

**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)

**COMMENTS OF SAN DIEGO GAS & ELECTRIC COMPANY (U902E) ON
PROPOSED DECISION**

Thomas R. Brill
Attorney for:
SAN DIEGO GAS AND ELECTRIC COMPANY
8330 Century Park Ct.
San Diego, CA 92123-1530
Telephone: (858) 654-1601
Facsimile: (858) 654-1586
E-mail: TBrill@semprautilities.com

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TABLE OF AUTHORITIES

There Are No Cited Authorities

Subject Index of Recommended Changes to the Proposed Decision

Finding of Fact 12/Conclusion of Law 7

No evidence has been presented in this proceeding that the CAISO markets have been unsuccessful or are not viable without DR. More demand response may improve the efficiency of the CAISO energy market, but that issue should be explored in Phase III and not prejudged at this time in the absence of relevant evidence. For those reasons, SDG&E submits the FOF 12 and COL 7 of the PD should be changed as follows:

FOF 12: More demand response must be bid into the CAISO markets to make it successful.

Proposed Change:

Proposed FOF 12: The Commission will explore in Phase III of this proceeding whether more demand response should be bid into the CAISO markets to improve market efficiency.

COL 7: It is reasonable to continue to analyze, in Phase III of this proceeding, the issue of how much demand response should be bid into the CAISOs market to ensure viability of the market.

Proposed Change:

Proposed COL 7: It is reasonable to continue to analyze, in Phase III of this proceeding, the issue of how much demand response should be bid into could improve efficiency in the CAISOs market.

Ordering Paragraphs 3 and 4

Ordering Paragraph 3 defines Supply Resources “as resources that can be scheduled and dispatched into the California Independent System Operators energy markets, when and where needed.” Ordering Paragraph 4 then defines a number of programs as supply resources. However, the rest of the PD is clear that the programs listed as “Supply Resources” are currently not able to be scheduled and dispatched in CAISO markets. As a result, it is premature to classify these as “Supply Resources.” The PD should be modified to state either: (1) that the CPUC’s vision of the future is that DR programs should ultimately be classified as in the table; and/or, (2) that the Commission will consider whether the programs preliminarily classified in the table as “Supply Resources” are appropriately classified in light of their ability to meet CAISO integration cost concerns (FOF 13 and page 8), resource adequacy valuation (FOF 16,17 and page 10), and other concerns such as the use of DR for local distribution reliability (see PD,

at p. 20). For these reasons, SDG&E submits that Ordering Paragraphs 3 and 4 should be changed as follows:

Ordering Paragraph 3: Supply resource are defined as resources that can be scheduled and dispatched into the California Independent System Operators energy markets, when and where needed.

Proposed Change:

Proposed Ordering Paragraph 3: Supply resources are defined as resources that can be scheduled and dispatched into the California Independent System Operators energy markets, when and where needed, can be cost-effectively integrated into CAISO markets, qualify for resource adequacy valuation, and can be cost-effectively deployed to meet local distribution reliability needs.

Ordering Paragraph 4: Current demand response programs are bifurcated as such:

Bifurcation of Demand Response Programs	
Programs that are Load Modifiers	Programs that are Supply Resources
Critical Peak Pricing (CPP) Time of Use (TOU) Rates Permanent Load Shifting (PLS) Real Time Pricing (RTP), and Peak Time Rebate (PTR)	Aggregator Managed Programs (AMP) Demand Bidding Program, (DBP), Capacity Bidding Program (CBP), Air Conditioner (AC) Cycling, Agricultural Pumping Interruptible (API), and Base Interruptible Program (BIP)

Proposed Change:

Proposed Ordering Paragraph 4: the Commission will consider whether the programs preliminarily classified in the table as “Supply Resources” are appropriately classified in light of their ability to meet CAISO integration cost concerns (FOF 13 and page 8), resource adequacy valuation (FOF 16, 17 and page 10), and other concerns such as the use of DR for local distribution reliability (see PD, at p. 20)The Commission proposes to bifurcate ~~Current-current~~ demand response programs are bifurcated as such: set forth in the following table, subject to consideration in Phase III of this proceeding of their ability to be cost-effectively integrated into CAISO markets, qualify for resource adequacy valuation, and be cost-effectively deployed to meet local distribution reliability needs.

Bifurcation of Demand Response Programs	
Programs that are Load Modifiers	Programs that are Supply Resources

Critical Peak Pricing (CPP) Time of Use (TOU) Rates Permanent Load Shifting (PLS) Real Time Pricing (RTP), and Peak Time Rebate (PTR)	Aggregator Managed Programs (AMP) Demand Bidding Program, (DBP), Capacity Bidding Program (CBP), Air Conditioner (AC) Cycling, Agricultural Pumping Interruptible (API), and Base Interruptible Program (BIP)
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**COMMENTS OF SAN DIEGO GAS & ELECTRIC COMPANY (U902E) ON
PROPOSED DECISION**

San Diego Gas & Electric Company ("SDG&E") respectfully submits the following comments on the Proposed Decision Addressing Foundational Issue of The Bifurcation of Demand Response Programs, issued February 21, 2014 ("PD"). SDG&E appreciates the initiative taken by the PD to advance the discussion and ultimate implementation of a bifurcated Demand Response ("DR") market. However, the PD should be revised to avoid prejudging the outcome of several issues that should be determined on the basis of thorough analysis.

