

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)

**THE OFFICE OF RATEPAYER ADVOCATES' REPLY COMMENTS
ON PROPOSALS FOR REVISIONS TO DEMAND RESPONSE
PROGRAMS FOR BRIDGE FUND YEARS**

SUDHEER GOKHALE
XIAN MING "CINDY" LI
Analysts for the Office of Ratepayer
Advocates
California Public Utilities Commission
505 Van Ness Ave.
San Francisco, CA 94102
Phone: (415) 703-1546

CHRISTOPHER CLAY
Attorney for the Office of Ratepayer
Advocates
California Public Utilities Commission
505 Van Ness Ave.
San Francisco, CA 94102
Phone: (415) 703-1123
Email: christopher.clay@cpuc.ca.gov

March 13, 2014

I. INTRODUCTION

The Office of Ratepayer Advocates (ORA) submits the following reply comments in response to the January 31, 2014 *Ruling Providing Guidance For Submitting Demand Response Program Proposals* (Ruling), in the above referenced docket. The Ruling directed the Investor Owned Utilities (IOUs) and other parties to file revisions to demand response (DR) programs for bridge fund years 2015 and 2016.¹ ORA filed comments with proposals for program revisions on March 3, 2014 designed, for the most part, to realize the expected performance when the Commission originally authorized the programs.² Ordering Paragraph 3 of the Ruling directed parties to file replies to the DR program revision proposals within 10 days following the filing of the proposals, so this filing is timely.³

II. SUMMARY OF COMMENTS

ORA's reply comments discuss the following:

1. SCE and PG&E have provided no substantial program modifications to improve the DR programs.
2. The Commission should allow an opportunity to develop a record on program modifications that require additional or changes to funding and/or impacts cost-effectiveness of a program.

¹ Ruling, p. 5.

² Comments were also filed by the California Energy Storage Alliance (CESA), EnergyHub and Alarm.com (EnergyHub), EnerNOC, Inc., Johnson Controls, Inc., and Comverge, Inc. (Joint DR Parties), Marin Clean Energy (MCE), Olivine, Inc. (Olivine), Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), and Southern California Regional Energy Network (SoCalREN) and San Francisco Bay Area Regional Energy Network (BayREN) (REN).

³ Ruling, p. 5.

3. ORA supports changes previously discussed in ORA's Comments to SCE's Aggregator Managed Portfolio (AMP) agreements.⁴
4. Proposals for participation in the California Independent System Operator (CAISO) wholesale markets are vague.
5. The program design for Automated Demand Response (AutoDR) for post-2014 is unclear.
6. SDG&E should provide explanation for its request to address dynamic pricing rate customers in its 2015 Energy Efficiency (EE) filing.

III. DISCUSSION

A. SCE And PG&E Provided No Discernible Modifications To Improve DR Program Performance In The Bridge Funding Period

SCE and PG&E have not provided any significant DR program revisions to improve program performance or increase the availability/and or flexibility of programs as required by the January 31, 2014 Ruling.⁵ SCE states that program modifications have already been made as part of the previous DR funding cycle and in response to the outage at the San Onofre Nuclear Generating Station (SONGS) and does not propose any further modifications to its DR programs.⁶ PG&E's proposed modifications are nothing but clarifications of tariff terms and minor administrative changes. PG&E claims these changes will improve customer experience, provide statewide consistency, increase outreach and potentially increase dispatch.⁷ But these revisions offer no discernible improvements to its DR programs.

⁴ ORA Comments, pp. 2-6.

⁵ Ruling, p. 2.

⁶ SCE Comments, pp. 2-3.

⁷ PG&E Comments, pp. 2-6.

B. The Commission Should Adopt ORA’s Recommendations Which Provide Significant Improvements To IOUs’ DR Programs

In contrast to the minimal changes proposed by the IOUs, ORA’s recommendations would provide significant improvements to IOUs’ existing DR programs. ORA’s proposed modifications are discussed extensively in ORA’s opening comments. ORA’s recommended changes follow the Commission’s guidance in its January 31, 2014 ruling and can be implemented before January 1, 2015. ORA’s opening comments included recommendations listed below.

1. Contract terms for SCE’s Aggregator Managed Portfolio (AMP) agreements should be amended to ensure contract performance.
2. The IOUs should have a reporting requirement to increase transparency to IOUs’ administration of DR programs.
3. The trigger for the Base Interruptible Program (BIP) should be changed to avoid procurement of expensive Non-Resource Adequacy (RA) capacity.
4. Target marketing of SmartRate to only warm climate zones.
5. Provide accurate marketing of residential Time of Use (TOU).⁸

C. The Commission Should Allow The Development Of A Record For Changes To DR Programs and Funding

ORA recommends that the Commission allow for the development of a record before a decision is issued determining the budget and program changes for the bridge funding period. This is especially necessary for program modifications that require additional or changes in funding and/or impacts the cost-effectiveness of a program.

⁸ ORA Comments, p. 1.

