

**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)

**SAN DIEGO GAS & ELECTRIC COMPANY (U 902 M)
PREHEARING CONFERENCE STATEMENT**

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I. INTRODUCTION

San Diego Gas & Electric Company (“SDG&E”) respectfully submits its Prehearing Conference Statement pursuant to the Administrative Law Judge’s Ruling Calling for Prehearing Conference Statements issued by ALJ Hymes on October 2, 2013. This statement sets forth SDG&E’s views on any additional issues the Rulemaking should consider and why; the need for hearing (i.e., state whether hearings are necessary and, if so, list potential material issues of disputed fact which require an evidentiary hearing.); and a proposed schedule for the proceeding in order for the Commission to resolve this proceeding within 24 months of its initiation.

II. ADDITIONAL ISSUES THAT SHOULD BE CONSIDERED

As the Commission notes in Rulemaking (“R.”) 13-09-011, the Commission has been refining Demand Response (DR) programs and tools for some time:

“The Commission has a long history of employing demand response programs in California. The number of milestones the Commission reached in recent years reflects the diligence of state agencies and other stakeholders. The Commission’s and the stakeholders’ work covers a range of topics from smart meter deployment to developing load impact and cost-effectiveness protocols, from approval of aggregator contracts to implementation of default Critical Peak Pricing and Time of Use rates for non-residential customers. Yet, as demand response programs evolved, so have the needs of the grid and the State’s vision for future energy policy including the vision for the future of demand response.” (R. 13-09-011, at p.6.)

The Rulemaking also notes that, “The Commission has collaborated with stakeholders to make demand response programs more effective, yet its work is not complete. As demand

response programs have evolved, so have the needs of our electric grid.” (See, R. 13-09-011, at p. 4.) SDG&E believes that the Commission’s Roadmap efforts in this proceeding would benefit greatly from an analysis of the Commission’s experience and progress on Demand Response programs in California to date. More specifically, the Commission’s efforts in this proceeding would benefit from an analysis of:

- The Demand Response programs the Commission has implemented to date and the effectiveness of those programs;
- What programs and efforts are being considered but have yet to be implemented in California; and,
- The Demand Response efforts have been implemented in other jurisdictions.

In addition, the topics of program bifurcation and a roadmap for future demand response that are proposed to be in the Scope of this proceeding would be better addressed if research of other markets was available. Specifically, the 14 questions listed in the OIR could be more thoughtfully answered if detailed research were available on best practices in other independent system operator (ISO) markets. Therefore, SDG&E recommends that the proceeding direct the DRMEC committee to undertake research about current practices in other states and regions in which demand response is bid into ISO markets by both utilities and aggregators and provide a report summarizing results. This would enable California to learn from the best practices and lessons learned in other markets. The report should summarize existing research and gather more detailed information about existing markets than is currently available. The Research should provide answers to the following questions:

1. In regions where demand response is bid into ISO markets by aggregators, what is the role of Load Serving Entities (LSEs)?
 - a. Are programs offered by the LSEs?

- b. Is there a bifurcation of DR programs? Does the LSE role differ for demand-side and supply-side DR if that type of construct exists in an ISO jurisdiction?
 - c. If the LSE offers programs, what problems arise when both aggregator and utility offerings are available to customers?
 - d. If there are problems, how are these problems resolved or mitigated?
 - e. Do LSEs support aggregators bidding demand response into markets? For example, do other LSEs provide DR or communications technologies or incentive payments to customers for such technologies?
 - f. How long has the current structure been in place?
 - g. Was there a transition from LSE-provided DR? If so, how was that accomplished?
2. What are the details of other ISO energy, capacity and ancillary services procurement mechanisms for demand response? Are they similar or different than the procurement process for conventional supply-side resources? What accommodations are made for the unique characteristics of demand response?
 3. Unlike other supply side resources, demand response aggregators are competing for the same customers, how do the DR procurement mechanisms address this issue, if at all?
 4. How are capacity payments determined for DR in other ISOs? Who provides the capacity payment? Does demand response qualify for a capacity payment comparable to new entrants or existing resources? What requirements does the demand response have to meet in order to qualify for a capacity payment? (e.g., number of calls, call duration, must offer requirements?) What accommodations are made for the unique characteristics of DR?
 5. What are the characteristics of the DR that is bid into ISO markets? What types of customers are providing this DR (e.g., residential, small, medium commercial customers or just large industrial)? What technologies are being relied on to enable this DR (e.g., back-up generators, energy management systems, auto DR, electricity storage, etc.)? What communication standards, technologies, or architectures are used to facilitate DR?
 6. From the operational perspectives of those ISOs and LSEs that have Demand Response bidding into the market, what types of backup plans exist for under-performance and/or no-performance of DR resources, especially in the LSE's distribution system?
 7. What is the reliability confidence of the different types of DR existing in other ISO markets and other LSEs? What makes one form of DR more reliable than another when it comes to the operations?
 8. How do DR programs work with renewables in the high penetration market?

