

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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Order Instituting Rulemaking to Consider Smart
Grid Technologies Pursuant to Federal Legislation
and on the Commission's Own Motion to Actively
Guide Policy in California's Development of a
Smart Grid System

Rulemaking 08-12-009
(Filed December 18, 2008)

**COMMENTS OF THE
ALLIANCE FOR RETAIL ENERGY MARKETS
ON PROPOSED DECISION**

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The Alliance for Retail Energy Markets (“AReM”)¹ submit these comments on the Proposed Decision (“PD”) of President Michael Peevey, *Decision Adopting Metrics to Measure the Smart Grid Deployments of Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company*, which was issued March 20, 2012.

I. INTRODUCTION

The PD adopts the “consensus metrics” developed by parties in this proceeding with “clarifying edits.”² The PD explains that these metrics are “interim and preliminary”³ and establishes four Technical Working Groups to address specific issues: (1) updates to the consensus metrics; (2) creation of cyber-security metrics; (3) creation of metrics related to

¹ AReM is a California non-profit mutual benefit corporation formed by electric service providers that are active in the California’s direct access market. This filing represents the position of AReM, but not necessarily that of a particular member or any affiliates of its members with respect to the issues addressed herein.

² PD, p. 16.

³ PD, p. 26.

environmental benefits; and (4) creation of broad goals.⁴ The PD envisions a process of workshops and workshop reports to establish the metrics and specifies as new or revised metrics are required, they must be approved by these Technical Working Groups to be adopted as “consensus” metrics.⁵ As discussed below, AReM is concerned that the adopted metrics are utility-centric, fail to encourage competitive Smart Grid markets, and may be designed to give the utilities “credit” for benefits that do not belong to them. In addition, the formulation of the Technical Working Groups as gatekeepers that determine what does and does not get to the Commission for review raises serious concerns. Each of these concerns is discussed in more detail in the sections that follow.

II. THE PROPOSED CONSENSUS METRICS ARE UTILITY-CENTRIC AND DO NOTHING TO FACILITATE THIRD-PARTY PARTICIPATION IN MARKETS

The PD describes that the purpose of the metrics is “to measure the extent and effectiveness of Smart Grid investments” made by the utilities.⁶ Therefore, AReM presumes that the adopted metrics will allow the Commission to determine whether the money it authorizes the utilities to spend on Smart Grid programs is worthwhile, or not, and whether certain programs should be allowed to continue, or not. However, there is a fundamental flaw with the proposed metrics provided in Attachment A. That flaw is that none of the metrics are designed to measure or promote the extent to which utility activities serve to facilitate third-party participation in Smart Grid markets. The failure to include measurement of successful third-party participation in Smart Grid will undoubtedly mean that the utilities will put less emphasis on activities to encourage such markets, instead focusing on the metrics that “count.”

⁴ PD, p. 1.

⁵ PD, pp. 29-30.

⁶ PD, p. 1.

Further, this omission runs counters to the Commission’s own directives and statutory requirements. The Commission directed that the IOUs file Smart Grid Deployment Plans in Decision (“D.”) 10-06-047 to comply with Senate Bill (“SB”) 17.⁷ The statute specified that the plans “may provide for deployment of cost-effective smart grid products, technologies and services *by entities other than electric corporations* (emphasis added).”⁸ In D.10-06-047, the Commission further directed each utility to address how its plan would enable “*maximum access to the grid, creating a welcoming platform* for deployment of a wide range of energy technologies and management services (emphasis added).”⁹ The Commission is currently assessing the utilities’ Smart Grid Deployment Plans in a separate proceeding,¹⁰ but the initial review by the Commission’s Staff, as reflected in the Staff Workshop Report of March 1, 2012, indicates that the utilities’ proposed plans to encourage markets are lacking¹¹ and that the lack of attention paid by the utilities to mechanisms that support third party participation is considered a “major weakness” of the filed plans.¹²

If the plans themselves are flawed with respect to fostering third party participation, it is a sure bet that the absence of any metrics to measure success in this regard will only make the problem worse. In short, AReM is concerned that the Commission can expect more of the same if it adopts the proposed metrics as written, without expanding them to address third party participation. At a minimum, AReM urges that the PD direct the Technical Working Group on updating the metrics to address ways to measure third-party participation that will give the utilities a strong incentive to make it happen.

⁷ Chapter 327, Statutes of 2009.

⁸ SB 17, Public Utility Code § 8362(a).

