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 Resources Planning Needs and Operational Requirements.	Rulemaking 13-09-011 (Filed September 19, 2013)

REPLY COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY (U 39-E) ON THE PROPOSED DECISION APPROVING DEMAND RESPONSE PROGRAM IMPROVEMENTS AND 2015-2016 BRIDGE FUNDING BUDGET

SHIRLEY A. WOO
MARY A. GANDESBERY

Pacific Gas and Electric Company
77 Beale Street, B30A
San Francisco, CA 94105
Telephone: (415) 973-0675
Facsimile: (415) 973-0516
E-Mail: MAGQ@pge.com

Attorneys for
PACIFIC GAS AND ELECTRIC COMPANY

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Pacific Gas and Electric Company (PG&E) replies to opening comments on the proposed decision of Administrative Law Judge (ALJ) Hymes dated April 15, 2014 (PD) pursuant to Rule 14.3 of the California Public Utilities Commission's (Commission's) Rules of Practice and Procedure. PG&E replies to comments of the California Large Energy Consumers Association (CLECA); the Direct Access Customer Coalition and Alliance for Retail Energy Markets (DACC/AReM); EnerNOC, Inc., Johnson Controls, Inc., and Comverge Inc. (filing together as the Joint DR Parties); the Office of Ratepayer Advocates (ORA); Olivine, Inc.; San Diego Gas & Electric Company (SDG&E); Southern California Edison Company (SCE); and the Utility Reform Network (TURN).

A. TURN's Proposal to include Residential Customers in the IRM2 Pilot Is Consistent with PG&E's Proposal.

TURN recommends that the PD be modified to require PG&E to include residential customers in the IRM2 Pilot. (TURN, pp. 1-3.) PG&E supports TURN's proposal and similarly proposed "to expand the scope of customer segments, who may participate, from just the large non-residential customers to the mass market." (PG&E March 3, 2014 Demand Response Program Proposals for 2015 and 2016, p. 8.)

B. The New Reporting Requirements Should Be Modified.

PG&E agrees with SDG&E that the DR exception reporting should occur on a monthly, rather than weekly basis. (SDG&E, p. 2.) PG&E also supports the position of several commenting parties (SCE, DACC/AReM, SDG&E, Joint DR Parties) that the report would be confidential as it would necessarily reveal confidential pricing information and other confidential contract terms. PG&E agrees with SCE that certain DR programs may not fit with the proposed report and suggests that both the exact data fields *and* the list of programs subject to this report should be addressed by the utilities and ORA. (SCE, pp. 5-6.)

PG&E also agrees with SDG&E that it is premature to draft a template for the report regarding bidding DR into the California Independent System Operator (CAISO) market without sufficient experience. (SDG&E, pp. 3-4.) The report should be prepared after the utilities have had experience bidding DR into the market. The utilities should file an advice letter with the template within thirty days after negotiations conclude. (*Id.*)

C. ORA's Proposed Changes to the Base Interruptible Program (BIP) Trigger Should Be Denied.

ORA requests the PD to be revised to approve rather than reject its proposal to revise the "trigger" to call a BIP event "before the CAISO procures Exceptional Dispatch energy or capacity from Non-RA sources within its own balancing authority." (ORA, p. 3.) The PD should be modified to clarify the rationale for denying ORA's proposal. PG&E opposes ORA's proposal to modify the BIP trigger for the reasons stated in its March 13, 2014 reply comments (PG&E Reply), cited in the PD. As PG&E explained, the proposed revision is unnecessary because the CAISO already has the ability to dispatch the BIP at any step of the sequence under Section 3.3.2 of Operating Procedure 4420, which governs the sequence of steps the CAISO will typically take once it issues a Warning Notice. (PG&E Reply, p. 7.) Accordingly, the PD should be modified to deny ORA's proposal as unnecessary.

D. Target Marketing SmartRate™ only to Warmer Climate Zones Is Unnecessary and May Reduce Load Reductions.

ORA's opening comments again suggest that PG&E should be instructed to market SmartRate™ only to warmer climate zones. (ORA, pp. 6-9.) PG&E supports ORA's goal, which is to enroll in SmartRate™ those customers with the greatest load reduction potential. The climate zone, while important, is not the sole criteria which should be used to determine the customers to target for SmartRate™ marketing to maximize load reduction potential. PG&E seeks to maximize load reduction by SmartRate™ customers by target marketing to "customers who show a high propensity to engage in the program and provide load reductions during event days." (PG&E Reply, p. 6.)[1/] Even in some of the cooler climate areas, certain customers have a

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1/ PG&E's marketing team evaluates customer responsiveness to various marketing techniques as well as exploring enrollment and performance patterns to determine which type of customers are most likely to enroll and provide meaningful load impacts. PG&E analyzes characteristics such as climate area, likelihood of central air conditioning ownership and electricity usage patterns to assess which customers higher propensity to participate, coupled with an ability to provide meaningful load impacts, therefore benefiting the program.

ORA points to data regarding SmartRate™ enrollments as evidence that PG&E's marketing campaign is "ineffectively marketing the program in areas with hotter climates." (ORA, p. 7.) PG&E respectfully disagrees.

