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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding Policies and Protocols for Demand Response Load Impact Estimates, Cost-Effectiveness Methodologies, Megawatt Goals and Alignment with California Independent System Operator Market Design Protocols.

Rulemaking 07-01-041
(January 25, 2007)

ADMINISTRATIVE LAW JUDGE'S RULING REQUESTING PREHEARING CONFERENCE STATEMENTS

On January 25, 2007, the California Public Utilities Commission opened Rulemaking (R.) 07-01-041 to address several specific issues related to the Commission's efforts to develop effective Demand Response (DR) programs for California's investor-owned utilities. The Order Instituting Rulemaking (OIR) schedules a Prehearing Conference (PHC) in this proceeding for March 13, 2007, at 10:00 a.m., to discuss the scope, schedule, and approach for accomplishing this proceeding's goals. This Ruling outlines some issues to be discussed at the PHC, asks that parties attending the PHC be prepared to discuss these issues, and requests that parties file individual or joint PHC Statements by March 9, 2007 to provide preliminary input on the OIR.

I. Purpose of the PHC

The OIR document which opened this proceeding sets the general scope and ultimate goals for this Rulemaking. According to the OIR, this rulemaking will:

1. Establish a comprehensive set of protocols for estimating the load impacts of DR programs;
2. Establish methodologies to determine the cost-effectiveness of DR programs;
3. Set DR goals for 2008 and beyond, develop rules on goal attainment; and
4. Consider modifications to DR programs needed to support the California Independent System Operator's (CAISO) efforts to incorporate DR into market design protocols.

A PHC is called in a proceeding to determine the parties (which will comprise the service list), the issues, the schedule, and various procedural matters including the need for workshops or hearings to resolve issues. After identifying the parties in attendance, the major tasks at this PHC will be to identify the specific issues and tasks related to each of the four goals defined in the OIR, to discuss the best ways to create the record needed for the Commission to make informed decisions on the issues and achieve its broader DR goals, and to discuss an appropriate schedule.

To the extent possible, the PHC will attempt to develop a scope and schedule for all four items. Accomplishing the first three goals will require development of consistent measurement and evaluation protocols for the costs and benefits of DR programs. Because the fourth goal, considering modifications to DR programs needed to support CAISO efforts to incorporate DR into its market design, requires additional investigation by CAISO and Commission staff, this element of the proceeding cannot be planned in any detail at this point.

Items 1-3, on the other hand, are interrelated and build on work previously undertaken by this Commission and the California Energy Commission. Work towards the resolution of these items can begin immediately.

II. PHC Statements to Assist in Scoping and Scheduling

Given the importance and complexity of this proceeding, I expect to use the PHC as an opportunity to gather input on not only the scope of this proceeding but also the appropriate approach and direction for accomplishing its objectives. As noted in the initiating OIR, the topics to be addressed in this proceeding are interrelated with the subjects of several other existing and anticipated Commission proceedings, including R.05-12-013 on Resource Adequacy, the upcoming DR program planning and budget applications for 2009-2011, and various proceedings related to advanced metering infrastructure planning and implementation. In developing the scope and schedule of this proceeding, it is important to keep these relationships in mind. Scheduling should also be mindful of the need to allow for meaningful participation in the proceeding by parties, ensure efficient use of Commission and party time and resources, resolve the issues in a timely manner, and meet overall Commission objectives for demand response, as enumerated in the state's Energy Action Plan II (EAP II). The conduct of this proceeding should balance these various issues to meet Commission objectives, to the extent possible.

In order to make full use of the parties' presence at the PHC, I request that parties provide information in advance through PHC statements. These statements should outline parties' general approaches to the issues raised in this rulemaking, and suggest schedules for the timely completion of the tasks included in this OIR. In order to inform discussion at the PHC and assist in

planning this proceeding, I ask that parties also include in their PHC statements the answers to the questions in Appendix A.

Parties that choose not to file PHC statements should come to the PHC prepared to discuss the issues raised in Appendix A, as well as the general scope and schedule of the proceeding. Parties with similar interests or approaches to the issues identified in the OIR are encouraged to coordinate before the PHC in developing answers to the above questions and potential schedules for the resolution of the issues; parties may submit joint PHC statements reflecting their common interests and positions, as appropriate.

