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California Public Utilities Commission
Energy Division
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**Subject: Protest of the Office of Ratepayer Advocates to SCE Advice Letter
(AL) 3037-E on Summer Discount Plan Program Modifications for Purposes of
CAISO Market Integration**

I. INTRODUCTION

Southern California Edison Company (SCE)'s AL 3037-E, filed May 12, 2014, proposes to revise its Schedule D-SDP, Summer Discount Plan (Residential SDP), and Schedule GS-APS-E, General Service – Automatic Power Shift – Enhanced (Commercial SDP), to establish an annual limit, per service account, on the number of event hours for dispatch by the California Independent System Operator (CAISO) as an economic resource in its wholesale market. Both programs would maintain the current 180 hours of availability for dispatch by SCE per calendar year, per service account. The changes to the tariffs would severely limit the availability for dispatch by the CAISO in its wholesale market to only 30 hours for Residential SDP and 15 hours for Commercial SDP. As explained below, the Commission should reject AL 3037-E because the proposed dispatch limitations are premature and the AL is deficient.

II. BACKGROUND

In Decision (D.) 11-11-002 and D. 13-04-017, the Commission authorized SCE to convert its Residential and Commercial SDP programs from local reliability-based programs to price responsive programs.¹ In Decision (D.) 12-11-025, the Commission resolved several policy matters regarding Demand Response (DR) direct participation into the CAISO's markets. Further, in Resolution E-4630,² the Commission adopted a new Electric Rule 24 that specifies the rules for such direct participation. Taken together, D. 12-11-025 and Electric Rule 24 allows SCE to bid existing and future DR programs

¹ D.11-11-002, p.44 and D.13-04-014, p.49.

² Resolution E-4630 addresses SCE AL 2949-E filed on October 10, 2013.

directly into the CAISO's markets subject to the rules set up by the CAISO for such participation.

III. DISCUSSION

A. SCE's Modifications to Residential and Commercial SDP are Premature

Discussion with SCE has revealed that the proposed changes to limit the availability for dispatch by the CAISO in its wholesale market to 30 hours for Residential SDP and 15 hours for Commercial SDP are premature. SCE has requested certain waivers from the CAISO to enable the integration of its DR programs, including a simplified registration process for the many thousands of service accounts participating in the SDP programs.³ CAISO is considering a technical solution to automate service account registration but any solution to SCE's request would not be available for the summer of 2014.⁴ ORA assumes that CAISO is still reviewing SCE's request for other waivers. It is not clear that the SDP programs can participate in the CAISO markets without SCE's requested waivers.

Moreover, on May 23, 2014, the United States Court of Appeals vacated Federal Energy Regulatory Commission (FERC) Order 745 in its entirety.⁵ Order 745 provided direction to the CAISO that led to the development of the Net Benefits Test (NBT) and the issuance of the NBT results on a monthly basis.⁶ As directed by D. 12-11-025, all DR providers bidding bundled customers' loads into the CAISO's wholesale energy market must submit bids that are at or above the NBT prices published by the CAISO.⁷ At this time, the impact the Court's decision vacating Order 745 on CAISO's provision of the NBT results and whether a Petition for Modification is needed for D.12-11-025 are unclear, but this issue may need to be resolved before SDP can participate in the CAISO market.

Since it appears that SCE may not be able to bid SDP in 2014, it would be premature to grant the relief SCE requests until 1) SCE has received all the necessary waivers to be able to participate in CAISO markets and 2) the CAISO provides information about the practical consequences of court's decision to vacate FERC Order 745. Both these items will determine if SDP could be integrated into CAISO markets. SCE's AL is premature because it anticipates bidding into

³ May 29, 2014 phone call between SCE and ORA.

⁴ Rebuttal Testimony of Jeremy Laundergan on behalf of the CAISO, served May 22, 2014 in R.13-09-011, p.11.

