

Rulemaking No: R.13-09-011
Exhibit No:
Witness: Liying Wang
David T. Barker

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)

ERRATA TO PREPARED DIRECT TESTIMONY SUBMITTED ON

BEHALF OF

SAN DIEGO GAS & ELECTRIC COMPANY

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

June 6, 2014



Errata

Revised: June 6, 2014

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**ERRATA PREPARED DIRECT TESTIMONY OF
LIYING WANG
CHAPTER II
ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY
BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

June 6, 2014



Errata

Revised: June 6, 2014

1 **Question 3:** Parties should provide recommendations for developing the goals of demand
2 response load (MW) and demand response participation, how those goals should be measured
3 (load impact protocol based on ex post or ex ante, or others), and how often they should be
4 measured to ensure goal achievement (monthly, seasonally, or annually).
5

6 **Response 3:** SDG&E believes that the goal should be to encourage all cost effective DR and that
7 there should be no specific MW targets. The customer base of each IOU is different as reflected
8 in the historical participation and performance. And the range of unknowns for CAISO market
9 participation will impact the amount of cost effective DR participation as supply resources.

10 SDG&E recommends that there be no DR MW targets, as there are several venues where DR is
11 going to be implemented in the future. Additionally, previous MW targets failed because the
12 MW goals failed to recognize the significant amount of C&I Direct Access load that SDG&E
13 has. SDG&E is unable to enroll any of this load into its dynamic rates. The medium C&I load
14 which is forecasted to bring 15 additional MWs is scheduled to be defaulted onto CPP in 2015.

15 SDG&E's small commercial ~~and residential classes~~ customers are also scheduled to be defaulted
16 onto Time of Use (TOU) rates beginning November 2015, and SDG&E has proposed optional
17 TOU rates for residential customers beginning 2015 ~~and both classes have optional CPP rates~~
18 ~~available in 2015~~. The Commission in D.14-03-004 authorizes SDG&E to procure between 500
19 MWs and 800 MWs by 2022 where at least 175 of those MWs are local capacity from preferred
20 resources consistent with the Loading Order of the Energy Action Plan.¹ DR is included as
21 counting toward this current goal.

22 SDG&E recommends that program participation, load impacts, and program performance
23 and comparison between ex-ante and ex-post be conducted on each individual program annually.

³ See, D.14-03-004, OP 2.b.

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DAVID BARKER

CHAPTER VI

SAN DIEGO GAS & ELECTRIC COMPANY

**BEFORE THE PUBLIC UTILITIES COMMISSION
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June 6, 2014



1 **Question 5:** Should different contract lengths (1, 2, 3 years) be considered different products?

2 **Response 5:** No, different contract lengths are not considered different products in the DRAM
3 proposal. There does not appear to be any different characteristics of contracts providing local
4 and flexible capacity separating them in the DRAM. The bids for years 2 and 3 can be evaluated
5 on the same dollar per kW-year basis since inflation is relatively minor. In RAM, bidders may
6 bid contract lengths of 10, 15, and 20 years, and the contract length has no bearing on its product
7 designation.

8 **Question 6:** Are the proposed contract durations of one, two or three years sufficient? Should
9 contracts of a longer duration be included? Why or why not? If yes, what duration(s) is/are
10 recommended?

11 **Response 6:** Contracts of one, two or three years should be allowed since that will mirror the
12 length of multi-year RA obligations the CPUC is considering in the RA proceeding and the
13 structure of the multi-year forward voluntary/backstop market the CAISO is considering. In
14 addition, existing DR programs operate on a three year cycle with one year commitments, so the
15 range of one to three years will match customer expectations. Longer duration projects based on
16 technology-based DR would be more cost competitive if the fixed costs could be spread over
17 more years of a contract. However, this type of DR is better evaluated in an RFO process for
18 preferred resources if it is supply-side DR where all the attributes of the technology are
19 considered or as part of load-modifying DR through utility programs.

20 **Question 7:** Emergency demand response resources are included in the DRAM, which means
21 that these resources must receive their capacity payments via a competitive mechanism. Provide
22 specific recommendations on this approach.

23 **Response 7:** SDG&E opposes the use of DRAM competitive procurement mechanism for
24 emergency demand response for the SDG&E service area. First, the CPUC decided it wanted to
25 phase ~~out~~ down emergency programs like the Base Interruptible Program (BIP) in favor of price
26 responsive supply-side DR programs. No resources should be expended designing a product and

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1 if the perceived costs are too high as was experienced in the California Energy Crisis. The
2 CAISO and CPUC are considering a 5 percent cap on use-limited DR used for flexible RA ~~and a~~
3 ~~similar cap for local RA as described in the testimony of Victor Kruger.~~ However, this maximum
4 alone should not form the target since it would have no relationship to cost effectiveness. Instead,
5 if a target is chosen for price responsive supply-side DR, it should be IOU-specific and the result
6 of an analysis of the amount of cost effective supply-side DR potential available in the IOU
7 service area. The DRAM proposal has not undertaken such an analysis and so the proposed
8 targets should be rejected.

9 The DRAM proposal to set a target for supply-side DR based on a percentage of peak
10 capacity is off-base. First, peak capacity is the wrong measure for flexible capacity, which has no
11 relationship to peak capacity. Instead, any target should be based on a percentage of flexible RA
12 requirements and local RA requirements for all LSEs in the SDG&E service area and an
13 assessment of the cost effective supply-side DR that can potentially meet those criteria. SDG&E
14 sees no empirical evidence presented in the DRAM proposal about the amount of cost effective
15 DR that could potentially supply flexible capacity in its service area and no mention of the
16 maximum likely to be allowed by the CAISO and CPUC. Similarly, DR qualifying for local RA
17 should be measured as a percent of local RA requirements. The target should be related to the
18 amount of cost effective DR that could be aggregated to supply annual local capacity RA
19 requirements in the SDG&E service area and the maximum amount of local capacity supplied
20 from DR allowed by the CAISO and CPUC.

21 It should also be recognized that the DRAM is one of many potential DR acquisition
22 processes. There is no benefit in setting a target for one process. The DRAM should have no
23 targets or goals other than encouraging cost effective DR.