

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



**FILED**

01-22-10  
04:59 PM

In the Matter of the Application of Southern California Edison Company (U 338-E) for Authority to Make Various Electric Rate Design Changes.

Application 09-12-024  
(Filed December 23, 2009)

**RESPONSE OF NORTH AMERICA POWER  
PARTNERS LLC ON PROPOSED RATE DESIGN  
REVISIONS**

GOODIN, MACBRIDE, SQUERI,  
DAY & LAMPREY, LLP  
Brian T. Cragg  
Marlo Go  
505 Sansome Street, Suite 900  
San Francisco, CA 94111  
Telephone: (415) 392-7900  
Facsimile: (415) 398-4321  
Email: mgo@goodinmacbride.com

Date: January 22, 2010

Attorneys for North America Power Partners  
LLC

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

In the Matter of the Application of Southern California Edison Company (U 338-E) for Authority to Make Various Electric Rate Design Changes.

Application 09-12-024  
(Filed December 23, 2009)

**RESPONSE OF NORTH AMERICA POWER  
PARTNERS LLC ON PROPOSED RATE DESIGN  
REVISIONS**

Pursuant to the provisions of the Rate Case Plan, as most recently modified in Decision (D.) 07-07-004, North America Power Partners LLC (NAPP) submits its comments on the rate design revisions proposed by Southern California Edison Company (SCE).

In its Rate Design Window application, SCE proposes two revisions. NAPP's comments concern only SCE's proposal to modify the capacity-related credits provided under its Critical Peak Pricing (CPP) program and other demand response (DR) programs. SCE asserts that these revisions are necessary "to appropriately limit credits provided to customers who participate in more than one program to avoid overpaying customers for their DR participation."<sup>1</sup>

---

<sup>1</sup> Application, p. 2.

## **I. INTRODUCTION**

NAPP is a privately held company based in Mount Laurel, New Jersey. NAPP is a full service demand response aggregator focused solely on developing reliable demand response resources in California and other states. As a provider of DR resources in California under a contract with SCE, NAPP has a direct interest in the Commission's efforts to establish rules and policies affecting demand response and other energy resources. NAPP supports programs of utilities and the California Independent System Operator (CAISO) that promote the maximization of customer participation as DR resources. NAPP also supports payment of the full value of DR resources, including their value as peak capacity, energy, and reserves resources, equivalent to supply resources, and a recognition of the environmental benefits of DR as a clean reliable energy resource.

## **II. COMMENTS**

NAPP anticipated that in response to D.09-08-027, the decision deeming the utility CPP programs as energy programs, SCE would redesign its rate structure to remove the capacity payment component so that the CPP program incentives would be valued based on the value of energy resources. Instead, it appears that in response to D.09-08-027, SCE proposes an adjustment mechanism that attempts to address the issues of (1) avoiding duplicate payments or negative demand charges and (2) dual participation of customers in one energy and one capacity program.

### **A. Valuation of DR Resources**

The mechanism that SCE is presenting does not properly value the CPP program as an energy program. Customers who participate in the CPP rate as proposed

by SCE in this filing still receive the embedded capacity payments, a result that is inconsistent with the Commission's determination that the CPP program is an energy program. The capacity credits that are currently a part of the SCE rate should be adjusted or eliminated as an interim measure until SCE can adequately redesign the CPP rate structure. The rate structure should be redesigned to match the classification of CPP as an energy program that charges higher rates during critical days as a disincentive to consume energy on those high-price days, not as a capacity program that provides capacity payment incentives to customers for their advance commitment and availability as a resource. In this way, the CPP rate structure would demonstrate the value of "price responsive" DR in which customers choose to consume or reduce their electric consumption based on the price of electricity in that timeframe and without advance commitments.

SCE's proposal also raises concerns about the value of customer load reduction as a capacity resource based on SCE's proposed guiding rate design principle that the total credit provided to customers who participate in more than one program should not exceed the value of capacity reflected in the otherwise applicable tariff (OAT) and then further applies this principle on a customer-by-customer basis.<sup>2</sup> Using the average value of capacity from the OAT does not adequately represent the marginal value of the capacity resource and the environmental benefits inherent in these resources.

---

<sup>2</sup> Application, p. 3.

NAPP urges the Commission to clarify that, if implemented, SCE's proposed cap, which in effect establishes a rate class-specific average capacity value, in no way sets a precedent regarding the valuation of DR resources as capacity resources in the future.

