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.	R.13-09-011 (Filed September 19, 2013)

THE OFFICE OF RATEPAYER ADVOCATES' OPENING COMMENTS ON PROPOSED DECISION ADDRESSING DEMAND RESPONSE PROGRAM IMPROVEMENTS AND BRIDGE FUNDING BUDGET

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I. INTRODUCTION

The Office of Ratepayer Advocates (ORA) submits the following comments on the Proposed Decision (PD) of Administrative Law Judge Kelly A. Hymes dated April 15, 2014 addressing the demand response (DR) program improvements and bridge funding budget for 2015-2016. In response to a January 31, 2014 Scoping Ruling, parties submitted DR program improvement recommendations in their opening comments on March 3, 2014 and reply comments on March 13, 2014.[1] The PD adopts and rejects specific recommendations. The PD also authorizes a budget for PG&E, SDG&E and SCE for the 2015-2016 DR programs.

ORA's comments refer to specific issues addressed by the PD and are summarized below:

- ORA supports the PD's requirement for the utilities to report on DR dispatch decision-making.
- Contrary to the PD's Finding and Conclusion of Law, changing the Base Interruptible Program (BIP) trigger would not harm the settlement.
- The PD's approval of disjointed AutoDR programs rather than a statewide program is concerning to ORA.
- The PD's rejection of ORA's recommendation for PG&E to be required to target marketing of SmartRate to only warm climate zones will waste ratepayer dollars.

[1] California Energy Storage Alliance (CESA), Alarm.com and EnergyHub (jointly, EnergyHub), EnerNOC, Inc., Johnson Controls, Inc., and Comverge, Inc., (jointly, the Joint Demand Response Parties), Marin Clean Energy (MCE), Office of Ratepayer Advocates (ORA), Olivine, Inc. (Olivine); Pacific Gas And Electric Company (PG&E), San Diego Gas and Electric Company (SDG&E), Southern California Edison Company (SCE), and Southern California Regional Energy Network and the San Francisco Bay Area Regional Energy Network (jointly, RENs), California Large Energy Consumers Association (CLECA), and the Direct Access Customer Coalition/Alliance for Retail Energy Markets (DACC/AReM) filed comments.

- ORA supports the PD's requirement for SCE to continue negotiations to improve its Aggregator Managed Portfolio (AMP) program agreements.
- ORA supports the PD's requirement that the Investor Owned Utilities (IOUs) report on their experience with bidding into the CAISO energy markets.
- Contrary to the PD's rejection, PG&E should be allowed to expand the dispatch window for its Demand Bidding Program (DBP) because it is a voluntary program with no penalties.

II. DISCUSSION

A. Exception Reporting On IOU Dispatch Decisions Will Provide Transparency And Inform Review Of DR Programs

In its opening comments on proposals for revisions to DR programs for the bridge fund years, ORA identified the issue of transparency in the decision making process to dispatch or not dispatch DR when triggers for the programs are reached. ORA recommended weekly exception reporting to clearly identify and describe each instance a DR program is economic to dispatch and yet not utilized in favor of a non-DR resource. Such information would allow ORA and the Commission to review the decision making process of the IOUs in administering these programs, allow for mid-DR season adjustments, inform future DR program design, as well as, provide essential information in reviewing DR in the Energy Resource Recovery Account (ERRA) proceedings. ORA supports the adoption of this proposal by the PD and looks forward to working with Energy Division, the utilities and other interested stakeholders to finalize a reporting template.[2]

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[2] PD Ordering Paragraph (OP) 2, p. 45.

