STATE OF CALIFORNIA EDMUND Governor

PUBLIC UTILITIES COMMISSION
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TO PARTIES OF RECORD IN APPLICATION 14-06-001 ET AL.:

This is the proposed decision of ALJ Hymes. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's June 9, 2016, Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

/s/ KAREN V. CLOPTON
Karen V. Clopton, Chief
Administrative Law Judge

KVC:jt2

Attachment

Decision **PROPOSED DECISION OF ALJ HYMES (Mailed 5/4/2016)**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Recovery of Costs to Implement Electric Rule 24 Direct Participation Demand Response (U39E).	Application 14-06-001 (Filed June 2, 2014)
And Related Matters.	Application 14-06-002 Application 14-06-003

DECISION ADDRESSING BUDGETS FOR DAY-AHEAD, REAL-TIME, AND ANCILLARY SERVICES DURING THE INTERMEDIATE IMPLEMENTATION STEP OF THIRD-PARTY DEMAND RESPONSE DIRECT PARTICIPATION

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DECISION ADDRESSING BUDGETS FOR DAY-AHEAD, REAL-TIME, AND ANCILLARY SERVICES DURING THE INTERMEDIATE IMPLEMENTATION STEP OF THIRD-PARTY DEMAND RESPONSE DIRECT PARTICIPATION

Summary

This decision adopts the following budgets to implement day-ahead, real-time and ancillary services during the intermediate implementation step of third-party demand response direct participation in the California Independent System Operators market: $5.4 million for Pacific Gas and Electric Company, $2.3 million for San Diego Gas and Electric Company, and $138,932 for Southern California Edison Company (SCE) (jointly, the Applicants). The Applicants are authorized to use the click-through process for electronic signatures and are directed to hold meetings with Energy Division and interested stakeholders to continue to work through the issues surrounding electronic signatures. SCE is authorized to require customers to use its Green Button Connect Approach to enroll in demand response direct participation. Lastly, this decision approves a process to authorize future increases in the customer target number and cost recovery for the intermediate step of third-party demand response direct participation. This proceeding is closed.

1. Procedural Background

On March 26, 2015, the Commission approved Decision (D.) 15-03-042, which approved cost recovery by Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), and Southern California Edison Company (SCE) (jointly, the Applicants) for the implementation of an initial step of third-party direct participation of demand response providers in the California Independent System Operator's (CAISO) energy markets. The Commission established the number of customer registrations for each Applicant to target during the initial implementation step: 7,000 for SDG&E, 10,000 for PG&E and 14, 000 for SCE. The Commission noted that the target should be a dynamic ceiling that should rise over time and not be reached. While the decision required the Applicants to provide ancillary, real-time and day-ahead services, the record in the proceeding only contained budgets for day-ahead services. A subsequent decision, D.16-03-008, approved budgets for the ancillary and real-time services for the initial implementation step.

In order to address subsequent steps of third-party demand response direct participation, the Commission directed the Applicants to file comments seven months after the issuance of D.15-03-042 recommending the number of participants to target in the intermediate step, the services to be included and the data that should trigger moving to the intermediate step. Additionally, the Commission directed that it is the responsibility of the Applicants to inform the Commission within six months if any of the Applicants anticipate reaching the target customer registrations established by D.15-03-042. The six-month window should ensure ample time to increase the target and provide cost recovery to increase the target. The Commission noted that this process would be fine-tuned in the second phase.

On November 30, 2015, each of the Applicants complied with D.15-03-042 and filed comments regarding the metrics for the intermediate step of direct participation. Subsequently, on December 8, 2015, PG&E filed a notice informing the Commission it could potentially exceed Rule 24 customer registration targets for the initial implementation step.

The assigned Administrative Law Judge held a prehearing conference on February 6, 2016 to discuss the scope and schedule for the intermediate implementation step. During the prehearing conference, PG&E expressed an urgency to address the intermediate implementation step. A Joint Assigned Commissioner and Administrative Law Judge Ruling and Revised Scoping Memo for Phase Two, issued on February 10, 2016, conveyed this urgency through an efficient but accelerated schedule. The schedule allowed for both a workshop and evidentiary hearings, if necessary. Following the March 7, 2016 workshop (March Workshop) and a subsequently filed March Workshop Report, the Administrative Law Judge issued a Ruling directing that motions requesting evidentiary hearings be filed; no party requested evidentiary hearings. Hence, hearings were not held. Briefs were filed on April 1, 2016 and reply briefs were filed on April 8, 2016

2. Overview of Applicants' Intermediate Implementation Step Proposals and Budgets

Table 1 provides an overview of each of the Applicant's proposals for the intermediate step of third-party demand response direct participation. The table was originally provided by the Applicants prior to the March Workshop, pursuant to a March 4, 2016 Ruling. During the March Workshop, the Applicants presented and explained the contents of the table; parties were provided an opportunity to ask questions and discuss the contents of the table.

