

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 THE UTILITY REFORM NETWORK
ON PROPOSED DECISION APPROVING DEMAND RESPONSE
PROGRAMS FOR 2015-2016



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Marcel Hawiger, Staff Attorney

THE UTILITY REFORM NETWORK

785 Market Street, Suite 1400

San Francisco, CA 94103

Phone: (415) 929-8876 ex. 311

Fax: (415) 929-1132

Email: marcel@turn.org

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**COMMENTS OF THE UTILITY REFORM NETWORK
ON PROPOSED DECISION APPROVING DEMAND RESPONSE
PROGRAMS FOR 2015-2016**

Pursuant to Rule 14.3, the Utility Reform Network (“TURN”) submits these comments on the Proposed Decision of ALJ Hymes approving demand response program changes and budgets for 2015-2016 (“PD”). TURN comments on the issue of the participation of third party demand response providers who enroll residential mass market customers in programs that could eventually bid into wholesale markets.

Due to resource constraints TURN was unable to provide specific comments concerning program changes for 2015-2016 in this Phase One of R.13-09-011. Nevertheless, TURN comments on the Proposed Decision out of a concern that the Commission may be missing out on an important opportunity to advance demand response for the residential market. TURN recommends that the PD be modified to require PG&E and SCE to include and enhance the role of third party providers of residential customer load in the IRM2 and Save Power Day pilots. Without advancing a vibrant third party mass market, there will be little hope of transitioning existing air conditioning direct load control programs to participation in wholesale markets.

The residential and commercial customer air conditioner cycling program is the only event-based (non dynamic price tariff) demand response program

available to residential customers. It is a critical element of the demand response portfolio, second only to the emergency interruptible program in the amount of potential demand response load.¹ It is a Supply Resource program as defined in the new DR taxonomy.

The Commission has indicated an intent to transition all Supply Resources to be compatible with the CAISO wholesale markets in 2017, to be bid as either a Proxy Demand Resource or a Reliability Demand Response Resource. However, there has been little work to date to determine how third parties will be able to comply with the adopted data privacy and resource aggregation rules applicable to residential customers. In addition to the hurdles facing any DRP, such as aggregating and metering load separately by sub-LAP with appropriate telemetry, any DR provider seeking to aggregate residential customers will need to get separate customer CISR authorization forms and aggregate enough customers to provide 100 kW of load drop for each sub-LAP. The customer acquisition, metering and scheduling issues are not fully resolved.

This Commission has viewed the potential of residential customer demand response through the use of smart thermostat automation as a viable demand response program since a pilot was authorized for SDG&E in 2001.² Yet

¹ The utility 2013 load impact reports show ACC providing 450 MW out of approximately 2000 MW of event-based DR load (on *ex ante* basis).

² See, D.01-03-073, p. 8-9. See, also, KEMA 2005 Smart Thermostat Program Impact Evaluation, April 24, 2006. TURN admits that we were critical of the ST programs, based on their relative cost effectiveness compared to air conditioner cycling programs.

TURN has seen little evidence of any significant market penetration of smart thermostats since 2001. Apparently, in response to Commission encouragement in D.13-07-003, SCE has implemented a pilot where it will provide AC cycling customers a free smart thermostat (including installation) in return for participating in the air conditioner cycling program.³ SCE is apparently using third party providers to enroll customers, paying them an “enrollment fee.”⁴

In this proceeding, EnergyHub, a vendor of residential energy management systems, recommended allowing residential customers to participate in CBP, and recommended providing the DR incentives directly to platform and software providers. The utilities generally supported the concept, but argued that there were significant barriers to implementation for 2015, and that existing pilots being promoted by SCE and PG&E would achieve similar objectives.⁵ PG&E claims that its Supply Side Pilot, which is approved by the PD, would allow EnergyHub to offer its load reduction potential into the CAISO markets.⁶

³ See, https://www.sce.com/wps/portal/home/tnc/sdp/!ut/p/b1/hc_dCoJAEAXgZ_EFnNkWTC-3P13BTE3UvQkt2wR1wyRfvxW8rebuwHfgDAjIQfTlu5HI2Ki-bOcsrAuxXebxBLmL5IA83vnp1lqRMF1rUGiAX47hv34G4idBsgDHxb3nhxqc14qcRnhMGK0I1gJ-bPBBYFZV-p9sAyIKgpszzctZX1Fbghiqez3Ug_lQrxHyaZpMqZRsa_OqOnh2OTanLi6YYXwAQsuMXw!!/d14/d5/L2dBISEvZ0FBIS9nQSEh/.

⁴ SCE Reply Comments, March 13, 2014, p. 7. TURN has not obtained additional information concerning this “pilot.”

⁵ PG&E Reply Comments, March 13, 2014, p. 3-5; SCE Reply Comments, March 13, 2014, p. 6-7.

⁶ PG&E Reply Comments, p. 5.

TURN was somewhat heartened by the response of PG&E. SCE's response, however, claimed that additional evaluation was necessary to determine "the appropriate cost and benefit allocation between participating customers and third party providers." While TURN appreciates SCE's concern, TURN suggests that this concern should not preclude initiating a pilot program that pays the DRP a set fee and authorizes the provider to allocate a portion of the fee to its customers. This is the model for the non-residential market in the AMP contracts. TURN appreciates that residential customers are on a very different footing with respect to understanding the value of their load drop; however, given the extremely different compensation packages already offered by the three IOUs, TURN sees little harm in experimentation in this area. SCE's program structure appears to provide very significant subsidies to pilot participants (free smart thermostat with installation), followed by very large incentives for participation in its Save Power Day program. TURN suggests that promoting third party participation at a lower cost (providing only the SPD incentive *without the free smart thermostat*) might result in a lower cost program.

TURN is concerned that the language in the PD could harm increased third party participation in the residential market. The PD rejects EnergyHub's recommendations based on a lack of "analysis." While TURN agrees that the Commission should have data and analysis to support its decisions, additional analysis concerning smart thermostats may not be necessary. The utility model to date has been focused on leveraging the HAN smart meter technology to achieve residential DR benefits. The HAN Smart Energy Profile 1.1 technology has

proven less than satisfactory to leverage the market.⁷ TURN suggests that the Commission should maximize the opportunity of third party technology providers to enable residential customer participation in DR. Otherwise, residential customers will continue to provide air conditioner cycling services through dedicated utility communications platforms.⁸

TURN recommends that the PD be modified to require both PG&E and SCE to ensure that third party providers who enroll residential customers be included in ongoing pilots, such as PG&E's Supply Side Pilot and SCE's Save Power Day smart thermostat pilot. The utilities should also be directed to facilitate the acquisition of necessary customers information in a low cost way, consistent with the privacy rules adopted by the Commission.

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Respectfully submitted,

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Marcel Hawiger

Attorney for
The Utility Reform Network
785 Market Street, Suite 1400
San Francisco, CA 94103
Phone: 415-929-8876 x311
marcel@turn.org

⁷ See, for example, R.13-09-011, SCE Compliance Filing, April 30, 2014, Attachment A.

⁸ TURN notes that we have long supported air conditioner cycling. We do not see ACC as needing replacement. However, the question is whether even more cost-effective air conditioner control programs can be developed by maximizing the use of modern thermostats and software control algorithms.