FILED
10-10-17
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)

SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E) REPLY TO THE COMMENTS ON THE PROPOSED DECISION OF ALJS HYMES AND ATAMTURK AND ALTERNATE PROPOSED DECISION OF COMMISSIONER GUZMAN ACEVES

FADIA RAFEEDIE KHOURY
ROBIN Z. MEIDHOF

Attorneys for
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, California 91770
Telephone: (626) 302-6054
Facsimile: (626) 302-6693
E-mail: Robin.Meidhof@sce.com

Dated: **October 10, 2017**

SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E) REPLY TO THE COMMENTS ON THE PROPOSED DECISION OF ALJS HYMES AND ATAMTURK AND ALTERNATE PROPOSED DECISION OF COMMISSIONER GUZMAN ACEVES

Table of Contents

I. INTRODUCTION

Pursuant to Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission), Southern California Edison Company (SCE) hereby submits its reply to the comments on the Proposed Decision (PD) of Administrative Law Judges Hymes and Atamturk, and the Alternate PD of Commissioner Guzman Aceves, both dated September 15, 2017.

SCE addresses the Comments filed on the PD and Alternate PD by topic, specifically, comments on the findings on (1) demand response auction mechanism (DRAM), (2) future models of demand response (DR), and (3) competitive neutrality/cost causation. First, the record does not support the Alternate PD's directive to run another DRAM solicitation before the Commission has had the opportunity to evaluate the cost-effectiveness of the $22 million in SCE customers' funds already authorized for three solicitations run under the Pilot thus far. Second, CAISO's proposal to address integration barriers by directing IOUs to combine multiple programs into a single CAISO resource is unrealistic. Third, the PD should be modified to offer further clarification and modifications on implementation of bill credits. Fourth, a final decision should incorporate a requirement that the CCA/ESP DR programs comply with the Commission's prohibited resources policy and the load impact protocols used to evaluate the IOUs' DR programs.

II. FINDINGS ON REQUIRING A 2018 DRAM SOLICITATION

A. SCE Supports Confirmation in the Final Decision that the One Gigawatt Procurement Target Is a Ceiling and an Aspiration, Not a Requirement

SCE confirms its support for the proposed modifications on the one gigawatt DR procurement target offered by San Diego Gas & Electric Company (SDG&E) in its Comments on the PD and Alternate PD.[1]

---

[1] *See* SDG&E Comments on PD at pp. 2-3 and Proposed Modification to FOF 23; SDG&E Comments on Alternate PD at pp. 2-3 and Proposed Modification to FOF 27.

B. **<u>Despite Parties' Assertions to the Contrary, There Are Multiple Opportunities to Participate in DR Programs Outside of DRAM</u>**

SCE disagrees with unsupported assertions that non-DRAM alternatives for 2019 are not likely to be feasible for Demand Response Providers (DRPs) whose business models are based on Rule 24/32 direct participation in CAISO.[2] Although SCE's CBP DR Program is not yet available to residential customers, parties <u>can</u> participate in an existing residential DR program marketed as Save Power Days. This program uses 3rd party cloud service vendors or thermostat manufacturers chosen by SCE customers to control smart thermostats or other controllable devices within the home to provide DR resources.[3] OhmConnect, Electric Motor Werks, and Stem could all apply to participate as vendors in this program. Additionally, SCE periodically issues Requests for Offers (RFOs) for various services for various DR/EE services, including the residential and small business "Pay for Performance" RFO for SCE's implementation of AB793, issued August 22, 2017, to approximately 7,000 vendors most of which are registered through the California Statewide Investor Owned Utilities Energy Efficiency Solicitation website.[4] SCE served OhmConnect and Stem with this RFO, but neither responded.[5] While DRAM may prove more lucrative for DRPs at this time, the Commission's guidance in Decision (D.) 16-09-056 to encourage "opportunities for growth by demand response customers and providers" did not express a policy preference for DR programs that offer more profits to third party providers at the expense of raising rates for customers.[6]

SCE objects to the Joint DR Parties' statement that the PD should be rejected because it "completely ignores, as detailed in the Joint DR Parties' Response and Reply filed in July, that [the 2017 DRAM] capacity was procured at a significantly discounted price."[7] The Joint DR Parties do not have access to the confidential pricing at which contracts were awarded to make such a qualitative statement. The DRAM contracts were all competitively procured, so a drop in

---

[2] OhmConnect/Electric Motor Werks/Stem Comments at pp. 2-5.
[3] *See* SCE Save Power Days program information at http://on.sce.com/2xwhqha
[4] This site is known as the Proposal Evaluation & Proposal Management Application (PEPMA).
[5] SCE received 22 responses to the August 22, 2017 RFO.
[6] *See* SDG&E Comments at pp. 3-4 ("In determining the need for a 2018 auction, relying on the Commission's stated policy preferring DRAM cannot logically discount other market opportunities that are not DRAM.").
[7] *See* Joint DR Parties Comments at p. 8.

prices is not the same as an administratively applied discount as the Joint DR Parties suggest. In addition, their argument that the PD should be rejected because "the LCR RFOs were completely ineffectual in procuring any DR resources" is not supported by the record. In 2014, SCE executed contracts for 210 MW of DR from the LCR RFO. Although the CPUC did not approve some of the contracts due to prohibited resources concerns, 140 MW of DR remain active from the LCR RFO.