PHC statements should be filed with the Commission's docket office by Friday, March 9, 2007. Because the service list in this proceeding will not be developed until the PHC, it will not be possible to serve PHC statements on all parties at the time that they are filed. Electronic copies of the filed statements should be sent to me (jhe@cpuc.ca.gov), Bruce Kaneshiro of the Commission's Energy Division (bsk@cpuc.ca.gov), and Andy Campbell of assigned Commissioner Chong's office (agc@cpuc.ca.gov) before 5:00 p.m. on Friday, March 9, 2007. Parties should bring at least 25 copies of their filed statements to the PHC to distribute to those in attendance

IT IS RULED that:

1. This Ruling will be served on all parties that received the original OIR document in this proceeding. These are parties to R.02-06-001, R.06-02-013, R.05-12-013, A.05-06-006, A.05-03-015, A.05-06-028, A.06-12-026, R.06-04-010, R.04-04-025 and the informal "DR cost-effectiveness service list" that staff initiated with its draft load protocols.

2. Parties are requested to file PHC statements outlining parties' general approaches to the issues raised in this Rulemaking, suggesting schedules for the

Appendix A

Keeping in mind the need for a thorough and timely resolution of the issues raised in this proceeding, please respond to the following questions.

I. Load Impact Protocols

1. Can the Load Impact Protocols be developed separately from the other input protocols (for example, customer costs)?
2. What are the drawbacks or advantages to a phased process in which the protocols for Load Impacts would be developed first, followed by the development of protocols for other cost-effectiveness inputs?
3. The Load Impact protocols will be used as one of several inputs into the Cost Effectiveness Protocols. In what other ways can or should the Load Impact protocols be used?

II. Cost-Effectiveness

1. What is the purpose of the Cost Effectiveness Protocols to be developed in this proceeding, and how should they be used?
2. Can the cost effectiveness input protocols be developed at the same time as the overall cost effectiveness methodology, or must all inputs be known before the development of the cost effectiveness methodology?

III. Process for Developing Load Impact and Cost Effectiveness Protocols

One option for the timely development Load Impact and Cost Effectiveness Protocols is to ask parties to respond to an initial “strawman” proposal developed as a focus for comment.

1. What concerns do parties have if the investor-owned utilities are directed to develop a joint “strawman” proposal for the Load Impact and Cost Effectiveness protocols, to be vetted by parties in comments, workshops, and through other procedural means (hearings, if necessary)?
2. Are there any parties who are able to produce an alternative “strawman” proposal for the Commission to consider?

3. What alternative models do parties suggest for developing draft protocols if the IOUs are not asked to produce initial “strawman” protocols?
4. If the IOUs are asked to propose “strawman” protocols, how if at all should their development process be monitored by the Commission or other parties? The purpose of monitoring would be to ensure that agency staff and parties understand the draft protocols ultimately presented and how they were developed. Possible monitoring options include:
 - a. Having one or more intermediate public workshops to share progress;
 - b. Using the Demand Response Measurement and Evaluation Committee (DRMEC). DRMEC has been overseeing various DR evaluations and studies since 2004. The DRMEC is composed of the three IOUs and representatives of the CEC and CPUC Energy Division; or
 - c. Other
5. Assuming that the IOUs are directed to develop the “strawman” protocols, what guidelines should be provided to direct the development of the “strawman” proposal? What do parties believe is an appropriate timeline to allow for the initial development of a draft “strawman” protocol, which would later be vetted by parties in workshops (and hearings, if necessary)?
6. What are the advantages/drawbacks in terms of cost, timing, usefulness to the following approaches to preparing the Input and Cost Effectiveness protocols?
 - Approach A: use the existing Energy Efficiency protocols and the existing Standard Practices Manual as the basis for developing DR protocols and cost-effectiveness tests by making adjustments and additions which reflect the particular costs and benefits of Demand Response.
 - Approach B: develop an alternative approach, including new protocols and cost-effectiveness tests, based on the literature and practices which may have been developed for Demand Response

programs outside of California, and/or on new ideas developed during this process.

IV. Timing and Process for Developing Demand Response Goals

1. The IOUs have been directed to file applications no later than June 1, 2008 for their '09-'11 DR budgets, unless otherwise directed by the Commission. Assuming June 1 remains the deadline, when should the Commission adopt a DR MW goal for 2009 (and beyond) so that the goal(s) would be considered by the IOUs in developing their applications?
2. Assuming that a final decision on the Load Impact and Cost Effectiveness protocols will not be complete until the end of 2007 at the earliest, should the Commission set up an interim process for setting a 2008 Demand Response goal? A 2009 DR goal? (depending on how early it's needed)?