

**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)

**PACIFIC GAS AND ELECTRIC COMPANY'S (U 39 M)
RESPONSE TO THE APRIL 2, 2014 SCOPING MEMO
MATERIAL FINDINGS OF FACT IN DISPUTE**

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Pursuant to the Joint Assigned Commissioner and Administrative Law Judge Ruling and Revised Scoping Memo Defining Scope and Schedule for Phase Three, Revising Schedule for Phase Two, and Providing Guidance for Testimony and Hearings, dated April 2, 2014, Pacific Gas & Electric Company (PG&E) provides a list of findings of fact (FOF) that may be disputed. The list includes suggested FOFs on matters that PG&E believes the decisions on Phases 2 and 3 issues will need. A number of these issues will likely be contested, but until the record has been full developed, including rebuttal testimony, oral testimony at hearing and under cross-examination, and briefing, we will not be able to definitively determine all contested facts. Thus there may be some facts that are not disputed, and there may be disputed facts that have not been identified yet.

To assist with the management of available hearing time, PG&E will circulate a spread sheet later this week for parties to identify the witnesses they want to cross, and the amount of time they need.

Resource Adequacy FOFs

1. Load Modifying Resource Demand Response (DR) reshapes the load curve, and reduces ramping needs.
2. Load Modifying Resource DR and Supply Side DR provide comparable RA value.
3. Load Modifying Resource DR can reduce the Resource Adequacy (RA) requirement.

4. Supply Resource DR can meet the RA requirement.
5. The size of subLAPs in PG&E's service territory is much smaller than in other ISO/RTOs.

Suggested Program Application Process FOFs

1. Establishing a DR program and recruiting customers to participate take significant amounts of time and resources
2. DR program stability is very important to customers.
3. A longer application cycle would promote DR program stability and allow more effective program development and customer recruitment

Fossil-fired Back-up Generation

1. The utilities are not in a position to collect data on customers' use of fossil-fuel back-up generation behind the meter during DR events.
2. There is no information on whether the emissions from back-up generators would be reduced if they could not be used to provide DR since they are subject to emissions limits set by other regulatory authorities.

Load Modifying Resource DR

1. Load Modifying Resource DR does not have to be bid into the California Independent System Operator (CAISO) market to impact price formation in that market. Load Modifying Resource DR contributes to price formation in the CAISO market.
2. Load Modifying Resource DR and Supply Resource DR impact prices in the CAISO market in a similar way.
3. The current CAISO process to be notified of a dispatch of Load Modifying Resource DR has been in place many years and works well.
4. The current CAISO process for communicating with IOUs to trigger reliability DR has been in place for numerous years and works well for the DR reliability programs.
5. Changes can be made to the CAISO processes to better coordinate Load Modifying Resources with the CAISO market.

6. PG&E's reliability DR resources such as the Base Interruptible Program (BIP), have been successfully use by the CAISO many times in the past to meet system and local reliability needs.
7. Existing and new DR programs should not be categorized as Load Modifying Resources or Supply Resources DR without a clear and transparent set of criteria.
8. A transition to large scale integration of DR into the CAISO market as supply will take a significant amount of time.
9. DR does not need to be bid in as Supply Resource DR but can be a Load Modifying Resource DR for wholesale electricity markets to work.
10. Forcing all DR to be Supply Resource DR will reduce opportunities for innovation and growth in DR.
11. Load Modifying Resource DR is the most common type of DR in other ISO/RTOs.

Supply Resource DR

1. DR should not be required to be bid into the CAISO market if the incremental benefits do not exceed the incremental costs.
2. The incremental benefits of bidding existing DR programs into the CAISO market are small relative to the incremental costs.
3. Bidding Supply Resource DR is currently a complex and costly process.
4. DR does not need to be bid as Supply Resource DR into the CAISO market in order to contribute to wholesale market price formation.
5. DR does not need to be bid as Supply Resource DR for CAISO markets to work properly.
6. Forcing all DR to be Supply Resource DR likely will reduce the amount of DR and the number of customers who participate.
7. Customers providing DR are doing so as a subsidiary activity to their primary focus, their regular daily business operations.

8. Using DR to ramp up and down or provide regulation or to integrate renewables will require many more dispatches than current DR programs, perhaps even daily with more disruption and wear and tear on customer equipment.
9. There is a critical question whether customers will tolerate having their loads adjusted far more frequently to provide flexibility for the wholesale CAISO market. Customers who currently provide DR are likely to react with reduced interest. Those who do not drop out likely will require significantly higher remuneration for participating in Supply Resource DR.
10. The IRM2 pilot experience to date shows some of the significant challenges that must be addressed for more DR to be bid as supply
11. PG&E's current DR programs cannot all be bid into the CAISO market as supply, as programs and markets are currently configured.
12. Allowing Load Serving Entities (LSE), DR providers, Customers and IOUs the flexibility to split a DR program into Load Modifying Resource DR and Supply Resource DR should help avoid loss of potential DR.
13. Some DR in other organized wholesale markets such as ERCOT is equivalent to Load Modifying Resource DR, and these markets work reasonably well.
14. ERCOT operates an emergency DR program and loads can offer to provide ancillary services. This degree of integration and coordination is considered sufficient and has worked well.
15. There are many opportunities that have been identified to potentially reduce the cost and complexity of Supply Resource DR.
16. Supply resource DR can provide the CAISO specific services that they procure such as ancillary services.
17. An existing DR program should not be converted into Supply Resource DR unless it provides a product that the CAISO directly procures (i.e., ancillary services), or the

