

**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)

**REPLY OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E) TO
PROGRAM IMPROVEMENT PROPOSALS**

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March 13, 2014

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SB_GT&S_0105499

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I. INTRODUCTION

San Diego Gas & Electric Company ("SDG&E") respectfully submits the following Reply to Program Improvement Proposals that have been submitted herein pursuant to the *Assigned Commissioner and Administrative Law Judge's Ruling Providing Guidance For Submitting Demand Response Program Proposals* ("ACR") issued on January 31, 2014 in the above-captioned proceeding. SDG&E appreciates the efforts of parties to improve Demand Response programs implemented by SDG&E.

**II. REPLY COMMENTS TO THE RESPONSES TO DEMAND RESPONSE
PROGRAM PRPOSALS**

A. Response to Office of Ratepayer Advocate ("ORA") Proposals

1. The Need for Greater Transparency and Improved Reporting

ORA recommends that the Commission require enhanced IOU reporting to increase transparency of IOU administration of DR programs. (See, Office Of Ratepayer Advocates' Opening Comments on Proposals For Revisions to Demand Response Program For Bridge Fund Years, hereinafter referred to as "ORA Comments," at pp. 6-9.) SDG&E supports more transparency with the Commission and believes that implementing a form of event reporting about how utilities are determining when to call DR program events is reasonable. SDG&E will comply, to the extent possible, with the Commission's requests on information sharing. (Some of

the reporting requirements proposed on page 8 or ORA's Comments may not apply to SDG&E's programs). Also, it is important to note that the theoretical basis for determining how, when, and for what duration demand response events should be triggered is a difficult question to answer, and embodies many variables within a dynamic environment. SDG&E recommends that this issue be considered in phase III of this proceeding.

Reporting requirements should be structured to preserve customer confidentiality (as well as potentially commercially-sensitive, trade secret, and confidential information) where appropriate and to avoid the imposition of unnecessary administrative burden and associated costs. In that regard, SDG&E notes that some of the information that might be considered for reporting, i.e. Peaker plant pricing, may be proprietary and must to be treated as confidential. SDG&E believes that weekly reporting is too frequent and labor intensive, and proposes that the frequency of reports be maintained at the monthly level.

ORA contends that:

“It is not transparent how the IOU issues decisions to dispatch or not dispatch DR in the administration of its DR programs. While the ability to call these programs is based on different triggers, locations, and number of available hours, it is unclear whether the IOUs appropriately dispatch the DR programs. The IOUs have the discretion to not call DR programs even when triggers in the programs are reached, as there may be other circumstances that alter the need to call DR.¹³ However, this decision making process is not transparent and DR programs may be underutilized compared to their availability and relevant avoided costs.” (See, ORA Comments, at p. 6.)

SDG&E submits that no mid-season changes regarding how DR events are triggered should be made this summer because there is no agreed upon theoretical basis for how and when DR events should be triggered at this time. Whether or not it is economic overall to trigger a demand response program is not a simple question. More frequent events may lead to higher short term energy benefits but can lower long term capacity benefits if the more frequent events result in lower participation.

2. SDG&E's Proposal Has Been Designed to Address ORA's Concern that Marketing of Residential TOU at this Time Could Confuse Customers

In its Comments, ORA has identified the following concern and made the following related recommendation:

Problem/Concern: Changes to opt-in residential TOU rates are currently under development and the Commission currently is considering default residential TOU in 2018. [Footnote omitted.] Marketing of residential TOU at this time may confuse customers as changes are expected and may contradict what is currently advertised.

Recommendation: Focus the marketing of residential TOU so to ensure that the advertising does not mislead the customer. (See, ORA Comments, at p. 19.)

SDG&E agrees with ORA that marketing to customers all rates and programs should be targeted and integrated and that education on rates is a key component of these efforts in order to mitigate any possible customer confusion. To that end, SDG&E has put into place or is in the process of developing several tools:

- Residential customers today (those who are eligible today for PTR and will be eligible for our TOU rate) can sign into MyAccount to access the Energy Management Tool to monitor usage patterns, see past bills and analyze their bill to see why it has changed.
- Additionally, residential customers can sign into My Account to enroll and receive a Weekly Energy Use Summary email that provides information about their usage patterns on a weekly basis. All of these efforts are provided in order to help customers become acquainted with their usage patterns, and how that translates into what they see on their bill, including the eligible rates for that customer.
- SDG&E has identified key customer segments who are especially engaged through our residential segmentation research. SDG&E's initial target audience for the Smart Pricing Program will include our already-engaged customers who can benefit on the

new pricing plans based on their current energy use, as well as those customers who can benefit on the new plans if they make some behavior changes. Furthermore, bill impact analysis will be used to identify customers who are most likely to benefit based on their historical energy use.

For the forgoing reasons, SDG&E submits that ORA’s concerns have been appropriately addressed in SDG&E’s proposals.

3. SDG&E’s Proposals Address ORA’s Recommendation that General Outreach/Education Information Provide Customers the Ability to Monitor their Usage Pattern and Compare Tiered and Optional TOU rates

On page 20 of ORA’s Comments (See, Item 1), ORA raises concerns that marketing be accurate for Time of Use rates and the Peak Time Rebate programs. ORA proposes that “General outreach/education information for now should provide customers the ability to monitor their usage pattern and compare tiered and optional TOU rates to see which rate can help them mitigate bill increases. Marketing should not mislead customers to assuming that their rate will decrease with TOU as this may upset those customers who cannot reduce usage in peak hours and lead to opt outs.” Additionally, ORA suggests that SDG&E combine marketing of TOU and PTR rates since they are available to the same customers.