I. INTRODUCTION

As is discussed herein, the PD discusses a number of issues that will need to be resolved in order to implement DR as a Supply Resource, including their ability to meet CAISO integration cost concerns (FOF 13 and page 8), resource adequacy valuation (FOF 16, 17 and page 10), and other concerns such as the use of DR for local distribution reliability (see PD, at p. 20). While SDG&E proposes revisions to the definitions that would be adopted under the PD, the PD also appropriately seeks to adopt new terms and definitions for Supply Resources and Load Modifying Resources based on the comments that have been submitted herein. However, the PD would also go beyond merely adopting definitions for the terms Supply Resource and Load Modifying Resource, and classify DR programs as one or the other. SDG&E submits that

the PD should be revised in several respects to avoid prejudging which DR programs will be classified as Supply Resources until the important issues identified in the PD are addressed in this and the Commission's Resource Adequacy proceeding.

II. THE RECORD DOES NOT SUPPORT A FINDING THAT DR MUST BE BID INTO THE CAISO MARKET TO "MAKE IT SUCCESSFUL"

The PD would have the Commission find that, "More demand response must be bid into the CAISO markets to make it successful." (See PD, FOF 12.) Similarly Conclusion of Law 7 would have the Commission conclude that, "[i]t is reasonable to continue to analyze, in Phase III of this proceeding, the issue of how much demand response should be bid into the CAISOs market to ensure viability of the market." However, no evidence has been presented in this proceeding that the CAISO markets have been unsuccessful or are not viable without DR. Moreover, the overall goal of the Commission should be to "to improve the efficiency of demand response and increase the use of all demand response programs." (See PD, at p. 2.) SDG&E agrees that more demand response being bid into the CAISO energy market may improve its efficiency, but submits that this issue should be explored in Phase III and not prejudged at this time in the absence of relevant evidence.

III. THE PD PREJUDGES THE APPROPRIATE CLASSIFICATION OF DEMAND RESPONSE PRODUCTS

In the Joint Assigned Commissioner and Administrative Law Judge Ruling, issued November 13, 2013, parties were advised that:

In looking at the purpose of this proceeding, to determine whether and how to bifurcate current demand response programs in order to prioritize demand response as a utility-procured resource, the Commission must first determine what is meant by bifurcation and whether there are reasons not to bifurcate. Parties recommended delving into other issues such as building a robust demand response market; determining what is needed to increase participation i.e., increasing the use of enabling technologies; and providing guidance for future program cycles. [Footnote omitted.]

While we do not dismiss the items suggested by the parties, the foremost issue in this rulemaking is whether the Commission can and should bifurcate. In addition, we will

address the foundational issues of cost-effectiveness, cost allocation, and the use of back-up generators. (See, Joint Assigned Commissioner and Administrative Law Judge Ruling, issued November 13, 2013, at p. 9.)

In Attachment 1 to the Joint Ruling, parties were asked to respond to a number of questions. None of these requested specific categorization of DR programs as Supply or Load Modifying Resources, nor were parties asked to comment on the extent to which any of the existing DR programs, if classified as Supply Resources, would be able to be cost effectively integrated into the CAISO market, be able to create resource adequacy value, and meet local distribution reliability needs.

Nevertheless, Ordering Paragraph 3 would define Supply Resources “as resources that can be scheduled and dispatched into the California Independent System Operators energy markets, when and where needed.” Ordering Paragraph 4 then defines a number of programs as supply resources, without the benefit of this kind of analysis.

The need for additional analysis of the ability of existing DR programs to be classified and serve effectively and cost-effectively as Supply Resources is apparent from the discussion set forth throughout the rest of the PD, which make it clear that the programs that would be classified as “Supply Resources” are currently not able to be scheduled and dispatched in CAISO markets. As a result, SDG&E submits that it is premature to classify these as “Supply Resources.”

For the forgoing reasons, the PD should be modified to state that the Commission will consider whether the programs preliminarily classified in the table as “Supply Resources” are appropriately classified in light of their ability to meet CAISO integration cost concerns (FOF 13 and page 8), resource adequacy valuation (FOF 16,17 and page 10), and other concerns such as the use of DR for local distribution reliability (see PD, at p. 20).

IV. CONCLUSION

For the reasons set forth above, SDG&E respectfully requests that the PD be revised to avoid unnecessarily prejudging the important issues that must be addressed in this proceeding and the RA proceeding.

DATED at San Diego, California, on this 13th day of March, 2013.

Respectfully submitted,

By: /s/ Thomas R. Brill

Thomas R. Brill

Attorney for:

SAN DIEGO GAS AND ELECTRIC COMPANY

8330 Century Park Ct.

San Diego, CA 92123-1530

Telephone: (858) 654-1601

Facsimile: (858) 654-1586

E-mail: TBrill@semprautilities.com

Appendix "A"
Proposed Findings of Fact and Conclusions of Law

Finding of Fact 12

FOF 12: More demand response must be bid into the CAISO markets to make it successful.

Proposed Change:

Proposed FOF 12: The Commission will explore in Phase III of this proceeding whether more demand response must should be bid into the CAISO markets to improve market efficiency make it successful.

Conclusion of Law 7

COL 7: It is reasonable to continue to analyze, in Phase III of this proceeding, the issue of how much demand response should be bid into the CAISOs market to ensure viability of the market.

Proposed Change:

Proposed COL 7: It is reasonable to continue to analyze, in Phase III of this proceeding, the issue of how ~~much demand response should be bid into~~ could improve efficiency in the CAISOs market to ensure viability of the market.