incremental costs of bidding the DR program as supply exceed the incremental costs of bidding DR as supply.

CAISO Market Integration Costs

1. The costs identified of integrating DR programs into the CAISO market as Supply Resources for are high, but not all costs have been identified yet, and the total costs, including the CAISO, customer, and aggregator costs, are not yet known
2. The costs for Rule 24 implementation are in addition to the costs that have been quantified by PG&E for several scenarios described in PG&E's testimony.
3. PG&E is the only entity that has successfully bid PDR into the CAIOS market and been dispatched.
4. The IOUs' costs, timing and scope for implementation of the IOUs' rules for Electric Rule 24 are in the Commission proceeding for the IOUs' June 2, 2014 applications for approval and cost recovery.
5. The costs of bidding Supply Resource DR into the CAISO are currently significant.
6. Bidding Supply Resource DR into the CAISO market is currently a complex process.
7. There are significant opportunities to reduce the cost and complexity of bidding Supply Resource DR into the CAISO market.

DR Procurement and DRAM (Demand Response Auction Mechanism)

1. The DRAM proposal has too many uncertainties and unspoken or unfounded assumptions.
2. Treatment of different DR products and bid ranking and selection are not adequately developed.
3. The hard bid cap in the DRAM proposal can lead to a suboptimal decision in which too little DR or too much DR is taken in the auction.
4. DRAM procurement must be cost effective.
5. DRAM cannot be deemed cost effective solely based on bids submitted in the DRAM process, without reference to avoided generation, transmission and distribution costs.

6. Cost effectiveness must be related to a perspective such as the Cost Effectiveness Protocols.
7. The utilities should have the ability to assess product and provider viability, and incorporate requirements in the auction process and contractual commitments.
8. Workshops are needed on DRAM to address the uncertainties and assumptions.
9. Utilities should be allowed to hold other competitive auctions for DR products, in addition to the DRAM.
10. Procurement mechanisms for DR should encourage a wide range of customer types to participate in DR programs. Ensuring a wide range of DR options will promote customer participation and maximize the amount of DR.
11. There are numerous ways to procure cost-effective demand response.

Demand Response Goals

1. There is insufficient information to support a numerical DR procurement goal at this time.
2. The qualitative goal should be to procure all cost-effective DR, consistent with system needs identified in planning processes (e.g. LTPP, RA, T&D planning, etc.).
3. DR goals should reflect current and future system needs.
4. The amount and type of DR resources in an IOU's portfolio will be based on customer willingness to participate.
5. A numerical procurement target for any type of DR is not necessary at this time.
6. Actions to increase opportunities to obtain more DR include:
 - a. Revise the DR cost effectiveness methodology as identified by parties in the 2013 workshops on cost effectiveness.
 - b. Do not force DR to be a supply resource.
 - c. Allow and fund IOUs to market for more DR in all programs and dynamic rates including for BIP.

- d. Allow IOUs to do more RFPs for both Load Modifying Resource and Supply Resource DR for terms of up to five years.
 - e. When conducting solicitations of third-party DR, allow a reasonable amount of lead time before the solicitation and before delivery for bidders to maximize the amount of DR they can offer and deliver.
 - f. CAISO allowance for DLAP-wide PDR formation.
7. Explore best practices in other states.
 8. The IOUs need flexibility in how they meet their DR goals.

Cost Allocation

1. DA and CCA customers, similar to utility bundled customers, are eligible to participate in many utility demand response programs, and should contribute to cost recovery.
2. DR programs can be used for local reliability and grid stability that benefit all customers, and can defer distribution investment.
3. DR program costs are customer service related and can provide bill savings to participating customers.
4. DR program administration has always been performed by PG&E's customer service organization.

Incentives and Rate Structures

1. There is no factual basis to establish a per customer incentive payment to the aggregators by the utilities. Specific incentives like a per customer payment to the aggregator are a matter of program design that should be considered when the specific program is developed and cost effectiveness can be analyzed.
2. The Commission examines electric rate structures and design in other dockets. This rulemaking is not the appropriate forum to determine electric rate design issues.

Conclusion: PG&E appreciates the opportunity to prove a list of FOFs potentially in dispute for the ALJ's consideration. Early identification of disputed FOFs can contribute to

