BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

FILED
10-21-13
04:59 PM

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)

SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E) RESPONSES TO OIR QUESTIONS REGARDING DEMAND RESPONSE PROGRAM BRIDGE FUNDING AND STAFF PILOT PROPOSAL

JANET S. COMBS
R. OLIVIA SAMAD

Attorneys for
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, California 91770
Telephone: (626) 302-3477
Facsimile: (626) 302-7044
E-mail: olivia.samad@sce.com

Dated: **October 21, 2013**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE

STATE OF CALIFORNIA

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 18, 2013)

SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E) RESPONSES TO OIR QUESTIONS REGARDING DEMAND RESPONSE PROGRAM BRIDGE FUNDING AND STAFF PILOT PROPOSAL

I.

INTRODUCTION

Pursuant to Ordering Paragraph 2 of the Order Instituting Rulemaking (Rulemaking) issued September 25, 2013, Southern California Edison Company (SCE) respectfully submits these responses to the six questions contained in the Rulemaking. The six questions address the need for continued funding to support SCE's portfolio of demand response (DR) offerings and pilot proposals for 2015. SCE looks forward to continuing to collaborate with the Commission and the parties in this Rulemaking to shape how California's DR resources will meet the State's resource planning and operational needs.

II.

SCE'S RESPONSES TO THE SIX QUESTIONS

A. Do you find it reasonable for the Commission to authorize SCE, San Diego Gas and Electric Company (SDG&E), and Pacific Gas and Electric Company (PG&E) a one-year bridge funding to allow current demand response programs to continue, as is, through 2015 while the Commission contemplates changes to the structure of the overall demand response program?

SCE supports the use of a bridge funding period to allow for the continued operations of its DR programs post-2014 while the Commission examines "potentially radical"[1] changes in the structure and budget cycles of the DR programs. In that context, authorization of bridge funding for only 2015 may not provide the investor owned utilities (IOUs) sufficient funding for the duration of this Rulemaking, which is expected to "develop and adopt a road map with the intent to collaborate and coordinate with other Commission proceedings and state agencies in order to strategize the future of demand response."[2] SCE expects that the Commission and Parties will need additional time to adequately evaluate and resolve potentially complex issues in this Rulemaking, which does not provide sufficient time for the Commission to provide guidance for the IOUs' January 2015 filing.[3]

SCE recommends that the Commission authorize 24 months of DR bridge funding to allow uninterrupted delivery of DR programs and services to customers and sufficient funding and time for the Commission to resolve the necessary issues in this proceeding, and to provide guidance for the next DR application. In addition, SCE recommends that the bridge funding provide greater fund shifting flexibility than the current guidelines allow. This flexibility is needed for program design and operational improvements, as well as to minimize changes in funding amounts that introduce customer "uncertainty and may lead to barriers to the

---

[1] Rulemaking at p. 21.
[2] Rulemaking at p. 2.
[3] Currently the IOUs have been granted a delay by the Executive Director to file their next funding applications by July 31, 2014 but SCE expects this timeline to be extended.

development of robust demand response resources"[4] during the Proceeding.[5] If additional bridge funding is required beyond the 24-month period, SCE requests the authority to file a Tier 2 advice letter to seek such continued funding.

As discussed in each of the IOUs' Prehearing Conference statements,[6] the Commission should issue a guidance decision for the next IOU funding cycle to the IOUs by no later than mid-2014 so that the IOUs' applications can be developed and filed in early 2015. SCE recommends that the decision include specific bridge funding guidance to allow for the consistent delivery and retention of all customers in SCE's DR rates and programs for the full year of 2015 and the enrollment period of early 2016 for that year's summer season. This is also another reason that the bridge funding should be for 24 months, not just one year. Should the next program funding cycle authorization begin prior to the end of the 24-month bridge funding period, SCE recommends applying any unspent uncommitted funding to future cost recovery of the subsequent funding cycle.

Because the Rulemaking provides limited insight on how bridge funding should be structured, and the official scoping memo has yet to be issued, SCE can only comment on the reasonableness of bridge funding for DR programs and on its duration. SCE recommends that as more details and Commission guidance become available, then all the parties should have an additional opportunity to comment on the specific guidance for the bridge funding and the cost recovery mechanism.

---

[4] Rulemaking at p. 9.