SCE's comments recommend that "the Commission include an opportunity for all parties to develop a record on this funding issue prior to issuing its Proposed Decision on program improvements and bridge funding."⁹ ORA agrees.

Parties should have an opportunity to analyze and determine the impacts and benefits of recommended changes. SDG&E, in particular, has proposed numerous changes to its programs that are normally considered in its DR funding cycle applications. For example, for its Capacity Bidding Program (CBP), SDG&E proposes to add a 30-minute notification option with an incentive that is 15% higher than the current day-of incentive, allow non-residential customers with demand less than 20 kW to participate and adjust its capacity payment calculation.¹⁰ These changes result in a Total Resource Cost (TRC) of only 0.9 for the combined CBP.¹¹ The current CBP-Day Of option has a TRC of 0.92 and the CBP-Day Ahead Option has a TRC of 1.01.¹² It is not clear exactly what impact each of SDG&E's changes have on SDG&E's CBP-Day Of and CBP-Day Ahead programs' cost effectiveness individually and why the changes would generally improve the program. SDG&E does not provide sufficient reasoning or explanation. It is also unclear that a program with a TRC less than 1.0 should even be considered as cost effective. In Decision (D.) 12-04-045, the Commission accepted a 0.9 TRC result only for the programs approved during the 2012-2014 DR funding cycle.¹³ Programs considered during bridge funding years should be judged based on a TRC result of 1.0 or above.

Changes recommended by various parties may improve the programs or provide a benefit but it is unclear what changes in funding are warranted to implement the changes.

⁹ SCE Comments, p. 8.

¹⁰ SDG&E Comments, p. 5.

¹¹ SDG&E Comments Appendix F, p. 6.

¹² SDG&E AL 2382, p. 2.

¹³ D.12-04-045 Conclusion of Law (COL) 4, p. 211.

For example, PG&E proposes to introduce a new “Excess Supply” pilot and requests \$1.1 million to implement it.¹⁴ According to PG&E, the pilot would measure the “ability and willingness of different customer segments to consume or shift load when the supply of electricity exceeds demand.”¹⁵ However, it is not clear that a pilot offering customer incentives for technology and participation and requiring the development of a communicating platform is needed before PG&E identifies the extent of the problem that would require testing customer participation.¹⁶ PG&E should not request funding before identifying and fully discussing the problem. Perhaps a research study to provide information on situations where supply of electricity may exceed demand would be more appropriate.

The Commission should provide for the development of a record to evaluate the merits and appropriate funding of changes to DR programs recommended by various stakeholders. The additional time would allow for discovery and analysis to better guide the decision on program changes and budgets for the bridge funding period.

D. SCE’s AMP Agreements Should Be Modified

SCE’s requests extensions of the existing AMP contracts with no recommendations for modification.¹⁷ However, the Joint DR Parties have expressed willingness to work with SCE to make modifications to the contracts.¹⁸ They have already worked with PG&E to file a Joint Petition for Modification to request amendments to contracts to be effective in 2014 and the Commission approved their

¹⁴ PG&E Comments Attachment C, p. 2.

¹⁵ PG&E Comments Attachment C, p. 1.

¹⁶ PG&E Comments Attachment C, p. 2.

¹⁷ SCE Comments, p. 6-7.

¹⁸ Joint DR Parties Comments, pp. 3-4.

modifications in D.14-02-033.¹⁹ SCE should similarly work with the aggregators to address improvements to their own contracts, including those recommended by ORA.

ORA's recommends multiple modifications to improve administration and reliability of the AMP agreements that SCE should seek to implement for the bridge funding period.

E. Participation Of DR Programs In The CAISO Wholesale Market Should Be Clarified

While SCE and SDG&E have stated that they plan on participating in the CAISO wholesale market in 2014, no changes have been specified for DR programs to enable such participation. SCE expects to bid DR resources into the CAISO's wholesale energy market in summer 2014.²⁰ SDG&E plans on bidding a portion of its Capacity Bidding Program as a Proxy Demand Resource (PDR)²¹ and its Base Interruptible Program through the CAISO's Reliability Demand Response Product (RDRP), if it's available, in 2014.²² PG&E has only discussed participation in the CAISO market for its Intermittent Resource Management Pilot 2 (re-named Supply Side DR Pilot) and not any of its DR programs.²³ It is unclear whether the IOU programs are ready to participate in 2014. The IOUs should provide a discussion about the preparations they have made for such participation, any program modifications, or if modifications will be requested at a later time. If further program modifications are expected, they should be discussed in this proceeding to inform evaluation of any additional funding required for participation in CAISO markets.

¹⁹ Joint DR Parties Comments, p. 2.

²⁰ SCE Comments, p. 3.

²¹ SDG&E Comments, p. 31.

²² SDG&E Comments, p. 11.

²³ PG&E Comments, p. 8.

