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

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)  
(Phase 3)

**ASSIGNED COMMISSIONER'S RULING AMENDING THE SCOPING MEMO AND THE SCHEDULE OF PHASE 3 OF THIS PROCEEDING**

This Assigned Commissioner's Ruling (ACR) amends the scoping memo and the schedule adopted in the July 18, 2008, *Assigned Commissioner's and Administrative Law Judge's Amended Scoping Memo and Ruling* (Scoping Memo) to reflect the passage of time and the California Independent System Operator's (CAISO) implementation of the Market Redesign and Technology Upgrade (MRTU) process. MRTU necessitates modifications in Demand Response (DR) programs, including emergency-triggered DR, to enable them to continue to operate in the energy market place.

This ACR schedules workshops pertaining to emergency-triggered DR programs for Thursday, August 6, 2009, Tuesday, October 20, 2009, and Wednesday, December 2, 2009. The workshops will take place at the Commission Courtyard Room, State Office Building, 505 Van Ness Avenue, San Francisco, CA 94102. The workshops will commence at 9:30 a.m. and conclude at 4:30 p.m.

There will be no court reporters for the workshops.

## 1. Background

The Scoping Memo initiated Phase 3 of this rulemaking proceeding. In setting this new phase of the proceeding, the Scoping Memo noted that this rulemaking seeks “to ensure that DR programs adapt to function within the day-ahead market that will be implemented with the CAISO Market Redesign and Technology Upgrade (MRTU).”<sup>1</sup>

Phase 3 focuses on what changes may be needed to emergency-triggered DR programs in light of the many changes underway in electricity dispatch and planning. Phase 3 specifically seeks to ensure that the emergency-triggered DR programs adapt to enable them to function well after the implementation of MRTU.

The Scoping Memo posed nine questions and invited interested parties to address these issues in Prehearing Conference (PHC) Statements. The Scoping Memo asked parties to file PHC statements addressing the following questions:

1. Can any of the existing emergency-triggered programs be used prior to a CAISO declared stage 1, 2 emergency?
2. How are emergency-triggered programs useful for resource adequacy purposes?
3. What is the effect and usefulness of the emergency triggered DR programs to mitigate scarcity pricing under MRTU?
4. Should the emergency-triggered DR programs, as currently configured, be counted toward the Commission’s Planning Reserve Margin? Why? or Why not?

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<sup>1</sup> Scoping Memo at 2.

5. Should the Commission direct the utilities to close existing Resource Adequacy (RA)-qualifying emergency-triggered DR programs to new entrants? Why or Why not?
6. Should the Commission direct the utilities to transition customers on these emergency programs to price-responsive DR programs? In what time period should this happen?
7. Should there be an option for existing and new customers to provide non-RA qualifying emergency responsive DR? What would the attributes be for such a product?
8. How should the current [Investor-owned Utilities] IOU emergency-triggered DR programs be changed, if at all, to integrate better with MRTU? What changes might be appropriate?
9. How should utility emergency-triggered DR programs be changed, if at all, to help with the integration of intermittent renewable resources?<sup>2</sup>

On August 15, 2008, PHC Statements were filed in Phase 3 by The Utility Reform Network (TURN), the California Large Energy Consumers Association (CLECA), the San Diego Gas & Electric Company (SDG&E), the CAISO, the Western Power Trading Forum (WPTF), the Pacific Gas and Electric Company (PG&E), the Southern California Edison Company (SCE), the California Manufacturers and Technology Association (CMTA), and the Division of Ratepayer Advocates (DRA).

On August 20, 2008 a PHC was held.

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<sup>2</sup> Scoping Memo at 6-7.

## 2. The PHC

In both the PHC Statements and in the comments made by parties at the PHC, the proposal in the Scoping Memo to hold workshops addressing the technical issues garnered substantial support. Specifically, the CAISO stated that "... workshops have been the preferred method to elicit information."<sup>3</sup>

Similarly, SCE,<sup>4</sup> SDG&E,<sup>5</sup> PG&E,<sup>6</sup> DRA,<sup>7</sup> TURN,<sup>8</sup> EnerNOC, Incorporated,<sup>9</sup> Comverge, Incorporated,<sup>10</sup> and Blue Point Energy<sup>11</sup> supported workshops. No party spoke against the proposal to hold workshops.

At the PHC, the parties began to discuss how emergency-triggered DR should change. The CAISO stated that from its perspective of managing the California grid network, emergency-triggered DR is not very useful:

I think the key theme that the ISO has attempted to sound is that emergency-triggered DR needs to be restructured. It can't be the whole and the part and parcel of what DR is in a modern portfolio, and that it is necessary to move from the concept of a loadshedding alternative device to something

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<sup>3</sup> TR at 99.

