

From: Chaset, Nicolas L.
Sent: 10/2/2013 3:10:55 PM
To: Johnson, Aaron (/O=PG&E/OU=Corporate/cn=Recipients/cn=AJJ9); Ho, Nick (/O=PG&E/OU=CORPORATE/CN=RECIPIENTS/CN=NKH3) Redacted
Redacted Dietz, Sidney
(/O=PG&E/OU=Corporate/cn=Recipients/cn=SBD4); Redacted
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Cc:
Bcc:
Subject: RE: Rule 24 implementation in 2014 and beyond

Nick

Thanks for your response. It wasn't exactly what I was hoping to see, but based on my comments below, perhaps we can get closer to an informal agreement. Im happy to connect to discuss more.

Nick

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. What I am looking for here is some agreement on PG&Es part that they are using the 2014 'manual' implementation to directly inform software implementation that would be in place and ready by Q2 2015 for deployment across PG&Es portfolio of DR programs. 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 The gantt chart suggests 9 months to accomplish a broad implementation (and your SoCal brethren have stated their intention to role out their implementation in 6 months) and so I am having a hard time understanding why a definition of what is 'supply' matters if the implementation is relevant for your entire portfolio, 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. Wouldn't a broadly stated Application (as we discussed) accomplish this? And isn't the reason for waiting until after the summer of 2014 to begin implementation the solution to this concern?. 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. I would like a commitment related to the length of time it would take to accomplish the implementation and then the CPUC can manage the timing of your application. 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; Redacted

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?

Nicolas Chaset

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