SDG&E estimates that a research report covering these types of research questions could be funded by the existing 2012-2014 measurement and evaluation budget and could be completed or substantially completed by May of 2014. This type of research will take time up front to complete, but will result in a more informed roadmap for demand response by taking advantage of lessons learned in other regions. Having conducted such an analysis, the Commission will be best prepared to embark on its Roadmap efforts in this proceeding. Towards that end, SDG&E proposes that this proceeding be pursued in two phases: phase 1 would be designed to study the status and performance of Demand Response programs that have been implemented and/or are being considered in California, and phase 2 would consist of a consideration of roadmap issues, informed by the analysis that has been conducted in phase 1.

III. THE NEED FOR HEARINGS

SDG&E does not believe that hearings would be necessary in phase 1 of this proceeding, which would consist of an evaluation of Demand Programs that have been considered and/or implemented in California and other jurisdictions. While it is premature to determine whether hearings would be required in phase 2 of this proceeding to consider Roadmap issues, the issues that will be considered in that phase have direct implications for system reliability and the cost to consumers of reliable electricity service. Due to the importance of these issues, it is critical that the Commission only make determinations on these issues with the benefit of a formal evidentiary record (whether created through an inventory of programs established in phase 1, through evidentiary hearings, or paper hearings). The best manner of establishing a formal evidentiary record to form the basis for the determinations to be made by the Commission herein could be considered as a scoping issue for phase 2 after phase 1 has been completed.

IV. PROPOSED SCHEDULE

As is explained above, SDG&E proposes that a 2 phase schedule be adopted in this proceeding. Phase 1 would not require hearings and would be designed to inventory programs that have been implemented and/or considered in California to date and to benefit from lessons learned through actual experience that has been acquired in other jurisdictions. A research report summarizing this research could be completed or substantially completed by May of 2014. The research could be funded by the existing 2012-2014 measurement and evaluation budget.

Phase 2 would be designed to address Roadmap issues, with the benefit of the research that has been conducted in Phase 1. SDG&E believes that whether or not hearings would be required in phase 2 should be determined on the basis of the outcome of phase 1 as well as the issues and proposals parties seek to raise in phase 2 of this proceeding.

It is also important to adopt a deadline for the filing of the application for the next program cycle that will allow for those applications to reflect the lessons learned and roadmap adopted in this proceeding. Recently, the IOUs were granted an extension by Mr. Paul Clanon, Executive Director, in which to file their 2015-2017 Demand Respond applications by July 31, 2014 rather than January 31, 2014. In the letter Mr. Clanon indicates that further instruction on this matter could be provided if the Commission initiates a new Demand Response rulemaking . The Commission in issuing R. 13-09-011 explicitly states:

Given that the scope of this rulemaking includes potentially radical changes in the structure and budget cycles of these programs, the Commission does not find it prudent for the Utilities to spend time and resource planning for programs that may not fit into a new structure. However, the Commission also recognizes that our review and analysis will not be complete in time for the 2015 budget cycle. Thus, the Commission will move forward with developing a proposed decision that provides for 2015 funding for the current demand response programs.
(See, R. 13-09-011, at page 21.)

Given the Commission has already recognized the need for funding in 2015 due to insufficient time and concern over the need less expenditure of resources, SDG&E recommends that the filing of the application for the next program cycle be no sooner than February 2, 2015. This however, would assume that a guidance document and resolution of outstanding issues be completed by no later than early-August, 2014. R. 13-09-011 puts forth for parties' comment, demand response pilot projects to commence in 2015. If the Commission wishes to have the pilot results inform the next program planning cycle, then, authorization of bridge funding for 2 years may be necessary. SDG&E suggests a mid-point check would be reasonable to determine if continuation of funding for an additional year is necessary.

V. CONCLUSION

SDG&E appreciates the opportunity to submit its suggestions for the process and schedule to be followed in this proceeding. Following the phased schedule proposed herein would ensure that the Commission's efforts proceed on a fully informed basis that maximizes effectiveness of future Demand Response programs in California, consistent with the Commission's policy goals.

Respectfully submitted

By /s/ Thomas R. Brill

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