



FILED
9-26-16
04:59 PM

**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)

**REPLY COMMENTS OF
PACIFIC GAS AND ELECTRIC COMPANY**

SHIRLEY A. WOO
DARREN P. ROACH

Pacific Gas and Electric Company
77 Beale Street, B30A
San Francisco, CA 94105
Telephone: (415) 973-2248
Facsimile: (415) 973-5520
E-Mail: SAW0@pge.com

Attorneys for
PACIFIC GAS AND ELECTRIC COMPANY

Dated: September 26, 2016

**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)

**REPLY COMMENTS OF
PACIFIC GAS AND ELECTRIC COMPANY**

Pursuant to Rule 14.3, PG&E submits its reply comments on the Proposed Decision (PD) Adopting Guidance for future Demand Response Portfolios and Modifying Decision 14-12-024.

1. PG&E Opposes Proposals for Submetering Prohibited Resources

PG&E supports the Commission's policy on prohibited resources and its alignment with greenhouse gas reduction goals. However, Sierra Club and EDF's statements about their proposed submetering for non-residential customers prohibited resources are inaccurate. Sierra Club and EDF recommend data loggers as an allegedly inexpensive enforcement and verification step. (Sierra Club and EDF comments, pages 6-7; ORA comments, page 4), but fail to recognize that as discussed in the January 13, 2016, workshop, the data loggers only track total usage. They would not record whether a prohibited resource was used *during* a DR event. Additionally, appropriate submitters may be much more costly than the customer's demand response (DR) incentives, which could make DR unattractive for the customers.^{1/}

2. DRAM: Full DRAM Implementation in 2019 is Infeasible

OhmConnect's proposal for the DRAM program in 2019 versus 2020 is misguided. (OhmConnect comments, p. 2) First, there is no basis for claiming that a 2018 DRAM RFO for years 2018 – 2019 would hurt market growth, while two RFOs would not. PG&E expects that 2018 DRAM bidders would be able to offer increasing amounts over the two years, if they expect more customers in 2019. PG&E agrees that the PD's schedule for issuing a draft Resolution on the future of DRAM by August 1,

^{1/} See, *January 13, 2016 Workshop Report: Proposals Regarding Prohibited Resources in Demand Response Programs*, dated July 26, 2016, page 14, with costs ranging from \$405 to over \$100,000.

2018, is insufficient for a RFO in 2018 for 2019 deliveries. However, OhmConnect's proposed alternate schedule is unrealistic. Moving from the pilot to an established program will require significant review and revisions. It is not just a matter of extending the pilot program and contract without changes. (See Section 6 below). Identifying and making the changes to move to a full-blown program will take time, i.e. for revisions to the program, the pilot pro-forma contracts and consideration of Energy Division review of the pilots' results. The Advice Letter process also will take time, including adequate time for comment and Commission review. PG&E anticipates that the process could take until early 2019, making a 2019 RFO in 2018 impossible.

3. Arbitrary Bidding Caps for DRAM Prices Must be Rejected

TURN (TURN comments, p. 5) and the Jt. DR Parties (Joint DR Parties comments, p. 10), among others, want the IOUs to take DRAM bids priced up to the long-term avoided cost, average August capacity price, or IOU tariffed program price. First TURN's proposal does not recognize that the utility program is incorrect to use. Bidders do not have the same obligation as utilities to use DR programs where they benefit the grid or to serve customer on a regulated tariff basis. Second, by setting a bid cap price below which all bids would be accepted, bidders would be incented to price their bids just below the price cap, instead of competing through lower priced bids. Setting a bid price cap at the long-term capacity cost effectively eliminates price competition in the bidding. The TURN and Jt. DR Parties' recommendation must be rejected.

4. An All-Source RFO Is Superior to a DRAM Stand-alone RFO

Both SCE and SDG&E support an all-source type capacity RFO, where DR competes against other resources and bids are evaluated using the least-cost best-fit methodology, instead of a DR-specific DRAM RFO. PG&E agrees that allowing capacity resources to compete against each other in an all-source RFO would be in the best interest of ratepayers. Otherwise, a resource-specific RFO (such as DRAM), would limit the ability to properly value DR alongside other distributed energy resources. Utilization of an all-source approach would also be in line with the Integrated Resource Planning process, which would ultimately feed into the competitive procurement process envisioned by the Integrated Distribution Energy Resource (IDER) framework.

