- 3 (a) What mechanisms can be adopted to ensure that supply-side resources receive commensurate incentives to be developed as demand-side resources that are included in utility procurement processes? Please see explanation for 1.(b), as this issue is similar to the one therein.
- 4 (a) How can DR programs be targeted to cost-effectively reduce the need for distribution investments? The value of DR could increase to the extent that it is closely targeted to relieving specific costly investments, including distribution infrastructure. Similarly, how might DR be incented to be integrated with self-generation and storage resources, as well as intensive energy efficiency, in specific locations and to perform services that are particularly valuable? For example, what incentives and planning processes can be established to determine how to most effectively and beneficially reduce stress on overloaded distribution nodes via means other than significant infrastructure investments? How might the grid make maximum use of existing grid resources, such as AMI and distribution nodes that can accommodate demand-side self-generation capacity?
- 5 (a) How can the Commission best leverage DR programs related to specific technologies? For example, should DR programs be developed so that they match with particular technologies, such as solar, storage, wind, electric vehicles or quickstart fossil fuel facilities? DR programs could be designed so that they are complementary to particular technologies, providing a kind of bundled service that firms load, arbitrages against changes in demand level, and/or is automatically triggered through technology-enabled devices.
- 6 (a) How can utility programs be leveraged to increase automation in buildings and appliances, such as through additional pilot studies and collaboration with other agencies?
- 7 (a) How can programs be designed to provide utilities with economic incentive to innovate in pursuit of least-cost best fit solutions that address emerging issues?

Dated: October 11, 2013

Respectfully Submitted,

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