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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.

Rulemaking 13-09-011
(Filed September 19, 2013)

**ADMINISTRATIVE LAW JUDGE'S RULING REQUESTING
RESPONSES TO QUESTIONS IN REGARD TO 2018 AND
BEYOND DEMAND RESPONSE PROGRAMS**

Summary

As further described below, this Ruling directs the parties of Rulemaking 13-09-011 to respond to questions regarding the next steps for the Demand Response Potential study as well as other unresolved issues in this proceeding. The responses will be used to begin to develop a record to support a decision providing Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company guidance for 2018 and beyond demand response activities. Parties shall file responses to the questions no later than March 18, 2016; reply comments may be filed no later than March 25, 2016.

1. Background

Decision (D.) 14-12-024 initiated the steps toward a future solution for enhancing the role of demand response in meeting California's resource planning needs and operational requirements. The Decision adopted a modified joint party proposal that, among other things, approved the performance of a study to determine the potential of demand response in California based on value and on need; below we discuss the study, its schedule and the impact of its schedule on

this proceeding. The Decision also pointed out the unresolved issue of determining the roles of the three demand response utilities (Utilities) and third-party providers in administering supply and load modifying resources; this Ruling asks questions in order to further explore the issue. Additionally, D.14-12-024 described a working group to discuss and provide a proposal for extended budget cycles. At this time, the Commission has received no recommendations for future budget cycle length; thus, this Ruling also contemplates the specifics of future demand response budget cycles.

2. The Path to 2018 and Beyond

In D.14-12-024, the Commission described the path to 2018 as including the following Commission decisions: bridge funding for 2017 demand response activities; adoption of demand response goals for 2018 and beyond, informed by the demand response potential study; adoption of changes to the demand response cost-effectiveness protocols; adoption of new resource adequacy requirements for demand response resources. In addition, the Commission anticipated the California Independent System Operator's (CAISO) implementation of new rules or operations. The directives of these Commission Decisions, along with the results of the demand response auction mechanism pilots, would lead to the filing, by the three demand response utilities, of 2018 and beyond demand response applications in November 2016.

3. Discussion

Over the course of the fourteen months since the adoption of D.14-12-024, the Commission has continued down the path to 2018. The Commission has adopted several changes to the demand response cost-effectiveness protocols and adopted policies for the valuation of load modifying demand response resources. A process is underway for the consideration of 2017 demand response activities' bridge funding. However, timelines have been delayed and work remains to be performed in order to complete the path to bifurcation and

integration. This Ruling addresses these two issues below and asks parties to respond to the questions posed.

Impact of Schedule Delay for the Demand Response Potential Study

In January 2016, the Lawrence Berkeley National Laboratory (Consulting Team) provided a research update regarding the 2015 California Demand Response Potential Study. The Consulting Team announced that the results from the Demand Response Potential Study would be delivered to the Commission in two parts. The first part, due April 1, 2016, will provide the Commission with the technical potential of all selected end-uses for system and local resource adequacy products including proxy demand response and reliability demand response resources. In addition, the Consulting Team will provide supply curves for these system and local resource adequacy products and their economic potential. The second part, due September 1, 2016, will provide the technical potential for all selected end-uses and products including ancillary services and reverse demand response. Additional product supply curves will be provided for each utility and, possibly, by sub-LAP. Lastly, the Consulting Team will provide a complete demand response economical potential in a CAISO market context for each product, for each utility and, possibly, by sub-LAP.

When the Commission adopted D.14-12-024, it anticipated that the results from the Potential Study would be available to inform a Commission decision on guidance to the Utilities for future demand response activities (2018 and beyond.) While the study results to be provided on April 1, 2016 can be used to inform determinations on current demand response products, the results regarding future products will not be available until September 1, 2016. A guidance decision for 2018 and beyond demand response activities should be scheduled to allow the Utilities sufficient time (at least four months) to develop portfolios for 2018 and beyond demand response activities. D.14-12-024 directed the Utilities

to file demand response budget and program applications no later than November 30, 2016.

Described below are several scenarios of potential paths/timelines the Commission could consider to balance the need for guidance for 2018 and beyond demand response activities, while taking into consideration the delay of the potential study results. Parties are asked to comment on these proposed scenarios. Parties should comment on the strengths and weaknesses of each scenario, A through C. Parties are encouraged to offer other scenarios, also providing strengths and weaknesses.

A. Delay Scenario

Delay a guidance decision for 2018 and beyond until after the September 2016 Potential Study Results are produced. This would result in the issuance of a proposed decision no earlier than December 2016 and would necessitate a delay in the filing of utility applications to April 2017. Hence, the issuance of a proposed decision on those applications would not occur until the first quarter of 2018. The Commission would need to allow for demand response program bridge funding until a decision is adopted.

B. Supplemental Application Scenario

Issue a preliminary guidance decision in August 2016 based on the April 1 study results. (This would require a change in the date the Utilities file the applications.) In this scenario, the Utilities would file applications in December 2016 based on the preliminary guidance decision. An assigned Commissioner and Administrative Law Judge would issue further guidance in a November 2016 Ruling, based on the September 2016 study results. The Utilities would file supplements/amendments to the applications in February 2017, based on the further guidance. A proposed decision on the 2018 applications and supplements/amendments would be issued in September 2017.

C. Two Decision Scenario

The Commission would issue a preliminary guidance decision in August 2016 based on the April 1 study results and only for current demand response products. (As is the case with

scenario B, this would require a change in the date that the Utilities file the applications.) Hence in this scenario, the Utilities would file applications in December 2016 based on the preliminary guidance decision. These applications would focus only on current demand response products. A second guidance decision issued during the first quarter of 2017 would focus on future demand response products and be based on the September 2016 study results. The Utilities would file a second round of applications during the summer of 2017. The second round of applications would be for program years 2019 and beyond, based on the second decision, and focused on future demand response products. A proposed decision addressing the initial applications would be issued during the last quarter of 2017 and a proposed decision for 2019 and beyond would be issued during the second quarter of 2018.

Completing the Record

In order to aid in the complete resolution of Rulemaking 13-09-011, parties to the proceeding are asked to respond to the following questions regarding the issues presented above.

1. The role of the Utilities and third-party providers in administering demand response supply resources and load modifying resources is an issue in this proceeding where the record is lacking. Over the past few years, the Commission has attempted to increase the role of third-party providers through the use of demand response direct participation (i.e. Rule 24/32) and complemented by the several pilots including the demand response auction mechanism pilot and the supply-side pilot. Further, integration of demand response programs into CAISO wholesale markets has required Utilities to perform new functions, such as being a scheduling coordinator for demand response, registering resources, and resolving extensive system automation and interface challenges. These efforts have diversified the role of the Utilities relative to their role when this rulemaking began. Utilities now support the engagement of their customers in demand response both directly, through administration of programs and procurement from third-party providers, and indirectly, through Rule 24/32 and CAISO integration.