⁹ D.10-06-047, p. 34.

¹⁰ A.11-06-006, A.11-06-029, A.11-07-001 (consolidated).

¹¹ Smart Grid Workshop Report, Staff Comments & Recommendations, March 1, 2012, pp. 4-5.

¹² *Ibid*, p. 11.

III. IF METRICS ARE ADDED TO ADDRESS “BENEFITS” OF SMART GRID DEPLOYMENT, THEY MUST BE STRUCTURED TO ENSURE THAT UTILITIES DO NOT “COUNT” BENEFITS THAT DO NOT BELONG TO THEM

The consensus metrics proposed for adoption in the PD do not include discussion or measurement of “benefits” from Smart Grid. However, the PD does discuss the need to measure such benefits, particularly regarding environmental benefits. In furtherance of this goal, the PD proposes a Technical Working Group with the task to develop “metrics to measure any environmental benefits from Smart Grid implementation.”¹³ AReM’s previous comments on the proposed Smart Grid metrics raised concerns about such metrics that would measure “benefits” purporting to accrue solely to the utilities, particularly when such benefits derive from activities undertaken by Direct Access (“DA”) and Community Choice Aggregation (“CCA”) customers.¹⁴

In fact, the PD mentions AReM’s concerns, but declines to adopt AReM’s recommendations.¹⁵ Further, the PD states that “any discussion around the allocation of benefits should take place in the relevant proceeding where the benefits are produced” and that Rulemaking 08-12-009 “is not the appropriate proceeding to discuss allocation of costs and benefits derived from Smart Grid investments.”¹⁶

The PD conflates issues of how to appropriately allocate the benefits to various customers with how to count benefits for purposes of determining the effectiveness of the utilities’ programs. Specifically, AReM’s comments were not seeking any specific benefits allocation mechanism; rather, they just cautioned the Commission not to let the utilities take “ownership” of benefits for which they were not responsible. In other words, the utility should

¹³ PD, p. 22. Also, see pp. 31, 33, and 36.

¹⁴ *Comments of the Alliance for Retail Energy Markets on Proposed Interim Smart Grid Metrics*, R.08-12-009, January 24, 2011

¹⁵ PD, p. 11 and p. 22.

¹⁶ PD, pp. 22-23.

not get “credit” for benefits derived from actions or energy use (or non-use) by DA or CCA customers served by non-utility load-serving entities (“LSEs”). Some of the non-consensus metrics originally proposed did just that.¹⁷ Accordingly, AReM requests that the PD direct the Technical Working Group addressing environmental benefits to take AReM’s concerns into consideration.

IV. THE TECHNICAL WORKING GROUPS MUST NOT BE ALLOWED TO DICTATE WHAT IS BROUGHT BEFORE THE FULL COMMISSION

As noted in the Introduction, the PD provides for four new Technical Working Groups to be established to address specific issues. Once established, the PD provides that no revised metrics can be brought before the Commission unless the relevant Technical Working Group has approved it.¹⁸ If this Technical Working Group approval process is tantamount to a veto by any member of the Technical Working Group with respect to what new metrics will be brought before the Commission, AReM strongly objects. No one member should hold such veto power; indeed, even if only one member of the Technical Working Group holds an opposing viewpoint, there should be nothing that prevents that opposing viewpoint to be heard by the Commission in its entirety. AReM strongly recommends that the PD be revised to state that the Technical Working Group will be advisory only, formed for the purpose of providing a deliberative framework for discussion and analysis, but in no way having control over what metrics can (and cannot) come before the full Commission.

¹⁷ *Proposed Interim Metrics to Measure Progress By Pacific Gas and Electric Company, Southern California Edison Company and San Diego Gas & Electric Company in Implementing a Smart Grid*, October 22, 2011, Non-Consensus Metrics, Environmental Metrics, pp. 38-39.

¹⁸ PD, p. 30.

V. CONCLUSION

AReM respectfully requests that the Commission modify the PD to direct:

- Development of metrics that measure successful third-party participation in Smart Grid markets providing a strong incentive for the utilities to facilitate such competitive markets;
- That any metrics to measure environmental “benefits” reflect the fact that the utilities are not responsible for all the “benefits” that may accrue from Smart Grid investments and, in particular, that the utilities should not get “credit” for benefits derived from actions by DA and CCA customers served by non-utility LSEs; and
- That the Technical Working Groups are advisory bodies only.

Respectfully submitted,



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