TABLE 1
Comparison Table for PG&E, SCE, and SDG&E February 29, 2016 Testimony served in A.14-06-001 et al.

	PG&E	SCE	SDG&E
Proposed services	Day-Ahead Energy (Ancillary Services and Real Time Energy are provided under the PD for 10,000 Registrations)	Day-Ahead Energy, Real Time Energy, Ancillary Services	Day-Ahead Energy, Real Time Energy, Ancillary Services
Proposed number of registrations to target	2016 - 30,000 2017 - 40,000	28,000	28,000
Proposed number of assumed request forms	2016 - 150,000 2017 - 200,000	280,000	140,000
Proposed timelines	Immediate need DRRS upgrade, DRAM 2 customers (starting mid-2016)	Advance to Intermediate Step 6 months after meeting or expecting to meet the goals of the Initial Step	12 months from decision issuance
Proposed budgets	$5,733,150	$138,932	$2,221,600
Proposed number of assumed meter reprogramming	2016 - 22,500 2017 - 30,000 Residential Meters	Zero additional meters, as AS/RT PD contemplates funding for 70,000 meters	Zero additional meters, as AS/RT PD contemplates funding for 35,000 meters
Who pays for meter reprogramming to 15-minute meter intervals	Ratepayers pay for residential meters within the 40,000 Registrations	Ratepayers	Ratepayers
Budget if ratepayers pay for reprogramming	$5,733,150	$138,932	$2,221,600
Budget if ratepayers don't pay for reprogramming	$4,476,150	$138,932	$2,221,600

3. Issues to be Determined in This Decision

The Scoping Memo for this phase of the proceeding described five issues for this proceeding. For each of the Applicants, the Commission will determine whether the applications are reasonable in terms of: 1) the proposed number of customer registrations to target; 2) the proposed activities and timelines; and 3) the proposed budget. This phase of the proceeding will also determine whether the Commission should develop and adopt a process to streamline the authorization of subsequent implementation steps or customer registration target numbers, not including mass market implementation and, if the Commission should adopt such a process, what should that process entail.

We also clarify what is not in the scope of this proceeding. The Commission recognizes the relationship between this proceeding and the demand response auction mechanism pilots authorized and implemented in Rulemaking 13-09-011. In briefs, several parties highlighted the importance of this proceeding and its effect on the success of the auction pilots.[1] The Commission recognizes the potential impact of the timing of this proceeding; hence, the urgency in providing an outcome for the direct participation intermediate implementation step. However, some parties have requested that the Commission make determinations on issues related to the second auction pilot. We clarify that issues related to the specifics of the demand response auction mechanism pilot, e.g. revising the schedule for the second auction pilot,

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[1] *See* Opening Briefs of Joint Demand Response Providers at 11-21; ORA at 6, 8-9; and OhmConnect at 2. See also Reply Briefs of Joint Demand Response Providers at 10-12; OhmConnect at 6-7; PG&E at 4-5 and 6-7; and SCE at 5-6.

while related to this proceeding, are not in the scope of this proceeding and are not addressed in this decision

4. Discussion

4.1. Reasonableness of Proposals: PG&E's Application

For reasons described below, we approve PG&E's proposal and cost recovery budget to support an intermediate step for third-party demand response direct participation in the CAISO day-ahead, ancillary services, and real-time markets, as follows:

- PG&E shall target an additional 30,000 customer registrations in the CAISO market;
- PG&E's approved activities include the following: a) the hiring of five additional full time employees to process the additional customer information service request – demand response provider forms (Request Forms) and to manage the ongoing work; b) the continuance of a contract with a vendor to organize the data in the Request Forms that can be accepted by PG&E's system; c) Information Technology (IT) enhancements to expand the use of current systems and processes and complete Request Form revocations and updates; d) the purchase of additional Request Form data storage space; e) the Reprogramming of Meters for the additional 30,000 customer registrations; f) the ability for PG&E's systems to communicate with the CAISO's systems;
- PG&E is authorized a budget of $5.4 million in 2017 funds to be recorded to the Demand Response Expenditure Balancing Account and placed into rates through the Distribution Revenue Adjustment Mechanism and annual Electric True-Up Mechanism. Recovery shall be from all electric distribution customers, consistent with D.15-3-042.
- PG&E, SDG&E, and SCE are each authorized to use the click-through process for electronic signatures. We find that this electronic customer authorization process complies with

Commission regulations—including Electric Rule 27—as well as other relevant Federal and California law, and simplifies the enrollment process for customers. PG&E's proposal to use a third-party site to validate customer executive of the Request Form is not efficient and is denied, along with the additional verification letter. Furthermore, as described below, the Applicants shall hold a meeting with Energy Division and other stakeholders to continue discussion on this and related matters; and

- PG&E shall begin implementation immediately and strive to complete the process by the end of 2016 but no later than the end of February 2017.