<sup>4</sup> TR at 104.

<sup>5</sup> TR at 105.

<sup>6</sup> TR at 108.

<sup>7</sup> TR at 112.

<sup>8</sup> TR at 115.

<sup>9</sup> TR at 124.

<sup>10</sup> TR at 131.

<sup>11</sup> TR at 133.

that plays a role in markets and can be truly relied upon as a resource adequacy resource, which currently, because of the way it is configured, timing issues and other issues, is -- is not the case.<sup>12</sup>

In its PHC Statement, CAISO argued:

The thrust of the CAISO's argument has consistently been that emergency-triggered demand response programs should not qualify as "resource adequacy" resources, since, on a day-to-day basis, WECC [Western Energy Coordinating Council] and NERC [North American Reliability Council] reliability standards require that the CAISO must plan to serve all the load (including the load that these resources might ultimately curtail), and so we must have sufficient operating reserves to prevent an emergency in the first instance. Accordingly, ironically, to have access to the emergency-triggered DR resources as currently configured, the CAISO would have to plan to be in an emergency, rather than plan to avoid one. Thus, emergency-triggered DR programs are not useful as resource adequacy capacity.<sup>13</sup>

The CAISO explained that an organizational mandate of the CAISO is to avoid electricity grid emergencies. As a result, emergency-triggered DR in its current form serves only a very limited role in meeting CAISO's scheduling objectives because its use is triggered only when planning fails and an emergency ensues.

In addition, the discussion among the other parties participating at the PHC demonstrated that the issues associated with the emergency-triggered DR program are complex and interrelated with many other aspects of the

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<sup>12</sup> TR at 96.

<sup>13</sup> CAISO PHC Statement at 5.

Commission's regulatory program, program stakeholders, utility operations and sales, and the operations of the CAISO. As a result, a series of three workshops appears to offer the most promising avenue for addressing the issues identified in the July 18, 2008 Scoping Memo for Phase 3 of this proceeding.

The original timetable for workshops was delayed in response to various timing concerns raised by the parties. For example, PG&E raised questions regarding the practicality of immediately moving forward, noting both the large number of proceedings underway and suggesting that modification of the emergency-triggered DR program should follow the implementation of scarcity pricing by the CAISO in 2010.<sup>14</sup> Similarly, CLECA cited the large number of proceedings and their complexity. CLECA also noted that discussions were ongoing and hoped that an agreement concerning policies towards emergency-triggered DR would be reached.<sup>15</sup> CLECA also cited the uncertainty regarding MRTU and asked that the Commission not consider moving any trigger to a price basis before 2010.<sup>16</sup>

Finally, participation of the CAISO is key to the integration of emergency-triggered DR into the CAISO dispatch process and successful resolution of this proceeding. Thus, conducting workshops at a time that would compete for CASIO staff resources as CAISO prepared for the implementation of MRTU could have jeopardized the goals of this phase of the proceeding.

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<sup>14</sup> TR at 115-116. Waiting to 2010, however, is not necessary.

<sup>15</sup> CLECA, PHC Statement at 2.

<sup>16</sup> CLECA, PHC Statement at 3.

### **3. Modification to Scope of Phase 3**

#### **3.1 Issues to be Addressed in Workshops**

Now that MRTU is in operation, it is reasonable to proceed with workshops on emergency-triggered DR. Because of the number and type of issues to be addressed, there will be three workshops that cover subjects that fall into three areas.

The first workshop will examine whether there is an optimal size for the Commission's emergency-triggered DR program, and, if so, what is the optimal size for the program.

After the first workshop the Administrative Law Judge (ALJ) will issue a ruling that, in light of the facts and information gained in the first workshop, provides additional direction for the two remaining workshops. However, the second workshop will generally examine alternatives to the current emergency-triggered DR.

The third workshop will address implementation issues – how to transition from the current situation to the one deemed optimal and/or how to implement alternatives to the current emergency-triggered DR.

#### **3.2 Workshop Agendas**

Workshop 1, will address the question of what, going forward, is the optimal size for an emergency-triggered DR program given the objectives of the current program. The focus of this discussion will be to determine the amount of emergency-triggered DR that is needed, by IOU service territory, to maintain grid reliability.