[5] For example, SCE is not allowed to fund shift more than 50 percent of a program's budget without filing an advice letter seeking approval. In addition, SCE is prohibited from shifting funds across budget categories (i.e., shifting funds from Marketing to AutoDR).

[6] SCE Prehearing Conference Statement at p. 6; PG&E Prehearing Conference Statement at p. 3; and SDG&E Prehearing Conference Statement at p. 6.

B. <u>Do you support the objectives of the staff proposed pilots? Please provide alternative suggestions for Utility pilots in 2015 if you do not.</u>

In general, SCE supports the research objectives and goals of the pilots (*e.g.*, evaluating the enabling of third-party DR resources participating directly into the California Independent System Operator's (CAISO's) market and increasing the effectiveness for customers enrolled in time-of-use (TOU) and critical peak pricing (CPP) rates). However, SCE recommends that existing DR activities contained in existing DR pilots and programs be leveraged to achieve the same objectives rather than create new tasks. Furthermore, creating new pilots may conflict and interfere with existing IOU activities to implement direct participation of DR resources in CAISO's market under Rule 24. As a reasonable alternative to the pilots proposed by Energy Division staff, SCE recommends the following pilots and processes already in progress (or in the near term planning stages) be recognized as activities that can achieve similar objectives:

- <u>SCE's Vehicle to Grid (V2G) Pilot</u>. This pilot, authorized by Resolution E-4595 and currently in the planning stage, allows the Department of Defense (DOD) to use its plug-in electric vehicle (PEV) fleet to participate directly into the CAISO wholesale market through SCE serving as the DOD's scheduling coordinator of energy and ancillary service bids. The pilot provides the CAISO with visibility of the operation of demand-side resources, builds third party capabilities/knowledge to directly participate in CAISO's market, provides operational experience in the day-ahead market, increases understanding of the settlement process, and assists in the development of bidding strategies and forecast of load consumption or curtailments. This pilot achieves many of the goals of the proposed Intermittent Resource Management Phase 2 (IRM2) pilot, including direct participation experience by large retail customers, and participation in flexibility through ancillary services.
- <u>SCE's Local Capacity Requirement (LCR) Procurement</u>. SCE has initiated a complex competitive solicitation that includes all LCR resource types including EE, DR, Renewables, and Energy Storage. This solicitation will provide learnings about

soliciting preferred resources and their contribution to meet or reduce LCR needs alongside conventional resources. This effort will have a significant impact on understanding long-term procurement of preferred resources.

- SCE's Preferred Resources Living Pilot. As discussed in SCE's Long Term Procurement Plan (LTPP) proceeding, SCE is already working on a Preferred Resources Living Pilot that will include the use of demand response in a local area affected by closure of Once-Through Cooling plants and SONGS. There may be opportunities in this Rulemaking to improve the design and effectiveness of demand response to meet such local needs.
- SCE's Rule 24 Implementation. SCE and the other IOUs are currently developing rules, forms and requirements to enable IOU and non-utility DR Provider (DRP) participation in the CAISO market. SCE is developing systems and processes required to comply with Rule 24 and support non-utility participation. SCE estimates that systems and processes needed to bid utility resources into the CAISO markets will be implemented by mid-2014 and for non-utility resources by the second quarter of 2015.

The above listed pilots and the Rule 24 implementation effort overlap with the timing for the staff's proposed Intermittent Resource Management Phase 2 (IRM2) pilot for Southern California. Thus, the proposed IRM2 pilot for Southern California would challenge SCE's committed technical resources and constrain the ability to support both the IRM2 pilot and the existing work identified above. The existing activities identified above will achieve the research goals desired by the Energy Division. If SCE is required to conduct an additional pilot in 2015, it could impede progress on SCE's existing pilots and/or Rule 24 direct participation implementation.

C. In Section II.C.4 of the staff proposal, Energy Division staff recommends that SCE and SDG&E will both need budgets that are 75-80 percent of PG&E's current Intermittent Resource Management Phase 2 (IRM2) budget ($2.458 million) to be able to effectively replicate the IRM2 pilot in their territories. Do you agree with that assessment? If not, what would be an appropriate budget for SCE and SDG&E to replicate the IRM2 pilot in their territories? Are there ways to modify the allocation of specific costs of the pilot such that SDG&E and SCE will not need as much as 75-80 percent of PG&E's budget?