PG&E states that the scope of work and estimated costs, as described in its testimony, are entirely to support third party demand response provider registration and the use of PG&E retail customers for direct participation in the CAISO market for day-ahead, ancillary services, and/or real-time energy products.[2] While PG&E provided estimates for other targeted customer registrations, PG&E asserts that 40,000 customer registrations allows for sufficient registrations to support third parties with demand response auction mechanism contracts in the 2017 auction pilot as well as possible non-auction registration requests.[3] PG&E contends that its testimony details and explanations for the scope of work and estimated costs are indicative of the thorough and careful work in the recommendations.[4] PG&E maintains that no one has protested its target number, the scope of work, or estimated costs.

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[2] PG&E Opening Briefs at 5.

[3] *Id.* at 6.

[4] *Ibid.*

ORA supports PG&E's proposal as reasonable "because it provides opportunity to increase registrations relative to the expected participation" of both the auction pilots and non-auction participation by third party demand response providers.[5] Furthermore, ORA does not object to PG&E's proposed budget for the Intermediate implementation step.[6] However, ORA notes that the cost differences between PG&E and the other Applicants are alarming. Hence, ORA requests that PG&E be required to achieve similar technological capabilities as the other two Applicants. In both D.16-03-008 and D.15-03-042, the Commission acknowledged that the Applicants are at different technological capabilities that may require differing budgets.[7] We find that remains true for now. However, given the amount of funding that PG&E has received relative to the other two Applicants, we expect PG&E's technological gap to have greatly diminished with the funding from D.15-03-042, D.16-03-008 and this Decision. Hence, we approve PG&E's proposal but with two modifications as described below. We authorize cost recovery of $5.4 million.

Parties' only objection to PG&E's proposal is its proposed use of a notification letter to validate customer execution of Request Forms.[8] PG&E states that it has agreed to use certain forms of electronic signature "provided that an electronic PDF[9] of the customer's executed Request Form is uploaded to

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[5] ORA Opening Brief at 10.

[6] *Ibid*.

[7] D.16-03-008 at 23 and D.15-03-042 at 41-42, 47 and Finding of Fact No. 31.

[8] Joint Demand Response Parties Opening Brief at 6-9 and OhmConnect Opening Brief at 4-5.

[9] Portable Document Format (PDF) is a file format used to present and exchange documents reliably, independent of software, hardware, or operating system.

PG&E."[10] PG&E explains that Commission-required verification of the customer's signature can be achieved if PG&E sends notice to the customer upon receiving a Request Form that PG&E has received the form and will proceed to release the customer's information unless otherwise notified.[11] SDG&E has proposed a similar process on a temporary basis; hence, we address all electronic signature concerns here.

OhmConnect and Joint Demand Response Parties argue that the DocuSign process is cumbersome and request that the Applicants allow the use of a "click-through" process.[12] OhmConnect asserts that it has experienced a decrease in the number of customers completing the enrollment process since beginning to use DocuSign and adds that EnergyHub has experienced a 38 percent decrease in enrollment.[13] The Joint Demand Response Parties argue that Federal and California law allow for e-signatures "via a click-through or checkbox on a form" and requests that the Applicants use this approach.[14] PG&E maintains that, while the click-through process may be legal under federal and state law, Electric Rule 27 prevents a utility from releasing customer information without the customer's prior written consent.[15] PG&E contends that the

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[10] PG&E Opening Brief at 8. PG&E maintains that this process had not been agreed to before the approval of the Initial Implementation step, hence the costs to implement this process in both the initial and intermediate steps are included in the intermediate implementation step budget.

[11] *Ibid*.

[12] Joint Demand Response Parties Opening Brief at 6-9 and OhmConnect Opening Brief at 4-5.

[13] OhmConnect Opening Brief at 4-5.

[14] Joint Demand Response Parties Opening Brief at 7.

[15] PG&E Reply Brief at 2-3.

click-through methodology does not verify and authenticate a customer's signature and therefore is not in compliance with Electric Rule 27. However, OhmConnect and the Joint Demand Response Parties assert that a click-through process makes the authorization form available to the customer and allows the Utilities to keep copies of customer-executed Request Forms, and therefore is in compliance with Electric Rule 27.[16]

PG&E further argues that authorizing the click-through process should exempt Utilities from reporting data breaches because "without means to verify that the consent came from the customer, there is no way to know if there was a data breach. In response to PG&E's statement that the e-signature must provide reasonable assurances that the person completing the form is the person claimed, OhmConnect contends that the "very nature of the information requested on the Request Form provides the necessary reasonable assurance required by Electric Rule 27."[17] We find that the click-through process meets the requirements of Electric Rule 27, in that it provides the authorization form to the customer and the Request Form to the utility. We authorize the use of the click-through process by the Applicants but deny the request by PG&E to exempt the Applicants from reporting data breaches. Again, we find the click-through process provides reasonable verification of the customer. Because the click-through process meets the requirements of Electric Rule 27, we deny the request by PG&E to require demand response providers to access a third party verification vendor, e.g., DocuSign. Furthermore, PG&E's recommendation of an

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[16] OhmConnect Reply Brief at 3 and Joint Demand Response Parties Opening Brief at 8.