SDG&E agrees with the overall need addressed by ORA, but submits this need has been met by SDG&E’s proposals herein. In that regard, through the Smart Pricing Program, SDG&E has developed both an online rate comparison tool and a Personalized Plan Comparison Report that will be sent to customers through both email and direct mail. Upon launch of the Smart Pricing Program, these comparison tools will offer personalized annual and monthly cost estimates for each available rate based on that customer’s last year of energy usage and patterns.

SDG&E believes that providing customers with factual information in clear formats will be the best route for ensuring that customers understand the options available to them.

On the need for coordination between TOU and PTR programs, SDG&E responds that marketing synergies have been identified and SDG&E's marketing efforts will be integrated. When customers view the rate comparison tool or their Personalized Plan Comparison Report, the cost estimates will reflect both TOU rates and PTR program credits. When customers enroll in new rates that are eligible for PTR, according to PTR program guidelines, they will be enrolled to receive notifications of PTR events. TOU Plus and PTR event notifications are also integrated and consistent along with the process for signing up to receive event notifications.

Details of this effort can be found in SDG&E's AL 2466-E-B: Supplemental filing, Submittal of SDG&E's Smart Pricing Program Outreach and Education Plan 1, Compliance with D. 12-12-004. Pages 26-33 of the Plan submitted therein outline SDG&E's residential plan.

SDG&E respectfully refers the Commission and ORA to its DRP filing in which specifically SDG&E requests that its marketing and outreach budgets be restructured to reflect these very issues. In order to fully integrate its customer education, marketing and outreach across the multiple TOU and dynamic rates, DR programs and offerings, as well as to reduce cross-marketing messages and potential customer confusion, SDG&E also proposed in its DR proposal that the funding for these efforts be combined into a single funding source (Local Marketing Education and Outreach, or LMEO). SDG&E believes this is good policy and planning in order to address the issues ORA raises above.

B. Response to Proposals of Alarm.com/Energy Hub

In their Comments, Alarm.com/Energy Hub suggest that, "Participation of residential customers in existing programs can be increased by expanding "bring-your-own-thermostat"

models that incorporate technologies within existing demand response programs” (See Comments of Alarm.com/Energy Hub, at P. 6.) SDG&E responds that a retail option and/or a “bring-your-own-thermostat” model is SDG&E’s ultimate end-goal, where SDG&E will seek to support multiple vendor solutions that are standards based (SEP or OpenADR) and cost effective. However, SDG&E needs to have the appropriate systems and system integrations in place to implement this option.

Alarm.com/Energy Hub also suggest that, “Pilot programs should include a focus on residential customers and adoption of consumer load management technologies that also leverage advanced metering information and investments.” (See Alarm.com/Energy Hub Comments, at p. 7.) SDG&E responds that it has previously conducted a number of pilots involving residential customers and load management technologies, including the Residential Automated Control Technology Pilot (2011), Low Income Pilot (2011), Microgrid (2012, 2013), and others. Lessons learned from these pilots were incorporated into SDG&E’s Small Customer Technology Deployment, which was approved by D. 12-04-045 and is a component part of the 2012-2014 program cycle.

C. Response to Comments of the California Energy Storage Association (“CESA”)

1. The Importance of the Permanent Load Shift Program

In its Comments, CESA points to the importance of the Permanent Load Shift (PLS) program. (See CESA Comments, Appendix 1.) SDG&E agrees with CESA on the importance of the Permanent Load Shift (PLS) program. The current program design is the result of collaboration amongst a variety of parties participating in a recent series of Energy Division hosted workshops, and was approved by the Commission with an effective date of June 12, 2013 (see SDG&E Advice Letter 2489-E, and the Energy Division approval letter dated September 5,

2013). SDG&E would welcome an opportunity to revisit the program parameters to make improvements. Because of the collaborative nature of the development of the PLS Program, SDG&E believes that any such future changes would benefit from require input from all stakeholders and recommends that, should the Commission determine that changes are warranted to the PLS Program, Energy Division should be directed to host workshops to facilitate a collaborative change process.

2. The Potential “Free Ridership Problem in SDG&E’s Peak Time Rebate (PTR) Programs Has Already Been Addressed

In their comments, CESA expresses concern to the effect that, “SCE’s and SDG&E’s Peak Time Rebate (PTR) programs have a potentially large ‘free-ridership’ problem. Over \$35 million of their PTR program incentives were paid to customers without providing significant load reduction (about 85%-94% of total paid incentives).” (See, CESA Comments, at p. 5.) CESA’s comments essentially reiterate findings contained in the Energy Division’s Staff Report assessing the performance of the IOU’s Demand Response Programs during the Summer of 2012, dated May 1, 2013, which was ultimately adopted by the Commission in D. 13-07-003. SDG&E submits that in issuing D. 13-07-003, the Commission has already addressed these concerns and has set future program revisions in motion to help resolve the identified concerns.

In that regard, based on the May 1, 2013 Staff Report, party proposals and D. 13-07-003, the free ridership concern will be addressed by making PTR an opt-in program starting May 1, 2014. (See, D. 13-04-017, SDG&E Advice Letter 2571-E, and D. 13-07-003.)

III. CONCLUSION

SDG&E appreciates this opportunity to Reply to the Program Improvement Proposals that have been submitted herein and looks forward to working with stakeholders and the Commission to improve demand response programs through this proceeding.

DATED at San Diego, California, on this 13th day of March, 2014.

Respectfully submitted,

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