5. TURN's Two GW Target for DRAM is Premature and Potentially Infeasible

TURN wants to increase the cross-IOU obligation from 1,000 MW to 2,000 MW, based on the August 2015 utility program capacities (TURN Comments, Table 2, page 6). TURN's suggested target is premature and potentially infeasible. First, TURN does not factor out dual participation, which double-counts the MW of the IOU portfolios. PG&E suggests using the portfolio-adjusted load impact reports to produce more accurate estimates. Second, the Commission should use a fact-based analysis of what the appropriate size is for a DRAM portfolio based on its planned August 2018 analysis, and on the ratepayers cost of that portfolio.

Any Commission target mandates must also align with the Integrated Resource Planning (IRP), the Integrated Distributed Energy Resource (IDER), and Distributed Resource Plan rulemakings, as well as be rooted in the potential DR available based on the DR Potential Study^{2/}. In addition, any goals for DRAM should consider the impact of Community Choice Aggregators (CCA) launching their own DR programs, which potentially reduces the number of customers available to participate in DRAM. Lastly, the Commission must enable the utility to increase and align Rule 24 mass market implementation with any targets it sets to ensure registrations are available.

6. Future DRAM Contracts Need Enhancements

SCE proposes that: 1) replacement Resource Adequacy (RA) in the DRAM must come from demand response and 2) DRAM RA contracts must be firm contracts -- not contingent contracts (SCE comments, pp. 8-9). SCE's ideas have merit, especially since replacement RA available in the CAISO market continues to be inexpensive, averaging around \$3.23 per kW month,^{3/} as compared to much higher DRAM contract prices. If DRAM Sellers replace their DR RA with non-DR RA, they would be able to arbitrage the two prices, and make a substantial profit without ever delivering DR capacity – contrary to the intent of the DRAM. These types of issues underscore the need to revise the DRAM contract to make it suitable for a program, versus a pilot. That review and

2/ The target may also depend on CIASO systems. For instance, 200MWs would require the CAISO to have a baseline API.

3/ CPUC issued Report titled "The 2013-2014 Resource Adequacy Report" dated August 2015, p. 6.

revision must be comprehensive, and carefully done. PG&E recommends deferring SCE proposals, and instead including them in the general review and revision of the DRAM contract for the program after the pilot.

7. Funding and Cost Allocation Carry-over Expenditures

TURN wants to limit funding of utility programs to the actual average spend in 2012-2016, not the PD's proposal to use the budget for 2017. PG&E acknowledges that it has underspent its authorized budget. However, the reasons for underspend do not support TURN's reduction. First, 44% (\$52 million) of 2012-15 underspend is primarily due to enabling technologies programs and associated marketing, Auto-DR (ADR) (\$23 million), Permanent Load Shifting (PLS) (\$18 million), and Marketing (\$11 million). Customer interest in these technologies has not been strong. However, the Commission has maintained the higher budget level.

Second, the \$/kW costs in PG&E AL-4880-E cited by TURN should not be used as a baseline for the cost of capacity procured in DRAM because they overstate the true program costs. The average cost of PG&E's DR capacity is approximately \$105 to \$110 per kW based on monthly ILP reports. The cost cited by TURN also include one-time charges for increased DR-IT system costs due to CAISO integration, which are being spread across fewer DR programs with closure of AMP and DBP and likely will adversely impact PG&E's \$/kW calculations. Further, underspent funds means that the estimated costs in PG&E's cost effectiveness calculations are overstated. Finally, underspent funds do not adversely impact customers, because they are returned to customers via the Annual Energy True-up (AET) process.

8. Jurisdiction over Third Party DRPs and CCAs

The Jt. DR Parties incorrectly state that the Commission's regulation does not apply to the relationship between the aggregator and its customer (Joint DR Parties Comments p. 7). In D. 12-11-25 and D. 13-05-012, the Commission confirmed its regulatory oversight over all demand response providers ("DRPs") serving utility bundled customers. The Commission has adopted "light-handed" regulation over third party aggregators, but it does have regulatory authority over them. At the same time, PG&E observes that the Commission has not addressed what it may require or request from Community Choice Aggregators (CCAs) for DR. As Load Serving Entities (LSEs),