[17] OhmConnect Opening Brief at 5.

additional step of a verification letter is unnecessary and is also denied. Hence, we decrease PG&E's requested budget by $300,000.

Lastly, we address PG&E's proposed timeline. PG&E states that it will work diligently on intermediate implementation but completion is expected to take up to twelve months from issuance of this decision. PG&E states that upon approval of cost recovery, PG&E could begin ramping up volumes within a couple of months as resources are on-boarded; system changes need to be scoped, designed, and built.[18]

PG&E and other parties have expressed a sense of urgency in resolving this proceeding. However, PG&E's statement that it "could begin…within a couple of months" does not indicate the level of urgency that PG&E expressed in its December 8, 2015 filing or during the prehearing conference for this proceeding. Furthermore, we remind PG&E that this is the intermediate implementation step. System changes should have been "scoped" and "designed" in the initial implementation step as well as in PG&E's preparation of its proposal for the intermediate implementation step. We find a 12-month implementation timeline unreasonable. We direct PG&E to begin implementation of the intermediate implementation step immediately upon issuance of this decision and strive to complete the process by the end of 2016, but no later than the end of February 2017.

4.1.1. Reasonableness of Proposals: SDG&E's Application

As described below, we approve SDG&E's proposal and cost recovery budget to support an intermediate step for third-party demand response direct

[18] PG&E Opening Brief at 14 citing PGE-06.

participation in the CAISO day-ahead, ancillary services, and real-time markets, as follows:

- SDG&E shall target an additional 23,000 customer registrations for a total of 30,000 customer registrations in the CAISO market;
- SDG&E's approved activities include the following: a) proposed enhancements to the SDG&E demand response management system to increase automation, to include the continuation of its contract with a third-party IT service provider, associated maintenance and service fees charged by the service provider, and license fees to support up to 30,000 accounts and also includes improvements to allow the system to interface with other SDG&E systems; b) enhancements to its Customer Energy Network to automate data processing; c) upgrades to SDG&E MyAccount Portal to support Request Form automation; d) implementation of a central and automated web-based platform for customers and third parties to submit and manage authorizations using electric signatures; and e) improvements to the manual Request Form process to increase efficiency and decrease processing time;
- SDG&E shall begin implementation immediately with completion of the process by the end of February 2017;
- SDG&E is authorized a budget cap of $ 2.3 million in 2017 funds. Consistent with D.15-03-042, SDG&E should recover the rates through the direct participation demand response memorandum account.[19] Costs shall be allocated to all distribution customers; and
- As discussed above, SDG&E is authorized to use the click-through process for electronic signatures. Therefore, SDG&E's proposal to use a third-party vendor to validate electronic signatures is denied.

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[19] D.15-03-042 at 50.

For the Intermediate Implementation step, SDG&E requests the Commission to approve a customer registration target of 28,000, four times its initial implementation step target. SDG&E states that the size of the request is dually dependent on 1) the need to automate the direct participation registration process in order to support more than the current 7,000 customer registrations and 2) the desire for a measured and cost-effective approach instead of a costly, piecemeal approach.[20] SDG&E divides its anticipated costs into four categories[21] and explains that the costs for each of these categories are the same whether the Commission approves a target of 14,000 customer registrations or 28,000 registrations.

ORA supports SDG&E's request and budget but recommends that the Commission increase the targeted registrations to 30,000. ORA highlights SDG&E statement that the demand response management system license and maintenance and services fees are tiered in 30,000 customer increments.[22] ORA claims that the other three cost categories are not bound by the account tier and can support more customers. SDG&E agrees that its costs for targeting 30,000 customer registrations is the same as its costs for targeting 28,000 registrations based, in part, on the fact the demand response management system contract, license and maintenance and service fees are tiered by the number of registered accounts and the first tier supports up to 30,000 accounts. SDG&E does not

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[20] SDG&E Opening Brief at 3.

[21] The four categories are: (1) demand response management system; (2) customer energy network – Green Button; (3) MyAccount; and (4) SDG&E Portal/Manual Support.

[22] ORA Opening Brief at 7.

oppose raising its target from 28,000 to 30,000.[23] We find it reasonable to adopt a target of 30,000 customer registrations for SDG&E based on the same system costs for 14,000 or 28,000 customer registrations and SDG&E's costs for targeting 28,000 being the same for targeting 30,000.

Lastly, we address SDG&E's proposed timeline of one year to implement the intermediate implementation step. SDG&E contends that the automation proposal impacts four systems and its plan is to complete the enhancement of the systems concurrently over the 12 months following the issuance of this decision. SDG&E provides no breakdown of this timeline and no justification as to why the timeline is a full year.