⁵ United States Court of Appeals Decision on Case No.11-1486 *Electric Power Supply Association v. Federal Energy Regulatory Commission*, p.16.
[http://www.cadc.uscourts.gov/internet/opinions.nsf/DE531DBFA7DE1ABE85257CE1004F4C53/\\$file/11-1486-1494281.pdf](http://www.cadc.uscourts.gov/internet/opinions.nsf/DE531DBFA7DE1ABE85257CE1004F4C53/$file/11-1486-1494281.pdf).

⁶ http://www.caiso.com/Documents/DemandResponseNetBenefitsTestResultsJune_2014.pdf.

⁷ D. 12-11-025, Ordering Paragraph (OP) 1.

CAISO markets under existing rules and with the presumption that its request for waivers will be granted by the CAISO. Consideration of SCE's AL should not proceed until these important issues have been resolved.

B. AL 3037-E is Deficient

SCE claims it currently dispatches Residential and Commercial SDP based on when high CAISO wholesale market prices are expected; SDP is not currently integrated into the market.⁸ SCE states that based on the FERC's rule against withholding market resources and the lack of an energy payment or price trigger for the programs,⁹ registration with the CAISO under SCE's current tariff would subject SDP to dispatch in all 180 hours SDP is available for dispatch.¹⁰ SCE's interpretation of FERC's withholding rule and dispatch of the SDP programs should be confirmed with CAISO. ORA also points out that whether the SDP programs will actually be dispatched also depends on the market clearing prices in the CAISO market. This is because as directed by D. 12-11-025, SCE is required to submit bids that are at or above the net benefits test (NBT) prices published by the CAISO.¹¹

SCE proposes to change the tariffs to limit the availability for dispatch by the CAISO in its wholesale market to only 30 hours for Residential SDP and 15 hours for Commercial SDP, rather than the 180 hours under its current tariffs.¹² SCE argues that these changes to the tariffs are needed to preserve the program by avoiding excessive number of hours of economic dispatch.¹³ SCE has provided no analysis of how many hours market prices exceeded corresponding NBT prices in the past or a forecast of how often this will happen in the future. If NBT considerably limit the number of hours SDP will be dispatched, SCE's concerns about customers being called for too many hours will be moot. In fact, the Joint Demand Response Parties are of the view that the market clearing prices have not exceeded and will not exceed NBT in most hours.¹⁴ SCE has also failed to provide any analysis on the maximum hours of dispatch that the SDP program can withstand while still preserving program participation. SCE has not demonstrated the need to predetermine a limit on number of hours SDP should be dispatched in to the CAISO market.

⁸ SCE AL 3037-E, p.2.

⁹ Participants of SDP are paid a capacity payment only, Schedule D-SDP Sheet 1 and Schedule GS-APS-E Sheet 1.

¹⁰ SCE AL 3037-E, p.2.

¹¹ D. 12-11-025, Ordering Paragraph (OP) 1. As previously discussed, it is unclear how the recent United States Court of Appeals Decision on Case No.11-1486 *Electric Power Supply Association v. Federal Energy Regulatory Commission*, which vacates Order 745 in its entirety, will impact CAISO's provision of monthly NBT results and direct participation of demand response in the CAISO markets.

¹² SCE AL 3037-E, p.2.

¹³ *Id.*, p.2.

¹⁴ Joint Demand Response Parties R.13-09-011 Phase 2 and Phase 3 Opening Testimony, p.18-19.

IV. CONCLUSION

ORA recommends that the Commission reject SCE's Advice Letter as it is premature and deficient. SCE should wait until 1) SCE has received all the necessary waivers to be able to participate in CAISO markets and 2) the CAISO provides information about the practical consequences of court's decision to vacate FERC Order 745. If SCE decides to resubmit an AL seeking to limit the availability of SDP for dispatch by the CAISO in its wholesale market, it should support its request with an analysis and forecast of number of hours market prices have and will likely exceed NBT.

Respectfully submitted,

/s/ Michael Campbell

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June 2, 2014
Page 5

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