B. The BIP Trigger Is An Issue Of Concern That Does Not Harm The Settlement If Changed

ORA raised the issue that while BIP is an RA resource already paid for by ratepayers, it is not necessarily dispatched before the CAISO procures Non-RA resources within its own balancing authority. ORA recommends that the trigger for the BIP be moved to an earlier step in CAISO's Operating Procedure 4420[3] to allow utilities to consider BIP for dispatch before the CAISO procures Exceptional Dispatch energy or capacity from Non-RA sources within its own balancing authority. This change would prevent ratepayers from having to pay twice (once through BIP program costs and again through Exceptional Dispatch procurement of Non-RA resources) for the same capacity that BIP was intended to provide.

The PD correctly finds validity in ORA's concerns regarding the placement of BIP in the CAISO operating procedure 4420.[4] However, it also finds that changes to the CAISO Operating Procedure made without the consent of all parties to the Settlement[5] could harm the Settlement[6] and concludes that it is reasonable to deny ORA's proposal to change the BIP dispatch order because of the potential impact to the Settlement.[7]

ORA disagrees. Section A.4.l. of the Settlement clearly states that "Parties will not propose to change this RDRP trigger for any year prior to 2015."[8] The change that ORA seeks is for 2015 and beyond, and so the adoption of such a change would not violate the terms of the Settlement. Thus, the Commission should adopt ORA's proposal on the

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[3] See CAISO Operating Procedure 4420 Version 8.4 Effective January 9, 2014 Section 3.3.2 Warning Notice Step 12. http://www.caiso.com/Documents/4420.pdf.

[4] PD Finding of Fact (FOF) 16, p. 39.

[5] D.10-06-034 adopted a settlement on Phase 3 issues pertaining to emergency triggered DR programs.

[6] PD FOF 18, p. 39.

[7] PD Conclusion of Law (COL) 6, p. 43.

[8] D.10-06-034 Appendix A, p. 5.

basis of the benefits of the change. In addition, the Commission should correct the PD with regards to discussion of the Settlement.

C. The Commission Should Require The IOUs To Offer A Statewide AutoDR Program

In its March 13, 2014 reply comments, ORA discussed its concerns with regards to the failure to implement a statewide AutoDR program, as intended by D.12-04-045. In D.12-04-045 the Commision noted that while the three utility AutoDR programs are conceptually similar, they differ in the implementation details (incentive levels, verification methods, eligible DR programs, qualified technologies, application processes, etc.).[9] Based on the years of experience managing the programs, the Commission expected a convergence to a core set of best practices and directed the utilities to collaborate to develop a statewide program with common rules and incentive levels to be implemented beginning 2015.[10] The utilities complied with this direction by filing a joint Advice Letter (AL) with a statewide proposal on October 31, 2013.[11]

ORA protested the AL based on expectations that evaluations would be available to refine the proposal[12] and recommended an updated proposal be submitted in this OIR where it could be considered with other program changes and funding during the bridge period. ORA did not simply claim that the IOUs agreed that waiting was prudent, as stated in the PD,[13] in fact the IOUs filed a joint reply supporting rejection of the AL.[14] The IOUs agreed with ORA that the two studies should help improve AutoDR program

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[9] D.12-04-045, p. 143.

[10] *Id.*

[11] PG&E AL 4306-E, SDG&E AL 2534-E and SCE AL 2960-E.

[12] AL 4306-E footnote 2, p. 2. A Load Impact Evaluation has not yet been made available but a Process Evaluation was made available on March 21, 2014. http://calmac.org/publications/Statewide_2012_Auto-DR_Program_Process_Evaluation_3-21-2014_Final.pdf

[13] PD, p .28.

[14] 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., on November 27, 2013, p. 2.

designs and help stakeholders better evaluate the proposal.[15] As such, the Commission's Energy Division suspended the AL on November 20, 2013 for 120 days for staff review.[16]

The IOUs failed to address the statewide AutoDR proposal for post-2014 in the proposals. Rather, PG&E made specific proposals for improving education, outreach, technical assistance and streamlining the application process that would not impact budget or cost effectiveness.[17] ORA has stated that the Commission should reject the IOUs' proposals to continue implementation of their individual disjointed AutoDR programs; it did not specifically oppose PG&E's proposals.[18] The PD requires SDG&E and SCE to implement the same revisions as those approved for PG&E[19] but this still does not provide a streamlined statewide program. ORA's concern is that the utilities would continue to provide individual disjointed AutoDR programs with no justification for continuing to apply different implementation details. It's not clear why the utilities should continue to provide different incentives,[20] verification methods,[21] allowed technologies,[22] etc. A consistent program based on best practices would better serve customers with sites across multiple IOUs that may be eligible for the program by offering clear program requirements and reducing transactions costs.

