

PREPARED DIRECT TESTIMONY OF MARCEL HAWIGER

**CALIFORNIA PUBLIC UTILITIES COMMISSION
DEMAND RESPONSE RULEMAKING 13-09-011**

on behalf of

THE UTILITY REFORM NETWORK

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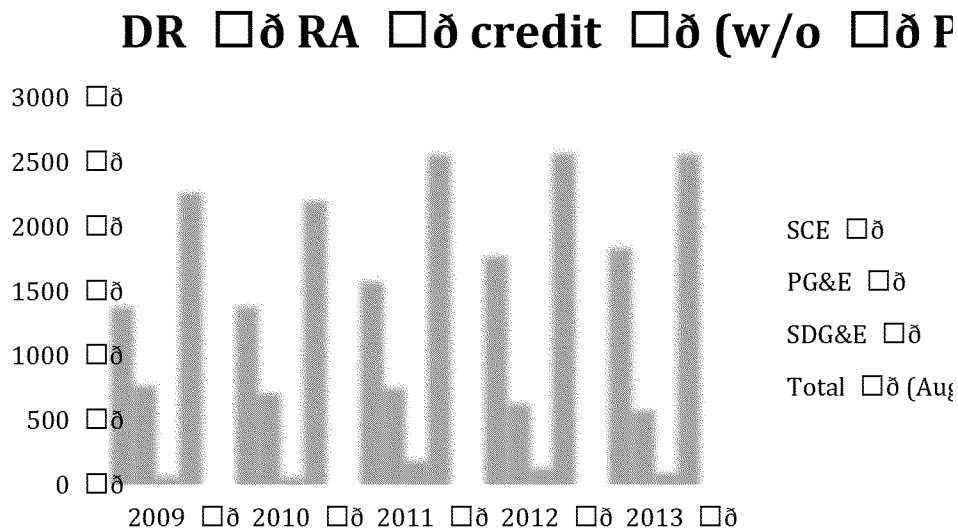
1 | Table 1 above illustrates ~~three~~ two main points. First, the total forecast DR is at
2 | approximately 5% of the combined IOU peak demand, with emergency
3 | interruptible load supplying about 2% of the peak demand. Second, SCE has a
4 | majority (64%) of forecast DR, largely due to the enrollment in its interruptible
5 | and air conditioning cycling programs. Third, SDG&E has very little demand
6 | response capacity.²

7 | Presently, the utilities receive RA credit for all of the expected “price responsive”
8 | DR load for August. For 2012, a total of 2,987 MW of DR RA credit, including the
9 | 15% planning reserve margin credit, was allocated to benefitting LSEs,
10 | representing 5.8% of the total August RA requirement.³ The following Figure 1
11 | illustrates the demand response RA credit, without the 15% planning reserve
12 | margin, that was allocated to LSEs in 2009-2013. These data show that even a
13 | higher percentage of DR RA credits originate from SCE.

² SDG&E has a much smaller proportion of commercial and industrial customers, thus accounting for no interruptible load. Given SDG&E’s status as a constrained load pocket, more attention could be focused on the potential of residential and small commercial DR to be expanded.

³ 2012 RA Report, Table 4, p. 12.

1 **Figure 1: RA credit from Demand Response (2009-2013)**



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3 **B. Characteristics and Uses of Demand Response Programs**

4 The Testimony Guidance Document requests that parties analyze the
 5 characteristics of each demand response program and asks parties to “provide
 6 your list of characteristics that the Commission should use in determining how
 7 to categorize” each program. Due to time constraints, TURN does not attempt to
 8 analyze separately the characteristics of each program. Rather, TURN provides a
 9 brief list of key operational program characteristics and an analysis of the
 10 potential uses of existing programs. TURN generally agrees with the preliminary
 11 categorization as shown in Table 2 of D.14-03-026, with one caveat concerning
 12 permanent load shifting resources.

13 Prior to D.14-03-026, the Commission categorized DR as either “price responsive”
 14 or “reliability.” The primary difference is that price responsive programs
 15 included both Supply Resources and pricing tariffs, ~~that~~ and the latter are now
 16 categorized as Load Modifying Resources.

1 participants in the CBP receive capacity payments which may be reduced for
2 performance below certain levels, and could lead to penalties for net monthly
3 performance below 50% of committed load reduction. There are neither capacity
4 payments nor penalties for non-performance in the DBP program, which
5 provides energy rate credits at a fixed price.

6 The air conditioner cycling programs (“ACC”) are somewhat unique. While
7 dispatched based on wholesale market or system conditions, they also provide
8 distribution reliability services, with dispatch based on distribution-level
9 emergencies. TURN assumes that as DR evolves to develop better locational and
10 temporal dispatch control, other programs may offer similar distribution-level
11 services. The Commission indicated its intent that the utilities should have
12 control of programs to “address distribution reliability problems.”⁵ The
13 Commission may need to order workshops to determine how to ensure dual
14 control of such programs.

15 TURN is concerned about the categorization of Permanent Load Shifting (“PLS”)
16 as a load modifying resource. Presently, only thermal energy storage qualifies for
17 PLS funding. But thermal storage is simply a technology to promote load shifting
18 | each and every day, without reference to any signal. ~~But~~ PLS only makes sense as
19 | a response to a tariff such as TOU. It is not clear why PLS is called out as a
20 separate resource. Other technologies, such as battery storage, can provide either
21 | PLS or ~~other similar services~~, depending on the nature of financial incentives.

⁵ D.14-03-026, p. 22.

1 load reduction into the DRAM, or to continue some or all of the programs for
2 some period of time.

3 TURN's primary concern is that if customers presently enrolled in a DR program
4 continue on that program, so that the DRAM only procures new customers
5 (incremental load), the available supply of DR could be limited, thus resulting in
6 higher bid prices and/or fewer bids. Furthermore, if customers can choose
7 whether to participate in existing programs or sign up with a third party who
8 has ~~wone~~ a DRAM contract, customers would simply choose the ~~higher cost~~
9 alternative with higher incentives.

10 For these reasons, TURN would prefer all existing programs terminate in 2017.

11 However, such a rapid transition may prove difficult given the number of
12 unresolved issues. Thus, as an alternative TURN recommends a three-year
13 transition period. All AMP contracts should terminate in by end of 2016.

14 Aggregators have already acquired the customers participating in AMP, and the
15 transition to bidding load into a DRAM in 2016 and participating in PDR or
16 RDRR should be less drastic. Tariffed programs such as CBP, DBP and BIP
17 should continue for one additional year, and terminate at the end of 2017.

18 TURN anticipates that a longer time may be necessary to acquire residential
19 customers currently participating on ACC programs due to greater difficulty in
20 customer acquisition and the need to resolve problems related to aggregation
21 and registration. For this reason, TURN recommends the ACC programs
22 terminate by end of 2018.