No party opposes the timeline. However, parties have expressed a concern that the intermediate implementation step be in place for the second auction pilot, most notably in the case of PG&E.[24] We agree that the intermediate implementation step should be ready for the second auction pilot. We therefore adopt a timeline of nine months; SDG&E shall complete the implementation of the intermediate implementation step by the end of February 2017.

No other party opposed any other portion of SDG&E's proposal, except as previously referenced in the electronic signature discussion above. Hence, we find it reasonable to adopt SDG&E's proposal with a nine-month timeline and an increase in the number of customer registrations to target to 30,000. We authorize a budget cap of $2.3 million in 2017 funds to be recovered through the

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[23] SDG&E Reply Brief at 2.

[24] *See* PreHearing Transcript at 102 – 104, 112-114, 117, and 123-124.

direct participation demand response memorandum account, with costs allocated to all distribution customers.

4.1.2. Reasonableness of Proposals: SCE's Application

For reasons described below, we approve SCE's proposal and cost recovery budget to support an intermediate step for third-party demand response direct participation in the CAISO day-ahead, ancillary services, and real-time markets, as follows:

- SCE shall target an additional 42,0000 customer registrations for a total of 56,000 customer registrations in the CAISO market;
- SCE is authorized to require its customers to submit Request Forms through the SCE Green Button Connect system, rather than using a manual paper Request Form;
- SCE is authorized a budget of $138,932 in previously approved funds in D.14-05-025.
- PG&E, SDG&E, and SCE are authorized to use the click-through process for electronic signatures. We find that this electronic customer authorization process complies with Commission regulations—including Electric Rule 27—as well as other relevant Federal and California law, and simplifies the enrollment process for customers. Furthermore, as described below, the Applicants shall hold a meeting with Energy Division and other stakeholders to continue discussion on this and related matters; and
- SCE shall begin implementation immediately and complete the process within its proposed six-month timeline.

SCE requests the Commission to approve a target registration cap of 28,000. SCE asserts this target number allows for an increase in the opportunities for direct participation while supporting the cautious but deliberate approach adopted by the Commission. SCE contends that further investment in IT upgrades are unwarranted at this time but requests that the

Commission authorize it to require its direct participation customers to use the SCE Green Button Connect to submit Request Forms. SCE claims that this approach will save over $2.6 million compared to the hybrid use of the Green Button Connect and the paper Request Forms.[25]

Joint Demand Response Parties oppose the required use of the Green Button Connect claiming that it creates customer enrollment problems and results in a loss of customers completing the enrollment process.[26] Joint Demand Response Parties contend that the Green Button Connect is not a practical solution for the auction pilots or any other demand response program and suggest that SCE use a system where the demand response provider or aggregator electronically submits its customer enrollments to SCE.[27] Joint Demand Response Parties compares its recommended approach to SCE's Bring Your Own Thermostat program where aggregators provide the date and time of each customer's acceptance of the program's approved contract terms but not the form itself as part of the enrollment records.[28] Joint Demand Response Parties assert its recommended approach will provide the customer a seamless enrollment process.[29] In response, SCE maintains that the Joint Demand

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[25] SCE Opening Brief at 4 citing SCE-03 at 9 and 11-12.

[26] Joint Demand Response Parties claim that aggregators lose customers who have not signed up for an online account, do not remember their user identification or password, or are confused or fatigued by the process steps. See Joint Demand Response Parties Opening Brief at 9.

[27] Joint Demand Response Parties Opening Brief at 9-10.

[28] JDP-1 at 5.

[29] *Id*. at 10.

Response Parties' proposal will require SCE to manually extract the data and send it to the providers, requiring additional labor costs.[30]

ORA supports SCE's request that the Commission authorize SCE to make the Green Button Connect approach a requirement for direct participation customers, underscoring the cost savings compared to the manual Request Form process.[31] ORA contends the Green Button Connect approach speeds up the process and provides an efficient link between SCE, the customer, the provider or aggregator, as well as the customer's data.[32] ORA asserts that the customer enrollment problems should be addressed by the demand response provider or aggregator. Furthermore, ORA recommends that the Commission authorize SCE to require this approach and allow SCE to increase its customer registration target to 56,000.[33]

We find that SCE's proposal to require the exclusive use of its Green Button Connect is reasonable in that it is cost-effective and provides an efficient automated link between the customer, the provider or aggregator and SCE, whereas, the Joint Demand Response Parties' proposal requires a manual process and an additional labor expense. In determining the best approach to adopt, the Commission must weigh the costs and benefits of the ratepayers, the direct participation customers, and the providers. We find the Green Button Connect approach provides benefits to ratepayers, as this approach is cost-efficient. We also recognize that the enrollment problems asserted by the

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30 SCE Reply Brief at 4.

31 ORA Opening Brief at 3.

32 *Id*. at 4.