**B. Dual Participation and DRC Day of Notice Contracts**

SCE proposes three rate design treatments for three basic structures for dual participation in energy and capacity DR programs.<sup>3</sup> NAPP agrees with Structure (2) proposed for dual participation in a day-ahead notice energy program and a day-of notice capacity program. This mechanism addresses the issue of duplicate or overpayments by eliminating the energy program payment from one program during concurrent events. NAPP proposes that the energy payment should be made from the energy program and the adjustment should be made to the corresponding capacity program-related energy payment to avoid overpayments. NAPP further requests the Commission to affirm that this structure would apply to the demand response contracts (DRC) with aggregators that have day-of notice as a capacity resource and that this mechanism would allow such DRC customers to participate in the Demand Bidding Program as long as the Structure (2) mechanism is employed to avoid overpayments.

It is also expected that customers will have the opportunity to participate in DR directly with the CAISO in the near future. Those customers that are already participating in a capacity program should be able to participate in the CAISO's energy

---

<sup>3</sup> Application, p. 3.

market and receive payments for the customer's participation in that market. The same rule should apply for dual participation in DR programs; that is, the payment from the energy market should be made in full, and the utility should reduce the energy payment from any payments that are due under the IOU capacity program for a concurrent event to avoid duplicate payments.

As to limits on DRC and CPP participation, NAPP again proposes that capacity credits should be eliminated for the CPP rate. That treatment would make the rate design like an energy program as described in the Structure (2) mechanism and would be treated the same as other energy programs managed by SCE.

However, if the Commission does not require SCE to modify the CPP rate to eliminate the capacity payments, then NAPP proposes that an exception be made to the dual participation requirement such that customers in the CPP program be restricted from participation in a capacity program, such as the Base Interruptible Program (BIP) or the DRC.

**C. Caps on Payments**

NAPP recognizes that SCE proposes caps on payments as a means to an end – that is, to avoid duplicate payments while not having to go through the procedures and implementation of another new rate design that would impact a large number of its customers. However, NAPP does not support the capping of payments at any level for customers that participate as load-reduction resources because any such cap may create an artificial disincentive to participation. Since these programs are still in the developing stages and Demand Response is evolving as the market develops, it would be unfortunate

to place a cap on customer participation. For example, in this proposal it appears that customers that are in the BIP and CPP program who reach a certain level of load reduction activity will find that they no longer receive payments and in fact lose payments for greater levels of participation. At this stage, if customers choose to actively participate in any energy program, including the Demand Bidding Program, there should be no caps on their participation levels.

### III. CONCLUSION

NAPP respectfully urges the Commission to consider these comments as it deliberates on SCE's proposed rate design revisions.

Respectfully submitted this 22nd day of January, 2010 at San Francisco,  
California.

GOODIN, MACBRIDE, SQUERI,  
DAY & LAMPREY, LLP  
Marlo Go  
Brian T. Cragg  
505 Sansome Street, Suite 900  
San Francisco, California 94111  
Telephone: (415) 392-7900  
Facsimile: (415) 398-4321

By /s/ Marlo A. Go

Marlo A. Go

Attorneys for North America Power  
Partners LLC

**CERTIFICATE OF SERVICE**

I, Lisa Vieland, certify that I have on this 27th day of January 2010 caused a copy of the foregoing

**RESPONSE OF NORTH AMERICA POWER PARTNERS LLC ON  
PROPOSED RATE DESIGN REVISIONS**

to be served on all known parties to A.09-12-024 listed on the most recently updated service list available on the California Public Utilities Commission website, via email to those listed with email and via U.S. mail to those without email service. I also caused courtesy copies to be hand-delivered as follows:

Commissioner John Bohn  
California Public Utilities Commission  
Executive Division  
505 Van Ness Avenue, Room 5200  
San Francisco, CA 94102

ALJ Katherine MacDonald  
California Public Utilities Commission  
Executive Division  
505 Van Ness Avenue, Room 5103  
San Francisco, CA 94102

I declare under penalty of perjury that the foregoing is true and correct. Executed this 27th day of January 2010 at San Francisco, California.

/s/ Lisa Vieland  
Lisa Vieland

Service List A.09-12-024  
Last Updated 1/25/10

SHARON C. YANG  
sharon.yang@sce.com

CASE ADMINISTRATION  
case.admin@sce.com

PAUL KERKORIAN  
pk@utilitycostmanagement.com

KAREN TERRANOVA  
filings@a-klaw.com

MARLO A. GO  
mgo@goodinmacbride.com

CALIFORNIA ENERGY MARKETS  
cem@newsdata.com

MRW & ASSOCIATES, LLC  
mrw@mrwassoc.com

Katherine MacDonald  
kk3@cpuc.ca.gov

PUC/X116090.v1