

Rulemaking No.: 13-09-011

(U39 E)

Exhibit No: PGE-05

Date: \_\_\_\_\_

PG&E's Demand Response OIR 2013

R.12-03-014, Excerpt from Millar transcript, Pages 350 to 353  
August 9, 2012

1 SAN FRANCISCO, CALIFORNIA, AUGUST 9, 2012

2 9:35 A.M.

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4 ADMINISTRATIVE LAW JUDGE GAMSON: We're  
5 on the record.

6 Good morning. This is day 3 of  
7 the evidentiary hearings in R.12-03-014.

8 We have completed two witnesses in  
9 two days and now we're onto the third witness  
10 in the third day. Hopefully the pace will  
11 pickup a bit at this point, but we'll just  
12 proceed on.

13 So this morning, the first witness  
14 is going to be Mr. Millar for the ISO.

15 MS. SANDERS: Yes, your Honor.

16 ALJ GAMSON: And do you have exhibits  
17 that are associated with Mr. Millar?

18 MS. SANDERS: I do. Do you want me to  
19 identify them before he gets on the stand?

20 ALJ GAMSON: Please do.

21 MS. SANDERS: Mr. Millar's reply  
22 testimony is ISO Exhibit 6. And then in his  
23 testimony he adopts portions of  
24 the supplemental testimony of Mr. Sparks.  
25 And in that testimony there was a reference  
26 to Exhibit 10, which is the 2009 IEPR and  
27 also Exhibit 11 which is a California Energy  
28 Commission committee report. And Exhibit 12,

1           Q   Now, demand response I believe is  
2 handled a little bit differently. It's not  
3 actually on the NQC list, but it's handled in  
4 a different way. Is that your understanding?

5           A   Yes. Demand response is more  
6 considered if we have a demand response  
7 programs that are capable of providing the  
8 need that we have for the system or for  
9 flexibility and to meet the requirements from  
10 a transmission planning perspective.

11           To this point we haven't found any  
12 of the existing demand response programs as  
13 being capable of meeting those needs because  
14 those demand response programs historically  
15 grew out of the broader system adequacy issue  
16 as opposed to being targeted on addressing a  
17 local issue. So the time in which they would  
18 be required to respond, the durability of how  
19 frequently they can be called upon, the  
20 verification that the resource is actually  
21 there and will respond if called upon is  
22 another very important issue. Those have  
23 never really been addressed from a local  
24 perspective because those criteria really  
25 weren't necessary in addressing a broader  
26 system adequacy, resource adequacy  
27 requirement.

28           Q   So again, I guess like storage,

1 demand response could in theory provide local  
2 reliability, but we may need some refinement  
3 of the rules and, you know, resources that  
4 can actually meet those requirements?

5 A I think there is to some extent  
6 three components. One is having the rules in  
7 place and the identification of the criteria.  
8 Two is having the communication systems and  
9 protocols available that allow the utility to  
10 monitor how much demand response can be  
11 counted on on a minute-by-minute basis, which  
12 is very important to the operators. The  
13 operators need to know how much will respond  
14 following a contingency event because the  
15 standards place very tight timelines on  
16 repositioning the system for the next event.  
17 Operators don't have the flexibility. I  
18 touched on this in my testimony, but  
19 operators do not have the flexibility of  
20 waiting to see what shows up and then  
21 starting other measures after.

22 And I think the third issue is, are  
23 there the kinds of loads that either can or  
24 want to participate in the kinds of programs  
25 given the more stringent requirements, given  
26 the more stringent performance requirements.  
27 On a broad resource adequacy basis it's much  
28 more loose about we initiate the program, we

1 see what responds, we take action then to  
2 accommodate what didn't. In a local resource  
3 requirement area responding to a transmission  
4 contingency we would have to be much less  
5 forgiving about failure to comply, prompt  
6 sharing of information and so on.

7 So I do see the requirements being  
8 more stringent, and it largely depends on  
9 whether or not they're the types of loads,  
10 recognizing the California -- the nature of  
11 the loads in California, if they are actually  
12 interested in participating in those  
13 programs.

14 Q Has the ISO had occasion up to this  
15 point to look at the air conditioner cycling  
16 programs that the utilities operate to see if  
17 they can meet these criteria?

18 A We did take a look in the course of  
19 preparing for this summer with the outage of  
20 the San Onofre or SONGS, and in that process  
21 concluded that the air conditioning cycling  
22 program didn't respond quickly enough to meet  
23 the needs because there's also the  
24 requirement to identify the need. The  
25 operators have sev -- our control center has  
26 to communicate with Edison's control center.  
27 Edison has to then manage the loads directly.

28 Because of the timeline to identify

1 and take the different actions, the  
2 conclusion at that time was that these  
3 programs didn't respond quickly enough. I  
4 don't know if there are other limitations,  
5 but I have to admit, that was the program  
6 that we looked at the hardest as being or  
7 holding the highest potential of perhaps  
8 helping us with the situation. Where we  
9 would actually encourage whatever we can do  
10 to help these programs develop, but it does  
11 require the customer to be willing to put  
12 their load into the program.

13 Q Now, I guess it's at least possible  
14 that coming out of this proceeding the  
15 Commission makes a determination of need.  
16 Assuming Edison goes forward to fill that  
17 need with some kind of solicitation, a demand  
18 response resource could offer itself in that  
19 solicitation.

20 What -- how should we go about  
21 determining if that -- is there a way to  
22 specify in advance to the developer of a  
23 potential resource what criteria you would  
24 have to meet with some specificity so someone  
25 would know what they need to do to qualify?

26 A I think -- so we haven't had the  
27 legal discussions internally of what all the  
28 approvals would be required. But at a more