The PD states its agreement with the utilities that a program should not be implemented that may require changes following the completion of the review of DR in

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[15] *Id.*

[16] AL 4306-E Suspension Notice, November 20, 2013.

[17] PG&E Proposal, p. 6.

[18] ORA Reply, p. 8.

[19] PD FOF 18, p. 44.

[20] AL 4306-E Attachment A, p. 5.

[21] *Id.*

[22] *Id.*

this proceeding.[23] However, the Commission should still consider the recommendations in AL 4306-E and the AutoDR Process Evaluation to improve and provide consistency between the programs for the bridge period, even if it decides not to implement a statewide AutoDR program. For example, in AL 4306-E, the utilities agreed to standardize incentive rates with a lower rate for HVAC and other measures as PG&E was able to demonstrate maintained interest and greater cost effectiveness at the lower rate.[24] The Commission has not provided a resolution to address the AL and should not forgo the option of allowing any recommended AutoDR changes that may be included in the resolution of the AL to be applied to the 2015-16 AutoDR programs.

D. Target Marketing Of SmartRate To Only Warm Climate Zones

As discussed in ORA's opening comments on DR program improvements, ORA is concerned with the marketing of PG&E's residential critical peak pricing (CPP) program to the cool regions of the Greater Bay Area and the Northern Coast which provide much less load reduction per participant compared to the estimated response from participants in warmer regions.[25] ORA recommends that PG&E target its marketing dollars to areas where load reductions could provide greater impact/system benefits, and substantially reduce marketing efforts to customers in cool, coastal areas. PG&E responded by stating that it does in fact target marketing by "identifying and targeting customers who show a high propensity to engage in the program and provide load reductions during event days."[26] The PD erroneously finds that no further changes to marketing of SmartRate are needed at this time because PG&E currently provides targeted marketing.

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[23] PD, pp. 28-29.

[24] AL 4306-E, p. 9.

[25] ORA Comments, p. 16-17.

[26] PG&E Reply, p. 6.

The April 1, 2014 load impact evaluation did not provide a breakdown of participation and load reduction based on regional climate differences, unlike the 2013 load impact evaluation, and so did not alleviate ORA's concern regarding marketing of SmartRate in cool regions.[27] Table 1 shows that participation in the cool regions of the Bay Area again outstripped participation in other regions in terms of total participants and total additional participants from 2012 to 2013.[28] (Customer counts are as of the end of the summer.) This data shows that the growth of the SmartRate program is in the least valuable areas, and indicates that PG&E is ineffectively marketing the program in areas with hotter climates.

[27] PG&E 2012 Program Year Load Impact Evaluation of Residential Time-based Pricing Programs, p. 12.

[28] PG&E Response to ORA-DR_PG&E001 (2014) Table 1.

PG&E used the same method of separating customers between the warm and cool regions of the Greater Bay Area as in the 2013 load impact evaluation: PG&E's 25 weather stations that underlie the analysis were assigned to one of four designations: very hot, hot, warm and cool. This assignment was based on the average number of days each year over the last 25 years on which the average temperate exceeded 90°F. The averages used were as follows: very hot stations had more than 90 days on which the average temperature exceeded 90°F; hot was for stations that had between 63 and 84 days on which the average temperature exceeded 90°F; somewhat hot stations had between 24 and 52 days a year on average; and cool stations had fewer than 18 days. Each participating customer was then assigned to a weather station based on their zip code. The Bay Area only has cool and somewhat hot climate regions.