As noted in Section B above, if SCE can leverage existing DR pilot projects and Rule 24 implementation to achieve the goals defined for the IRM2 pilot, then additional funding is not required. However, in the event that SCE is directed to implement the IRM2 in Southern California, then SCE estimates that it would require funding comparable to the budget amount allocated to PG&E (*e.g.*, $2.46 million) to sufficiently execute the pilot deliverables in the timetable desired. In the event the Commission requires the IRM2 pilot in Southern California, SCE requests the opportunity to submit a final pilot plan with a fully developed scope, budget, and schedule following a Commission decision.

D. Do you agree with the proposed budgets for the other pilots in the attached staff proposal?

At this time, prior to the workshop to be held on October 22, 2013 that addresses these issues, SCE does not have enough information to comment on the proposed budget for the behavior pilot for customers on dynamic rates at this time. SCE expects that it will be better able to evaluate the proposed budget following the workshop discussion and reserves the opportunity to comment on the budget issues at a later date. Based on the Staff's objectives and goals of the pilot discussed in the Rulemaking, SCE is concerned that this pilot may complicate and/or duplicate efforts currently in place for SCE's transition of non-residential customers to mandatory TOU.[7]

---

[7] D.13-03-031 in SCE's 2012 GRC Phase 2 Application authorized SCE to transition eligible non-residential customers to mandatory TOU rates in two waves. The first wave will occur in early 2014 (January for C&I customers and February for agricultural & pumping customers) and the second wave will occur in early 2015. SCE is required to transition eligible non-residential customers to default CPP rates beginning in 2016.

E. In D.13-04-017, the Commission authorized SCE to shift $8.7 million in unspent funds from its Air Conditioner (AC) Cycling Program to fund various improvements to its Demand Response portfolio. It is Energy Division's understanding that SCE has approximately $8 million in unspent funds in its AC Cycling Program. Do you support shifting remaining unspent funds from SCE's AC Cycling Program to support the pilots described in the staff proposal? The same decision authorized SDG&E to shift $1.7 million from its 2012-2014 demand response portfolio to fund various improvements to its Demand Response programs. Do you support additional fund shifting from SDG&E's 2012-2014 demand response portfolio to fund the pilots described in the staff proposal?

Energy Division's understanding is correct that SCE has approximately $8.0 million of remaining unspent funding that was authorized for SCE's AC cycling program in D.11-11-002 (Summer Discount Plan Transition to Price-Responsive DR). If SCE is directed to implement the pilots proposed in the Rulemaking, then SCE supports utilizing the unspent funding as funding source for the pilots, similar to the pilot funding mechanism in D.13-04-017.

F. In D.13-07-003, the Commission directed SCE and SDG&E to transition their Peak Time Rebate (PTR) programs to be an opt-in program (in order for participants to be paid a monetary incentive for load reductions) by May 2014. This transition will enable both utilities to save significant incentive funds for the program. Energy Division's May 1, 2013 DR Lessons Learned Report estimated that SDG&E paid $10.1 million in 2012 PTR incentives to its residential customers, yet 94 percent of the incentives paid yielded no significant load reductions. SCE paid $27 million in 2012 PTR incentives, and 95 percent of incentives were paid to customers who were not expected to or did not reduce load significantly. Do you support the Commission using the expected savings from the PTR program incentives to fund the pilot activities described in the staff proposal?

The Rulemaking incorrectly suggests that the re-design of the PTR program in 2014 to an opt-in process will provide additional "expected savings from the PTR program incentives"[8] to support funding the pilots. This is because the bill credits (or incentives) provided to residential customers for reducing load on PTR are recorded through SCE's Energy Resource Recovery Account (ERRA) and are not funded through the Demand Response Program Balancing Account (DRPBA). Therefore, no "expected savings" in the DRPBA will occur in 2014 because SCE's PTR incentives are a function of rate design and not obtained through the DRPBA treatment.

---

[8] Rulemaking at p. 23.

Thus, SCE will not have additional DR funds available from reduced PTR program incentives to fund pilot activities because the proposal's funding premise is incorrect.

III.

CONCLUSION

SCE appreciates the opportunity to provide this response to the six questions included in the Rulemaking.

Respectfully submitted,

JANET S. COMBS
R. OLIVIA SAMAD

/s/ R. Olivia Samad
By: R. Olivia Samad

Attorneys for
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, California 91770
Telephone: (626) 302-3477
Facsimile: (626) 302-7044
E-mail: olivia.samad@sce.com

October 21, 2013