33 ORA Opening Brief at 4.

aggregators are a cost to the aggregators and demand response providers in that the pose the possibility of customer loss. However, issues of forgetting a password or not yet having an online account are issues that should be easily remedied by proper education, with the responsibility falling on the demand response provider or aggregator. In regards to the issue of enrollment fatigue, we also recognize this as a cost to both the customer (in time) and the provider (in potential customer enrollment loss.). In weighing these costs and the benefits of participating in direct participation, we find that SCE's approach is currently the most efficient, in terms of costs and benefits.

Accordingly, we authorize SCE to require its direct participation customers to use the Green Button Connect for enrollment. We also agree with ORA that SCE should increase its customer registration target to reach 56,000 customers.

No party addressed any other issues with SCE's proposal. We previously addressed the issue of timelines in our discussion on PG&E and SDG&E's proposals. We reiterate here that SCE shall implement its proposal immediately upon issuance of this decision and within the six month timeline as proposed.

We recognize that direct participation is an evolving process that can be improved. Hence, we direct the Applicants to host a meeting with the Commission's Energy Division, the parties and other stakeholders to address ways to streamline and simplify the enrollment process including adding more automation and mitigating enrollment fatigue. Parties should attempt to identify unnecessary steps in the enrollment process. Parties should also address any remaining issues with electronic signatures.

The Applicants shall hold this meeting no later than 45 days after the issuance of this decision. The Applicants shall work with the Energy Division to notice the meeting on the Commission's Daily Calendar. A consensus proposal shall be filed via a Tier 3 Advice Letter, no later than November 1, 2016.

Lastly, we take this opportunity to reiterate that the customer registration number has never been a cap but rather a number to strive for, within the authorized budget. Furthermore, the Applicants have been instructed to provide the Commission with a 6-month notice if an Applicant anticipates reaching that target. In D.15-03-042, the Commission stated "these targets should be dynamic ceilings that will rise over time and should NOT be reached." We stated at that time that the six-month window should ensure ample time to increase the target but noted that we would fine-tune this process in the second phase of this proceeding. The second phase of this proceeding has shown us that six months is not sufficient time. Hence, we adopt a more stream-lined process for subsequent steps, as discussed in the next section of this decision.

5. Increasing Participation Numbers Beyond the Intermediate Implementation Step

The Applicants are authorized to request increases in their customer registration targets through a Tier 1 advice letter, if no additional funding is requested. If additional funding is needed, Applicants are directed to request funding in their next demand response program application, up to mass market implementation. The Applicants may file a joint application requesting mass market implementation of demand response direct participation, only if directed to do so by a demand response application decision. We discuss these instructions in detail below.

Parties were asked to provide recommendations to streamline the process for the future implementation steps of third-party demand response direct participation. Parties were instructed that recommendations should not include the implementation of mass market direct participation, as D.15-03-042 dictated that 'if the participation level rises to an appropriate level, we will direct the Applicants to file a new application for the implementation of large scale demand response direct participation."[34]

No party objected to a future streamlined process for approving increases in customer targets or cost recovery. Several options were recommended by parties including the use of a Tier 1 Advice Letter (if Applicants request to increase customer registration targets and not funding),[35] Tier 2 and 3 Advice Letters (if Applicants request to increase targets and funding),[36] continue the same process,[37] or consolidate future third-party direct participation funding requests with the demand response program applications.[38] Other recommendations include the use of pre-filing stakeholder meetings, where any of the Applicants could share a proposed advice letter to get feedback from stakeholders to ensure a smoother filing and approval process.[39] PG&E suggests that any adopted streamline approach be aligned with future auctions or auction pilots.[40]

We find it reasonable to adopt the use of a Tier 1 advice letter process, whereby an Applicant can request to increase its target customer registration

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34 D.15-03-042 at 23.

35 *See* SCE Opening Brief at 5 and ORA Opening Brief at 14.

36 *See* ORA Opening Brief at 13, PG&E Opening Brief at 16-17, and SCE Opening Brief at 5.

37 *See* SDG&E Opening Brief at 11.

38 *Ibid*.

39 ORA Opening Brief at 13.

40 PG&E Opening Brief at 15-16.

number with no additional funding. As the Commission has said previously, the customer registration target should be dynamic and never reached. Allowing the Applicants to increase customer registration targets, with no additional funding requested, through a Tier 1 advice letter is efficient.

We also find it efficient to consolidate future funding for the third party demand response direct participation with the demand response program application process. This will allow the implementation of future customer registration increases to be aligned with future auction mechanisms, if the Commission approves such mechanisms. However, we are concerned that customer registration numbers may grow rapidly prior to a final decision in the 2018 demand response application process. Hence, we allow an interim Advice Letter process for the Applicants to request additional funding to cover the implementation costs of increasing customer participation in the CAISO market.