Table 1: SmartRate Participation by Local Capacity Area (LCA)

LCA	All Customers					
	2011	%	2012	%	2013	%
Greater Bay Area - Cool	4,907	24%	27,214	34%	41,092	34%
Greater Bay Area – Warm	821	4%	6,527	8%	12,128	10%
Greater Fresno	3,196	15%	8,386	11%	9,656	8%
Humboldt	-	-	-	-	1,134	1%
Kern	5,700	27%	7,221	9%	9,034	7%
Northern Coast	84	0%	4,218	5%	5,349	4%
Other	2,902	14%	12,091	15%	22,956	19%
Sierra	1,254	6%	7,448	9%	9,968	8%
Stockton	1,947	9%	6,654	8%	9,308	8%
Total	20,811	100%	79,759	100%	120,625	100%

The average load reduction of participants in the cool regions of the Greater Bay Area and the Northern Coast are lower than other LCAs, for SmartRate only participants and those who dually enroll with SmartAC. (Customer counts are for the average event.)

Table 2: 2013 Load Reduction of SmartRate Participants[29]

LCA	# of SmartRate Customers	Avg. Reference Load (kW)	Avg. Load Reduction (kW)	% Load Reduction	Aggregate Load Reduction (MW)	Average Temperature During Event (□F)
Greater Bay Area - Cool	32033	0.83	0.12	14%	3.8	79
Greater Bay Area - Warm	4998	2.14	0.50	23%	2.5	93
Greater Fresno Area	5800	2.69	0.40	15%	2.3	102
Humboldt	933	1.50	0.22	15%	0.2	88
Kern	6885	2.61	0.32	12%	2.2	101
North Coast and North Bay	3139	1.06	0.14	14%	0.5	86
Other	15000	1.71	0.27	16%	4.0	89
Sierra	5223	2.34	0.56	24%	2.9	96
Stockton	5455	2.35	0.35	15%	1.9	97
All	79466	1.59	0.26	16%	20.4	88

[29] PG&E Response to ORA-DR_PG&E001 (2014) Table 4.

Table 3: 2013 Load Reduction of Dually enrolled Participants[30]

LCA	# of SmartRate Customers	Avg. Reference Load (kW)	Avg. Load Reduction (kW)	% Load Reduction	Aggregate Load Reduction (MW)	Average Temperature During Event (□F)
Greater Bay Area - Cool	7824	1.35	0.35	26%	2.8	83
Greater Bay Area - Warm	6787	2.04	0.64	31%	4.4	93
Greater Fresno Area	3782	2.86	0.80	28%	3.0	102
Humboldt	195	2.29	0.41	18%	0.1	96
Kern	1816	2.91	0.82	28%	1.5	100
North Coast and North Bay	2109	1.38	0.33	24%	0.7	86
Other	7470	2.29	0.66	29%	4.9	98
Sierra	4495	2.49	0.82	33%	3.7	96
Stockton	3809	2.49	0.70	28%	2.6	97
All	38286	2.13	0.62	29%	23.7	94

As the Tables 1-2 above indicate, the Greater Bay Area-Cool and North Coast and Bay have much lower average reference loads and much lower average load reductions among participants compared to other LCAs in PG&E's service territory. The relatively high aggregate load impact of the Greater Bay Area-Cool comes from the greater number of participants and thus is a less meaningful statistic than average load reductions. Based on average load reduction, targeted marketing to increase participation in warmer LCAs would create greater load reduction than further marketing to increase participation in the Greater Bay Area and the North Coast and Bay. ORA maintains that PG&E should target its marketing to warmer LCAs, where the limited marketing funds would be more effective in providing load reduction, and reduce marketing SmartRate in cool, coastal areas (i.e. Greater Bay Area-Cool and the North Coast and Bay).