SCE reiterates its support for the PD, and shares CLECA, SDG&E, PG&E, ORA, and Olivine's[8] concern with the Alternate PD's directive to hold another DRAM solicitation before the Energy Division has had an opportunity to evaluate whether the $49.5 million[9] already authorized by the Commission has been cost-effectively spent on the DRAM pilot thus far.

III. FINDINGS ON NEW MODELS OF DEMAND RESPONSE

A. CAISO's Proposal to Combine Utility "Programs" Into a Single CAISO Resource to Solve Integration Issues Is Unrealistic

CAISO's proposal that the PD and Alternate PD be modified to require that the IOUs combine all of their "programs" into one single CAISO resource[10] is imprudent and impractical. CAISO's proposal ignores both operational and regulatory hurdles. Barriers to CAISO integration exist due to the complexity of retail programs and the existence of varying technologies that result in different use limitations, fuel sources, availabilities, run-times and costs based on their characteristics – which all amount to different resource characteristics and market bids. In simplified terms, its suggestion would be akin to combining a solar photovoltaic facility, a use-limited combined heat and power plant, a gas boiler and a gas-fired peaker plant into one combined resource. The CAISO's suggestion ignores the dynamic nature and retail structure that makes up the state's DR portfolio and its underlying customer types. SCE has

---

[8] *See* CLECA Comments at pp. 8-10, SDG&E Comments on APD at pp. 1-4, PG&E Comments on APD, ORA Comments at p. 2 ("ORA supports the PD's determination that another DRAM pilot auction is unnecessary."); Olivine Comments at p. 3 ("To date there has not been a thorough evaluation of any of the DRAM procurements . . . the Commission should be wary about continuing to approve monies for DRAM prior to completion of these evaluations.").

[9] The CPUC has so far authorized a cumulative DRAM Pilot budget of $22 million each for PG&E and SCE, and $5.5 million for SDG&E, for a total of $49.5 million.

[10] *See* CAISO Comments at p. 4.

attempted to refine its DR programs based on the CAISO tariff and/or business practice manuals where necessary, but continues to look for guidance from the Commission on how to proceed with full integration.[11]

IV. FINDINGS ON COMPETITIVE NEUTRALITY/COST CAUSATION

A. SCE Supports Confirmation in the Final Decision that Some Differences among the Utilities May Be Appropriate for Implementing Bill Credits

SCE confirms its support for the proposed modifications offered by SDG&E and ORA on the implementation of bill credits.[12] However, SCE opposes ORA's proposal that the PD be modified to add a redundant requirement that IOUs return unspent funds from discontinued program budgets to customers rather than shifting these unspent funds to other programs. The IOUs already have established fund-shifting protocols[13] and, where appropriate, have returned unspent funds to customers in previous funding cycles.

B. SCE Supports Clarification of the Requirement for a Competing Provider to Adhere to the Prohibited Resources Policy

SCE confirms its support for SDG&E's proposed modifications to apply the prohibited resources policy to Competing Providers.[14]

---

[11] *See generally*, A.17-01-018, SCE-01, Volume 1, pp. 18-25, filed January 17, 2017; SCE's Responses to Questions Regarding the Pathway to New Models of DR and Remaining Barriers to the Integration of DR Into the CAISO Market, filed July 6, 2017; SCE's Proposal for Approval of its 2017 DR Program and Bridge Funding Authorization, pp. 14-15, filed February 1, 2016.

[12] *See* SDG&E Comments on PD at p. 8 and Proposed FOF; SDG&E Comments on Alternate PD at p. 10 and Proposed FOF. See ORA Comments at pp. 2 & 4 ("The Commission should clarify that non-IOU programs would go into effect in the subsequent DR cycle so as not to disrupt current contracts and customer participation.").

[13] Commission Decision 09-08-027 provided the Utilities the flexibility to shift funds authorized between DR programs, so that the Utilities could appropriately respond to unexpected events or changing conditions.

[14] *See* SDG&E Comments on PD at p. 9 and Proposed COL; SDG&E Comments on Alternate PD at p. 11 and Proposed COL. *See also* ORA Comments at p. 1 ("ORA supports the PD and APD's finding that fossil-fueled back-up generation is antithetical to the Commission's Energy Action Plan and the Loading Order. The PD and APD thus require CCAs or ESPs to demonstrate how they will ensure that customers do not receive DR incentives for the use of prohibited resources during a DR Event.").

C. SCE Recommends That the Load Impact Protocols Apply to CCA DR Resources

SCE supports CLECA's[15] and Olivine's[16] recommendation that the PD and Alternate PD explicitly require that the performance of DR programs provided by CCAs be evaluated and measured under the load impact protocols administered by the Demand Response Measurement and Evaluation Committee (DRMEC). Applying the same protocols is necessary for a level playing field.

V. CONCLUSION

SCE requests that the Commission issue a decision adopting the PD and incorporating the modifications and clarifications proposed in SCE/PG&E's Joint Comments.

Respectfully submitted,

FADIA RAFEEDIE KHOURY
ROBIN Z. MEIDHOF

/s/ Robin Z. Meidhof

By: Robin Z. Meidhof

Attorneys for
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, California 91770
Telephone: (626) 302-6054
Facsimile: (626) 302-6693
E-mail: Robin.Meidhof@sce.com

Date: October 10, 2017

[15] CLECA Comments at p. 4
[16] Olivine Comments at p, 3.