Workshop 1 will build on the CAISO's June 25, 2008 Comments in response to the June 9, 2008 ALJ Ruling requesting information on emergency-triggered DR programs.<sup>17</sup>

The CASIO's analysis led it to conclude:

As indicated above, the overall perspective of the CAISO that a MW range of 500 to 1000 MW, corresponding to a range between 1 and 2 percent of peak system load, is an appropriate quantity of emergency-triggered DR that would be useful to the system during serious system emergencies, to help prevent involuntary firm load shedding. This level is 700 to 1,200 MW less than the currently available amount of expected emergency-triggered DR.<sup>18</sup>

The current size of the emergency-triggered DR program is approximately 2000 MW. Thus, the CAISO is recommending an approximately 50% reduction in the size of the emergency-triggered DR program. Related options that will be explored include whether enrollment should:

- Be capped at the current program level;
- Be reduced to a lower program level; and/or
- Be modified to permit new participants only if the amounts of emergency-triggered DR fall within a fixed program total MW cap.

To enable a productive Workshop 1, parties should submit their proposals as part of preliminary comments on issues in advance of Workshop 1. Such

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<sup>17</sup> *Comments of the California Independent System Operator Re: ALJ Ruling Requesting Information on Emergency-Triggered Demand Response* (R.07-01-041), June 25, 2008.

<sup>18</sup> *Id.* at 20.

proposals should include analysis, discussion and methodology to support the recommendations made in the proposals.

In addition, CAISO is requested to supplement its original recommendation with its estimate of megawatts (MW) reductions that currently could be assigned to each of the specific IOUs.

If there are no alternatives submitted, then the Commission may assume that the recommendations made by CAISO are valid and proceed towards an emergency-triggered DR that resolves the issues raised by CAISO.

It is the current policy of the Commission that existing emergency-triggered DR programs count towards Resource Adequacy (RA) requirements. This workshop will not address whether or not this practice should change. Should that issue need to be addressed in the future, it may be more appropriately raised in the context of the Commission's RA proceeding. Also, Workshop 1 will not address financial compensation for resources that provide emergency-triggered or situational triggered DR – this is a topic for Workshop 2.

Following Workshop 1, the ALJ will issue a Ruling to focus Workshop 2, on the appropriate treatment of DR customers who may need to transition out of the purely emergency-triggered DR into some type of supply or price triggered program.

Workshop 2 should address:

- Whether there are other practical alternatives to the current emergency-triggered DR program, such as a DR program triggered on a supply or price condition?
- Whether it is desirable and practical to develop a demand response program that is triggered in a “Critical Situation”

that is short of an emergency? In particular, the workshop will address:

- Whether it is desirable and practical to define the “Critical Situation” triggers in relationship to either a supply situation or a wholesale price situation – such as scarcity pricing or an imminent Stage 1 Emergency<sup>19</sup> – that occurs prior to an emergency.
- Whether these changes can create a demand response program that integrates better with the CAISO’s MRTU program and general strategies for grid management.
- What changes would enable the CAISO to avoid the procurement of duplicate resources?
- What attributes should alternative programs possess to achieve the proper level of integration with MRTU and reasonable compensation for the DR resources?
- Might it be more appropriate to rely on high energy payments but no capacity payments for resources that are called to respond to either emergency or near-emergency conditions?
- Whether these alternative programs provide adequate incentives for an IOU to market the program and enroll customers?
- Whether these alternative programs can accommodate stakeholder needs and how these needs could be accommodated in this program?

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<sup>19</sup> Scoping Memo at 7. These questions were numbered 7 and 8.

- What benefits should an alternative program offer to attract participants, including what price discounts and notice provisions would make this program attractive to participants while providing economic and reliability benefits to consumers?
- What are the benefits and costs associated with each proposed alternative program?

Workshop 3 addresses implementation issues associated with implementing any changes in the emergency-triggered DR programs. These issues include how to transition consumers currently enrolled in an emergency-triggered DR program into the potential programs developed in Workshop 2.

Specifically, Workshop 3 will address:

- The best schedule for implementing any changes adopted in this proceeding in order to avoid major disruption to those currently in the program.
- How to provide ample time to permit the smooth transition to alternative programs, if any.

#### **4. Schedule**

##### **4.1 Filing in Advance of Workshop**

Parties are encouraged to make two filings in advance of the workshops addressing the topics of all three workshops. The first filing of comments should address issues for Workshop 1 and will be due July 27, 2009. The parties should include proposals detailing the amount of MW, broken down by IOU service territory, that should be retained in a purely emergency-triggered DR program along with the associated justification for the proposed amount with data (to the extent possible). Parties may make separate recommendations for the Base Interruptible Program and the air conditioning demand response program.

Following Workshop 1, the ALJ will issue a ruling which provides additional guidance regarding Workshop 2, including the range of MW that proposals for alternative programs should address in Workshop 2. The ruling will also permit participants to provide comments which address the issues related to both Workshop 2 and 3 – alternative proposals and a transition plan. The ruling will set a date for the filing of these comments.

