BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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Order Instituting Rulemaking Regarding Policies and Protocols for Demand Response Load Impact Estimates, Cost-Effectiveness Methodologies, Megawatt Goals and Alignment with California Independent System Operator Market Design Protocols.	Rulemaking 07-01-041 (Filed January 25, 2007)

REPLY COMMENTS OF THE DIVISION OF RATEPAYER ADVOCATES ON THE JOINT INVESTOR-OWNED UTILITY STUDY OF PERMANENT LOAD SHIFTING

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I. INTRODUCTION

Pursuant to Ordering Paragraph Number 32 of Decision 09-08-027, Southern California Edison Company (SCE) distributed, on behalf of itself, San Diego Gas and Electric Company (SDG&E), and Pacific Gas and Electric Company (PG&E), a report on Permanent Load Shifting (PLS) activities for the purpose of examining ways of expanding the availability of permanent load shifting. As provided in the February 11, 2011 Administrative Law Judge (ALJ) Hecht's ruling (Ruling), the Division of Ratepayer Advocates (DRA) hereby submits these reply comments on the study.

II. DISCUSSION

A. Reply to SCE and PG&E

DRA agrees with SCE that the Commission carefully consider the policy justification for PLS incentives.[1] The Commission's objective for a PLS program should be to provide the maximum benefit to ratepayers, while ensuring that both the avoided cost savings and host customer bill savings (with or without incentives) are greater than

[1] SCE's March 7, 2011 Opening Comments, pp. 4-6.

the cost of the PLS system installation. In addition, incentives should not be offered for those PLS systems where the host customer bill savings are already equal to or greater than the avoided cost savings. The only PLS systems that should be installed are those that benefit both the ratepayers and the host customers.

In comments, SCE is also concerned that the PLS report overstates the avoided cost benefits of transmission and distribution (T&D) facilities potentially avoided by PLS system operation. SCE argues that the size of the PLS cooling capacity and its geographic location will greatly influence the avoided T&D benefits.[2] In addition, SCE states the avoided cost loader for general plant and a portion of maintenance costs should not be included in the T&D benefits of PLS. Finally, SCE expresses concern over the level of benefits attributed to PLS for its ability to reduce over-generation caused by wind facilities.[3]

PG&E's comments point out that the DR Reporting template differs from the cost-effectiveness methodology for PLS in the joint IOU study in three categories: (1) the date the avoided generation capacity costs transition to its long-term value, (2) the default value for avoided T&D costs, and (3) avoided net cost of procuring renewable resources to meet Renewable Portfolio Standard (RPS).[4] PG&E does not take a position on these items but rather requests the Commission to clarify how the DR Reporting Template is to be used to analyze the cost-effectiveness of PLS.[5]

DRA shares SCE and PG&E's concerns. DRA recommends the Commission direct its Energy Division to hold a workshop to address the unresolved issues identified in parties' opening comments.

B. Reply to Transphase Company

Transphase argues for the Commission to adopt one of the standard offers listed in Table 25 of the report ($1,340/kW) as a California PLS standard offer for all utilities.[6]

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[2] *Id,* p.7.

[3] *Id,* p.8.

[4] PG&E's March 7, 2011 Opening Comments, pp. 2-3.

[5] *Id,* p.2.

[6] *Transphase's* March 7, 2011 Opening Comments, p.6.

Transphase asserts that both PG&E and SCE ignored the report and proposed a much lower level of incentives ($545/kW for SCE and $350/kW for PG&E) in their 2012-2014 DR program filings.[7] Transphase also argues that the size of the initial PLS program should be between 75 MW to 100 MW.[8]

DRA joins SCE and PG&E in seeking additional guidance and clarification from the Commission to ascertain the need for revising their initial PLS proposals. Both the size and level of incentives for any PLS program should be properly addressed during the deliberations on the utilities 2012-2014 DR program filings that includes the IOUs' PLS proposals, and not in the comments on this PLS study.

Transphase also opposes the "ratepayer neutral" analysis approach used in the report and argues for using only the "Total Resource Costs" ("TRC") test as the sole determinant of PLS cost-effectiveness.[9] All of the tests included in the cost-effectiveness protocols are valuable, not just the TRC. The "ratepayer neutral" analysis presented in the PLS study is an important consideration in determining proper level of incentives for PLS system evaluation since incentives are not considered directly in the TRC test calculations.[10]

C. Reply to the California Energy Storage Alliance (CSEA)

In its opening comments CSEA advocates: (1) a larger PLS program than those proposed in the utilities March 1, 2011 Demand Response cycle applications, (2) implementation of two types of PLS program: one for mature technologies and one for emerging technologies, and (3) statewide consistency across the three major utilities' territories.

As discussed earlier, the size of the PLS program should be properly addressed during the deliberations on the utilities 2012-2014 DR program filings. DRA is not opposed to having separate programs for mature PLS technologies and emerging PLS

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[7] DRA assumes Transphase's opening comments refer to utilities 2012-2014 DR filings as Transphase's testimony does not provide any reference for these numbers.

[8] *Transphase's* March 7, 2011 Opening Comments, p.7.

[9] *Id,* p 5.

[10] Statewide Joint IOU Study of Permanent Load Shifting, Appendix A, Table 5, p.32.

technologies as long as they are shown to be cost-effective. Based on the PLS study's findings, however, it is unlikely that incentives required for emerging PLS technologies could be ratepayer neutral. DRA is opposed to excessive ratepayer subsidies to be provided in the current environment of economic slowdown and excess generation capacity in California.

In summary, DRA recommends the Commission direct its Energy Division to hold a workshop to address the unresolved issues identified in parties' opening comments

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