If one or more of the Applicants determine a need to increase the customer registration numbers and require additional funding prior to a final decision in the 2018 demand response application process, the Applicants should adhere to the following requirements. First, the Applicant(s) shall notify, via email, the A.14-06-001 et al. service list of the alleged need to request funding prior to the completion of the 2018 demand response application process. The Applicant(s) shall host a meeting to inform parties of the specifics of the request. A Tier Three Advice Letter shall be filed requesting the funding with a cap of the total funding previously requested in this proceeding for each of the Applicants ($10.39 million for PG&E, $4.9 million for SDG&E and $3.2 million for SCE). The Applicants may use this interim method through the end of 2017. Beginning with the 2018 demand response application process, the

Applicants shall request all future cost recovery for third-party demand response direct participation implementation in their demand response program applications.

In discussing the issue of increasing targeted customer registration numbers, PG&E notes that it does not know with certainty what the tipping point for large scale automation will be. PG&E underscores that the expansion of existing systems will require additional time, resources, and costs. Hence, we require that any request for increased funding associated with increased customer registration targets should address the issue of whether the increase target number should be considered large scale, mass market implementation. If the Commission determines that large scale, mass market implementation is necessary a separate application by the Applicant shall be required, as previously directed by the Commission in D.15-03-042.

6. Comments on Proposed Decision

The proposed decision of Administrative Law Judge Kelly A. Hymes in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on ______________, and reply comments were filed on ______________ by ____________________.

7. Assignment of Proceeding

Michel Peter Florio is the assigned Commissioner and Kelly A. Hymes is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. The Commission has acknowledged previously that the Applicants in this proceeding are at different technological capabilities requiring different solutions and different budgets.

2. The Applicants remain at different technological capabilities requiring different solutions and different budgets, for now.
3. No party opposes PG&E's targeted customer registration number of 40,000 or its estimated costs.
4. Parties' only objection to PG&E's proposal is the use of a notification letter to validate customer execution of the Request Form.
5. The proposed click-through process provides the authorization form to the customer and the Request Form to the utility.
6. The proposed click-through process provides reasonable verification of the customer.
7. There are several remaining issues for the Applicants and stakeholders to resolve issues regarding electronic signatures.
8. PG&E and other parties have expressed a sense of urgency in adopting an intermediate implementation step.
9. PG&E's statement that "upon approval…it could begin…within a couple of months" does not equate to a sense of urgency.
10. System changes should have been scoped and designed during the initial implementation step and during the preparation of the intermediate implementation step proposal.
11. A 12-month implementation timeline for PG&E is not reasonable.
12. Estimated SDG&E costs for targeting 14,000 registrations are equal to costs for targeting 28,000 registrations.
13. The demand response management system contract license and maintenance and service fees are tiered by the number of registered accounts and the first tier supports up to 30,000 accounts.

14. Estimated SDG&E costs for targeting 30,000 customer registrations is the same as costs for targeting 28,000 registrations.

15. The only opposition to SDG&E's proposal is its temporary solution to electronic signatures.

16. The intermediate implementation step should be completed to allow use by the second auction pilot.

17. It is reasonable to adopt a timeline of nine months for SDG&E to complete the intermediate implementation step.

18. The Commission must balance the costs and benefits of the ratepayers, the direct participation customers and the providers or aggregators.

19. The Joint Demand Response Parties alternate proposal requires a manual process and an additional labor expense.

20. The Green Button Approach is beneficial to ratepayers as it is a cost-effective approach to direct participation.

21. The Green Button Approach is beneficial to customers and providers as it can be implemented in six months.

22. The customer issues of forgetting passwords or not yet having an online account are education-related issues and are the responsibility of the demand response provider or aggregator.

23. The issue of enrollment fatigue is a cost to the customer, in terms of time.

24. The issue of enrollment fatigue is a cost to the provider, in terms of potential customer enrollment loss.

25. SCE should work with the stakeholder to address concerns of enrollment fatigue.

26. SCE's Green Button approach is cost-effective and provides an efficient automated link between the customer, the provider or aggregator, and SCE.

27. SCE's Green Button Connect approach is the most cost-effective in terms of costs and benefits to all parties.

28. The required use of SCE's Green Button Connect for enrolling customers in direct participation is the same cost for 28,000 or 56,000 registrations.

29. Parties addressed no concern with SCE's proposal except for the issue of the use of the Green Button Connect.

30. Direct participation is an evolving process that can be improved.

31. The customer registration target should be dynamic and never reached.

32. Allowing the Applicants to increase customer registration targets, with no additional requested funding, through a Tier 1 advice letter is efficient.

33. Consolidating future funding of third-party demand response direct participation with the demand response program application will allow future customer registration increases to be aligned with future auction mechanisms.

34. It is efficient to consolidate future third-party demand response direct participation funding with the demand response program application process.

35. Customer registration numbers may grow rapidly prior to a final decision in the 2018 demand response application process.

Conclusions of Law

1. The Commission should allow different budgets for the three Applicants, for now.

2. The click-through process meets the requirements of Electric Rule 27.

3. The Commission should authorize the Applicants to use the click-through process for electric signatures.

4. PG&E should begin implementation of the intermediate implementation step immediately upon approval of this decision and complete the process no later than February 2017.