Although more details on the comments will follow in the ruling, it is likely that comments should include alternatives to the emergency-triggered DR programs. Parties are expected to make a proposal for alternatives to emergency-triggered DR programs that would be dispatchable prior to a Staged emergency. Such alternative products can either be price-triggered or be triggered by some other condition, such as a supply constraint or weather situation. Lastly, parties will also be invited to submit recommendations regarding the appropriate means to accomplish any necessary transitions.

For each proposal, the proponent should detail how the proposal would be implemented, including the timing and the approach for transitioning from current emergency-triggered DR to the proposed program. A proponent should also identify major implementation issues envisioned and how best to overcome the issues.

#### **4.2 Amended Workshop Schedule**

The schedule for workshops is as follow:

<b>Event</b>	<b>Time</b>
Workshop 1 Statements (filed and served)	July 27, 2009
Workshop 1: Cap on Emergency-triggered DR	August 6, 2009 Commission Courtyard Room at 9:30 a.m.

Workshop 1 Report	August 17, 2009
Comments on Workshop 1 Report	August 24, 2009
Preliminary Ruling issued by the ALJ regarding Workshops 2 and 3	September 18, 2009
Filing of Statements for Workshops 2 and 3	October 12, 2009
Workshop 2: Alternatives to Current Emergency-triggered DR Program	October 20, 2009 Commission Courtyard Room at 9:30 a.m.
Workshop 2 Report	October 30, 2009
Workshop 3: Implementation/Transition Concerns	December 2, 2009 Commission Courtyard Room at 9:30 a.m.
Workshop 3 Report	December 14, 2009
Comments of parties on reports covering Workshops 2 and 3 (filed and served).	January 8, 2010
ALJ Ruling may invite comments and replies on proposed policies for emergency-triggered DR, alternative policies, and plans for transitioning customers	Late February 2010
Proposed Decision	Early April
Commission consideration of proposed decision	May 2010

Either the assigned Commissioner or the ALJ may further modify the schedule as needed.

### **4.3 Workshop Reporting and Comments**

To assist in resolving the issues in this proceeding, PG&E, SCE, and SDG&E should propose a plan at the first workshop for preparing workshop

reports to be served and filed following each workshop. Each utility should bear responsibility for preparing one report.

Each workshop report should be served and filed consistent with the schedule contained above.

All parties may file and serve comments to the workshop reports. The comments on Workshop 1 are due on August 24, 2009.

In addition, parties are invited to file a single statement no later October 12, 2009 addressing in the topics of Workshops 2 and 3.

Parties may file comments on the reports from Workshops 2 and 3 no later than January 8, 2010.

An ALJ ruling may be issued in February 2010 that invites comments and replies on proposed policies, which may be contained in an appendix to the ALJ ruling. The appendix may have the format of a proposed decision.

Following a review of the comments and replies, a proposed decision in this proceeding should mail in early April.

#### **4.4 Proceeding Timetable**

Consistent with Pub. Util. Code § 1701.5, this portion of the proceeding will be completed within 18 months of the date of this amendment to the Scoping Memo, which is January 7, 2011.

**IT IS RULED** that:

1. The scoping memo in this proceeding is amended to reflect the newly adopted schedule for workshops and workshop reports.

2. Three workshops shall be held to address issues concerning emergency-triggered Demand Response Programs, as discussed herein. All of the workshops will take place in the Commission Courtyard Room, State Office Building, 505 Van Ness Avenue, San Francisco, CA 94102 and will go from 9:30 a.m. to 4:30 p.m. There will be no court reporters for the workshops.

3. To assist in resolving the issues in this proceeding, Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company should propose a plan at the first workshop whereby a workshop report is prepared, served and filed no later than the day designated in the schedule contained herein and each utility prepares one report.

4. All parties may file and serve workshop comments on the workshop reports no later than the dates in the schedule contained above. The comments may address any aspect of any of the workshop reports.

Dated July 8, 2009, at San Francisco, California.

/s/ RACHELLE B. CHONG

Rachelle B. Chong  
Assigned Commissioner

**INFORMATION REGARDING SERVICE**

I have provided notification of filing to the electronic mail addresses on the attached service list.

Upon confirmation of this document's acceptance for filing, I will cause a Notice of Availability of the filed document to be served upon the service list to this proceeding by U.S. mail. The service list I will use to serve the Notice of Availability of the filed document is current as of today's date.

Dated July 8, 2009, at San Francisco, California.

/s/ SANDRA M. JACKSON

Sandra M. Jackson