First, the data regarding the 2013 load reduction of SmartRate™ participants demonstrate that a customer's climate zone is not the sole driver of customer responsiveness. ORA Table 2 shows that the Local Capacity Areas (LCAs) with the greatest percentage load reduction were Sierra, Greater Bay Area – Warm, and Other, with 24%, 23%, and 16%, respectively. This group of LCAs experienced warm, but not hot, average event day temperatures of 96, 93, and 89 degrees Fahrenheit, respectively. By comparison, the three hottest LCAs (Greater Fresno Area, Kern and Stockton) had average temperatures of 102, 101 and 97 degrees Fahrenheit, respectively, and provided 15%, 12% and 15% load reductions. If ORA's arguments were accurate, one would expect customers in the hottest regions to provide the highest percentage load reductions, and, conversely, that those in cooler climate zones would generate lower impact. Instead, the data shows that this simple relationship does not hold, and that the current mix of targeted customers performs well across all climate zones.

Second, ORA's analysis is flawed in that it fails to highlight 2012 and 2013 enrollments and impacts that have demonstrated that the current marketing approach is yielding the desired results of a strong pattern of enrollments and sizable load impacts. In 2012, the average load reductions for SmartRate™-only and dually enrolled customers were lower than that of the load reductions for both of these groups in 2013, indicating successful targeting of new customers, especially dually enrolled customers—where the average impacts were 50% higher in 2013 than in 2012. PG&E's refined targeting efforts produced dramatically larger average impacts even within the perceived cooler Bay Area which, in fact, is a climatically diverse region, with cool

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have historically succeeded on SmartRate™ and remain engaged. PG&E then uses these relationships to market to the specific customers who are both likely to enroll *and* provide substantive load impacts.

coastal temperatures and very hot inland temperatures in the East Bay.[2/]

Third, ORA's analysis includes customers who enroll in SmartRate™, rather than an analysis of PG&E's marketing of SmartRate™. Customers who are not the focus of targeted marketing still have the ability to enroll in the program. California law prohibits any unreasonable difference in rates or charges based on the locality of the customer. (Pub. Util. Code § 453(c).) PG&E customers may enroll in SmartRate™ to reduce their energy costs irrespective of the customers' location.

The PD correctly finds that ORA's proposal lacks required specificity and is unnecessary. (PD, pp. 14-15.) There is no factual basis to conclude that substituting PG&E's current marketing approach with one that solely focuses on climate zones would be more effective.

E. Aggregator Managed Portfolio (AMP) Program Changes Should Be Expedited and Simple Date Changes Should Not Need Approval.

SCE proposes that its modified AMP agreements should be submitted for approval by advice letter rather than an application. (SCE, p. 4.) PG&E supports this approach for SCE only as it would expedite the review and resolution of the new AMP contracts to help ensure that they are available for summer 2015. PG&E is planning to amend its AMP agreements simply by extending the dates for performance and expiration. The PD should be revised to indicate that PG&E's amendments solely to change dates do not require Commission approval.

DACC/AReM request the PD be revised to require new utility solicitations by September if any AMP contract is not extended. (DACC/AReM, pp. 4-5.) PG&E does not envision a problem extending its current AMP agreements. Further, the AMP aggregators may participate in the Capacity Bidding Program (CBP) to aggregate customer load should there be any difficulty extending the agreements. Thus a problem with a single agreement may not result in a

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2/ See 2013 Load Impact Evaluation of PG&E's Residential Time-based Pricing Programs, p. 2. ("In 2012, the average load reduction for SmartRate-only customers was 0.20 kW and the average load reduction for dually-enrolled customers was 0.42 kW. … By targeting the hotter areas within the Bay Area, the significant increase in enrollment in the region between 2012 and 2013 led to an increase in average load reduction per customer of roughly 80%, from 0.10 kW in 2012 to 0.18 kW in 2013, for SmartRate only customers and an increase of 75%, from 0.28 kW to 0.49 kW, for dually enrolled customers.")

loss of aggregated capacity, as DACC/AReM suggest. Further, there is insufficient time to conduct new AMP solicitations for 2015 as it would require approximately eight to nine months for the solicitation and regulatory processes to approve the agreements, based on the timeline of PG&E's last AMP solicitation. The decision should not require the utilities to conduct a new AMP solicitation for 2015-2016.

F. PG&E's Demand Bidding Program (DBP) Proposals Are Widely Supported.

PG&E appreciates that parties supported its proposals to expand the DBP dispatch window to 6:00 a.m.–10:00 p.m. to provide a longer period in which customers may choose to participate in DBP events. (ORA, pp. 11-12; SCE, p. 6, CLECA, pp. 3-4.) The extension would not burden customers since participation is voluntary and there are no penalties for under-performance. PG&E's proposal to increase the hours an event may be dispatched offers customers a wider time range to bid and participate in events. In fact, PG&E has historically called DBP events of a shorter duration than the entire dispatch window. Events would continue to only be dispatched for the hours when load reduction is needed.

G. Barriers for Participation in Demand Response Markets Should Be Accurately Described.

Olivine requests the PD be modified to state in Finding of Fact 37 more generally that there are "Barriers for MCE Participation in Demand Response Markets." (Olivine, p. 1.) As Olivine notes, Marin Clean Energy (MCE) is able to participate in the IRM2 Pilot and the CAISO wholesale market like any other market participant if it can meet the requirements for participation. None of the difficulties of participating are unique to MCE, or specific to IRM2 Pilot or IRM2 Enhancement Pilot. If this Finding is modified, it should be modified more generally to state: "Barriers to participating in Demand Response markets exist for participants generally, and are not unique to MCE." The Finding should not be revised as Olivine suggests as it could be interpreted to mean that the alleged barriers are specific to MCE.

Respectfully Submitted,

By: */s/ Mary A. Gandesbery*
MARY A. GANDESBERY

Pacific Gas and Electric Company
77 Beale Street, B30A
San Francisco, CA 94105
Telephone: (415) 973-0675
E-Mail: magq@pge.com

Attorney for
PACIFIC GAS AND ELECTRIC COMPANY

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