F. Program Design For AutoDR Should Be Clarified

It is unclear from comments whether the IOUs plan on implementing a statewide AutoDR program during the bridge funding period. Ordering Paragraph 58 of D.12-04-045 directed the IOUs to “develop a statewide program with common program rules and incentive levels” for the AutoDR programs.²⁴ In compliance, the IOUs filed a joint Advice Letter (AL) with a statewide proposal on October 31, 2013.²⁵ ORA filed a protest to the AL and recommended the IOUs submit an updated statewide AutoDR proposal in in this rulemaking where it could be considered with other program changes during the bridge funding period and funding for the programs could be approved because the IOUs’ AL did not address funding for their statewide AutoDR proposal.²⁶ A “Load Impact Evaluation” and a “Process Evaluation” study were also expected to be made available to help refine the statewide program proposal.²⁷ The IOUs filed a joint reply supporting rejection of the AL, agreeing with ORA that the new rulemaking may require the IOUs to modify the post-2014 AutoDR proposal and that the two studies should help improve AutoDR program designs and evaluation of the proposal.²⁸ On November 20, 2013, the Commission’s Energy Division suspended the AL for 120 days for staff review.²⁹

No IOU addressed the statewide AutoDR proposal for post-2014 in comments, simply referring to funding for their current AutoDR programs. For AutoDR, PG&E’s proposed changes include 1) increasing program education to vendors and customers, 2) streamlining the AutoDR application process, 3) increasing outreach efforts to sign up

²⁴ D.12-04-045, OP 58.

²⁵ PG&E AL 4306-E, SDG&E AL 2534-E and SCE AL 2960-E.

²⁶ ORA Protest to AL 4306-E, et al., p. 3.

²⁷ AL 4306-E footnote 2, p. 2.

²⁸ Reply of Pacific Gas and Electric Company, on Behalf of the Investor-Owned Utilities, to Protest of the Office of Ratepayer Advocates on the Utilities Joint Advice Letter on a Statewide Automated Demand Response Program Design Proposal/AL 4306-E, et al., p. 2.

²⁹ AL 4306-E Suspension Notice, November 20, 2013.

more lighting projects and 4) providing technical assistance to existing ADR customers.³⁰ SDG&E did not request program operational changes³¹ and SCE does not propose modifications of its AutoDR program at this time.³²

As the IOUs themselves agreed in their comments on the joint advice letter discussed above, a statewide AutoDR proposal should be evaluated to determine the appropriate funding to provide customers with a consistent statewide program. The Commission should reject the IOUs' proposals to continue implementation of their individual disjointed AutoDR programs. This can be done in conjunction to evaluation of other DR program changes and funding considered in this proceeding or through a supplement to the suspended proposal in IOUs' joint AL.

G. SDG&E Should Explain Its Request To Address Dynamic Pricing Rate Customers In Its 2015 EE Filing

In response to Question 3 of the Ruling, SDG&E stated that its “behavior-based programs are part of SDG&E’s local Integrated Demand-Side Management (“IDSM”) programs and are under the oversight Energy Efficiency proceeding . . . SDG&E intends to request the approval of the DRP component for its 2015 behavior-based programs that would include dynamic pricing rate customers in the upcoming 2015 Energy Efficiency Program filing.”³³ SDG&E provides no reasoning for the need to separate “behavior-based programs” involving customers in dynamic pricing programs; all DR programs depend on customer behavior. It is unclear what programs affecting “dynamic pricing rate customers” should be addressed in the IOUs’ EE proceeding, rather than the DR proceeding. Neither PG&E nor SCE has requested such treatment for dynamic pricing programs. There should be consistency between the IOUs about where the program costs

³⁰ PG&E Comments, p. 6.

³¹ SDG&E Comments, Auto DR falls under SDG&E’s Technology Incentives Program, p. 10.

³² SCE Comments, p. 3.

³³ SDG&E Comments, p. 31.

are located. In fact, to the extent possible, the Commission should keep all costs related to a DR program in the DR proceeding to properly evaluate the cost effectiveness of programs. SDG&E should provide further explanation for this proposal. The Commission should require SCE and PG&E to explain whether and if so why the dynamic pricing component of DRP is also considered in the behavior-based programs in their upcoming 2015 Energy Efficiency Program filing.

IV. CONCLUSION

ORA supports the Commission's directive to implement DR program revisions to continually improve program effectiveness during the bridge funding years. The IOUs' recommended changes lack sufficient detail and reasoning. In contrast, ORA's proposed program modifications - included in its opening comments - identify the need, the proposed modification and the reasoning for the modification. A record on modifications should be developed and clearly discussed and analyzed. Current comments have deficiencies that should be addressed before DR program funding is approved for the bridge funding years.

Respectfully submitted,

/s/ CHRISTOPHER CLAY

CHRISTOPHER CLAY

Attorney for the Office of Ratepayer Advocates

California Public Utilities Commission
505 Van Ness Ave.
San Francisco, CA 94102
Phone: (415) 703-1123
Email: christopher.clay@cpuc.ca.gov

March 13, 2014