

**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)	Rulemaking 07-01-041
Methodologies, Megawatt Goals and)	(Filed January 25, 2007
Alignment with California Independent)	(Phase 4)
System Operator Market Design Protocols)	

**OPENING COMMENTS OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 M)
ON ADMINISTRATIVE LAW JUDGE FARRAR’S PROPOSED DECISION ON PHASE
FOUR DIRECT PARTICIPATION ISSUES**

**I.
INTRODUCTION**

Pursuant to the Rules of Practice and Procedure on the California Public Utilities Commission and the rulings in this proceeding, San Diego Gas & Electric Company (“SDG&E”) hereby submits its comments on the Proposed Decision of Administrative Law Judge Farrar concerning Phase Four Direct Participation issues.

**II.
COMMENTS**

A. Capacity Bidding Migration

The PD addresses in a number of places the anticipated transition from existing utility Demand Response (“DR”) Participating Load Pilots (“PLP”) to Direct Participation in the California Independent System Operator’s (“CAISO”) wholesale program. In doing so, however, the PD creates ambiguity in that it appears to contravene the contents and purpose of the Advice Letter (SDGE AL 2152 – E) SDG&E previously filed in response to Ordering Paragraph (“OP”) 25 of D.09-08-027. SDG&E submits these comments on the PD to address and seek clarification of this ambiguity.

Specifically, the PD provides on page 1:

In today's decision, the California Public Utilities Commission (...) directs the Investor Owned Utilities ("IOUs") to bid DR from existing Participating Load Pilot programs into the California Independent System Operator's ("CAISO") wholesale market, but prohibits further participation until ratepayer protections are developed.

SDG&E believes it is reasonable to interpret the last part of that sentence, standing alone, to mean that Direct Participation is prohibited and such prohibition does not extend to the utilities bidding their own programs as directed in D.09-08-027.

Further, at the end of Section 3.2 the PD seems to re-enforce the "Pilot only" concept stating:

Taking the record of the proceeding as a whole, we conclude that at this time the Commission should not allow DRPs to participate directly in CAISO markets without adequate ratepayer protections. Since the complexities identified by the parties in this proceeding cannot be resolved at this time, we will defer the development of the necessary ratepayer protections until a subsequent phase of this proceeding. Until these complexities can be resolved, only the identified pilot programs will be allowed to participate.

The PD reiterates this as well at the end of Section 3.3 stating:

Until these complexities can be resolved, only the identified pilot programs will be allowed to participate. This action has the added benefit of allowing parties and the Commission to learn from the participation of the pilot programs before coming to conclusions which will impact the PDR community at-large.

However, at the end of Section 3.4 the PD reaches the following conclusion:

As an initial step toward direct participation, we require PG&E, SCE, and SDG&E to file advice letters amending their PLP pilots and preparing them for direct participation as soon as possible. These party's (sic) PLP programs are in different states of development and have varying levels of fund remaining. Where there are demonstrably insufficient funds to support the new pilot program (sic) it may be necessary to engage in fund shifting as provided for in D.09-08-027. Only the pilot programs identified by these parties will be allowed to participate until the issues discussed above can be resolved. However, giving the value of effectively regulated direct participation of PDR in CAISO markets and our desire to secure these benefits for ratepayers, we intend to resolve the outstanding issues in this decision by March 1, 2011.

On March 18, SDG&E filed SDGE AL 2152 – E, as required by D.09-08-027 OP 25, to migrate a portion of its existing Capacity Bidding Program (“CBP”) to PDR for 2010. As shown above, in multiple instances the PD states that only the existing utility Participating Load Pilots (“PLP”) will be allowed to participate in PDR until such time that the issues in Phase Four can be resolved, which is currently expected to be completed by March 1, 2011. In that the March 18 compliance filing was not informed by the instant PD, SDG&E indicated that it would migrate a portion of the CBP to PDR without modification to its existing CBP Tariff.

SDG&E’s existing PLP Tariff very narrowly accommodates only one CAISO product, Non Spinning Reserve, which is bid as a capacity product in the CAISO Day Ahead market with potential conversion to energy in real-time if the CAISO system conditions degrade to a level that requires the dispatch of contingency reserves. The nature of this product, its technical requirements and compensation differ substantially from the Day Ahead CBP product. While SDG&E has determined that the PLP can be modified to be compatible with PDR complying with the direction of the instant PD, it had not anticipated the need to add a Day Ahead energy product the PLP Tariff.

SDG&E is unsure, when these provisions are read together, whether the PD, if adopted, will preclude SDG&E from migrating a portion of its Capacity Bidding Program to PDR for 2010 within the parameters outlined in SDGE AL 2152 – E. As such SDG&E seeks clarification that the PD does not intend and the subsequent final decision will not preclude SDG&E from migrating a portion of its Capacity Bidding Program to PDR for 2010 within the parameters outlined in SDGE AL 2152 – E.

B. Dual Participation

A related item also will affect the revised PLP filing at the end of Section 3.1:

So as to avoid potential abuses and at the same time allow customers to seek the best deal available without unnecessarily narrowing the pool of desirable customers, the Commission will order that a Customer that is in an IOU’s DR program must be informed that they cannot directly participate without leaving the IOU’s DR program.

As SDG&E reads it, this provision of the PD creates a conflict with what SDG&E would propose under its PLP since SDG&E wants to allow, consistent with the PD, Direct Participation in the Pilot. SDG&E's current PLP allows "dual" participation in an existing energy program while simultaneously participating in the PLP since the PLP is a capacity program. Left unmodified, SDG&E believes it would be required to either deny all customers dual participation in its 2011 PLP or state that if a customer chooses direct participation in the PLP it will be denied the opportunity to participate in SDG&E's remaining DR programs.

SDG&E recommends that the PD be modified to expressly allow its customers to continue to continue "dual" participation in an existing energy program while simultaneously participating in SDG&E's PLP since the PLP is a capacity program

C. PDR Participation

Section 3.1 of the PD concludes with a statement to the effect that the Commission will order that an SDG&E customer cannot directly participate in the CAISO PDR without leaving SDG&E's DR program. From its participation with the parties to this proceeding, SDG&E has anticipated that SDG&E would be able to allow Direct Participation through SDG&E's PLP in a controlled set of circumstances for 2010. Most notably, SDG&E understood that a customer choosing Direct Participation would be required to use SDG&E as the designated Scheduling Coordinator rather than one of the customer's own choosing to best assure that any conflicts between use of the demand response resource could be efficiently managed. SDG&E requests clarification as to whether or not a tightly controlled circumstance that allows dual participation would be acceptable within the Pilot for 2010.

D. Order of Precedence

The text on page 12 of Section 3.3 of the PD seems to indicate that an Aggregator will be permitted to bid existing aggregated load from an IOU program (CBP, for example) into the CAISO market on a non-IOU-event day. If this is to efficiently occur, then SDG&E strongly suggests that in its decision the Commission first clearly address issues of precedence, including but not limited to: (1) the order of preference to be applied to such bids, such as whether the IOU program can take precedence over the CAISO market; (2) the impact on the IOU program if load is bid in on non-event days i.e. CPB has limits on the number of events, days, hours and duration

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