[30] PG&E Response to ORA-DR_PG&E001 (2014) Table 5.

E. ORA Supports Collaboration To Improve SCE's AMP Agreements

ORA expressed concerns regarding multiple contract terms in SCE's AMP agreements and made specific recommendations for changes to improve performance. These recommendations were to:

1. Remove opportunities for gaming by requiring SCE—not the aggregator—to determine the time of "Seller Directed Tests" (Tests) and to call Test events with the same notification as provided for dispatch events.

2. Ensure that the capacity payments are based on the actual capacity provided by AMP programs during all hours of an event rather than only the best performing hour. Also, in the event there are no subsequent events called for a DR location, SCE should use the average performance of the most recent event rather than the best performing hour when determining payments going forward.

3. Reduce notification times for test and dispatch events from one hour to 30 minutes for Day-Of DR contracts.

The PD finds it reasonable to require SCE to continue to negotiate with its AMP program contractors for modified and improved 2015-2016 agreements and encourages the consideration of changes recommended by ORA.[31] ORA supports such continued negotiations and is willing to work with SCE and aggregators to discuss its recommendations.

F. Reporting On The Experience Of IOUs In Bidding Into The CAISO Energy Market Will Provide Valuable Information

The IOUs have stated that they will be gaining experience with bidding into the CAISO energy market beginning in 2014; PG&E through its Supply Side pilot,[32] SCE

[31] PD, pp. 36-37.

[32] PG&E Proposal, Attachment B-1.

through its current DR programs[33] and SDG&E through its Capacity Bidding Program.[34] The PD orders the utilities to track and report this experience to provide feedback on energy market integration efforts.[35] It requires the utilities to work with Commission Staff to develop the proper reporting methodology and to file a finalized reporting template through an Advice Letter for formal approval.[36] This effort will inform the Commission on the successes and barriers to achieving its goals for integrating DR with the CAISO energy markets. ORA supports such efforts to learn from the experience of the utilities and looks forward to reviewing the reporting template and future reports on the subject.

G. PG&E Should Be Allowed To Expand The Dispatch Window For DBP

PG&E proposes to expand the dispatch window for its Demand Bidding Program from 12:00 pm-8:00 pm to 6:00 am-10:00pm.[37] PG&E would be able to call an event for a minimum of 2 hours and a maximum of 8 hours and only one event could be dispatched per day.[38] PG&E's proposal is denied as the PD claims it would place an unfair burden on participants and because PG&E did not provide evidence that the benefits of such a change would counterbalance the participant burden.[39]

ORA supports PG&E's proposal to expand the dispatch window because there is no unfair burden on program participants. DBP offers incentive payments for qualifying load reduction and places no penalty on participants for a failure to reduce energy during

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[33] SCE Proposal, p. 3.

[34] SDG&E Proposal, pp. 30-31.

[35] PD, pp. 20-21.

[36] *Id.*

[37] PG&E Proposal, p .4.

[38] *Id.*

[39] PD, p. 27.

any or all hours of an event.[40] PG&E's changes would simply provide it with more flexibility to call events and allow participants with more opportunities to earn incentives. If participants cannot reduce load in those hours, there would be no burden on them since there are no penalties for this program. The PD should be modified to approve PG&E's DBP changes.

III. CONCLUSION

In summary, ORA supports improvements to the utility DR programs during the bridge period and reporting requirements to inform future implementation of DR. Specifically, ORA supports a change in the BIP trigger, streamlining AutoDR between IOUs, targeted marketing of SmartRate, improvement in SCE's AMP contract terms and expansion of the dispatch window for DBP. ORA looks forward to working with parties to finalize a reporting template on dispatch decisions for DR and reviewing reporting on the IOUs' experience with bidding into the CAISO energy markets.

Respectfully submitted,

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[40] http://www.pge.com/mybusiness/energysavingsrebates/demandresponse/dbp/