5. The Commission should adopt PG&E's proposal, as modified herein, for the intermediate implementation step and authorize its proposed budget.

6. SDG&E should target 30,000 customer registrations for the intermediate implementation step.

7. SDG&E should begin implementation of the intermediate implementation step immediately upon approval of this decision and complete the process by the end of February 2017.

8. The Commission should adopt SDG&E's proposal, as modified herein, for the intermediate implementation step and authorize its proposed budget.

9. The Commission should authorize SCE to require the use of its Green Button Connect approach to enrolling customers in third-party demand response direct participation.

10. SCE should target 56,000 customer registrations for the intermediate implementation step.

11. SCE should begin implementation of the intermediate implementation step immediately upon approval of this decision and complete the process within its six-month proposed timeline.

12. The Commission should adopt SCE's proposal, as modified herein, for the intermediate implementation step and authorize its proposed budget.
The Applicants should be required to continue to meet with other stakeholders to resolve issues regarding electric signatures.

13. The Commission should adopt a Tier 1 Advice Letter process for future increases in the customer registration target, with no increased funding.

14. The Commission should consolidate future third-party demand response direct participation funding with future demand response program application processes.

15. The Commission should adopt an interim process for approving funding for increasing participation in third party demand response direct participation, until the adoption of a 2018 and beyond demand response program budget.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company are authorized to use the click-through process for electronic signatures.

2. Pacific Gas and Electric Company (PG&E) shall implement an intermediate implementation step of third-party demand response direct participation to provide day-ahead, real-time and ancillary services in the California Independent System Operator's market. PG&E shall target a total of 40,000 customer registrations in the California Independent System Operator market and begin implementation immediately.

3. Pacific Gas and Electric Company is authorized a budget of $5.4 million to implement its intermediate implementation step of third-party demand response direct participation to provide day-ahead, real-time and ancillary services in the California Independent System Operator's market.

4. San Diego Gas and Electric Company (SDG&E) shall implement an intermediate implementation step of third-party demand response direct participation to provide day-ahead, real-time and ancillary services in the California Independent System Operator's (CAISO) market. SDG&E shall target

a total of 30,000 customer registrations in the CAISO market and begin implementation immediately.

5. San Diego Gas and Electric Company is authorized a budget of $2.3 million to implement its intermediate implementation step of third-party demand response direct participation to provide day-ahead, real-time and ancillary services in the California Independent System Operator's market.

6. Southern California Edison Company (SCE) shall implement an intermediate implementation step of third-party demand response direct participation to provide day-ahead, real-time and ancillary services in the California Independent System Operator's (CAISO) market. SCE shall target a total of 56,000 customer registrations in the CAISO market and begin implementation immediately.

7. Southern California Edison Company is authorized a budget of $138,942 to implement its intermediate implementation step of third-party demand response direct participation to provide day-ahead, real-time and ancillary services in the California Independent System Operator's market.

8. Southern California Edison Company (SCE) is authorized to require its customers to use the SCE Green Button Connect approach to enroll in third-party demand response direct participation.

9. Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company (the Applicants) shall host one or more meeting(s) with all interested stakeholders, including the Commission's Energy Division to develop a consensus proposal to streamline and simplify the direct participation enrollment process, including adding more automation and mitigating enrollment fatigue. The Applicants shall hold the first meeting no later than 30 days from the issuance of this proceeding. The Applicants shall

work with the Energy Division to notice the meeting on the Commission's Daily Calendar.

10. Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company (the Applicants) shall file the consensus proposal developed by the Applicants and stakeholders regarding the remaining issues related to the use of electronic signatures. The consensus proposal shall be filed through a Tier 3 Advice Letter by the Applicants on behalf of the entire group, no later than November 1, 2016.

11. Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company (the Applicants) may request to increase targets for customer registrations in the third-party demand response direct participation through a Tier 1 Advice Letter, if no additional funding is required.

12. Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company may request additional cost recovery for advancements in the implementation of third party demand response direct participation through demand response program applications, beginning with the 2018 demand response program year.

13. Prior to December 2018, if Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company (the Applicants) require additional funding for increasing customer participation registrations in the California Independent System Operators market, the Applicants may file a Tier Three Advice Letter requesting to do so with the following guidelines:

a. The Applicants may request up to the following budget caps: $10.39 million for PG&E, $4.9 million for SDG&E and $3.2 million for SCE;

b. The Applicants shall first notify the service list of Application 14-06-001 et al. of the proposed advice letter, prior to filing the advice letter; and

c. The Applicants shall hold a meeting with the parties of Application 14-06-001 et al. to discuss the specifics of the proposed advice letter, prior to filing the advice letter.

14. Applications (A.) 14-06-001, A.14-06-002, and A.14-06-003 are closed.

This order is effective today.

Dated ____________________________, at San Francisco, California.