

Decision 10-12-047 December 16, 2010

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

Application of Southern California Edison Company (U338E) for Approval of Demand Response Programs, Goals and Budgets for 2009-2011.

Application 08-06-001  
(Filed June 2, 2008)

And Related Matters.

Application 08-06-002  
Application 08-06-003

**DECISION GRANTING THE PETITION OF SOUTHERN CALIFORNIA EDISON COMPANY TO MODIFY DECISION 09-08-027**

**1. Summary**

This decision grants the petition of Southern California Edison Company (SCE) to modify Decision 09-08-027. SCE is authorized to eliminate the Energy Options Program approved for implementation in 2010, shift \$5,584,231 in funds formerly authorized for the Energy Options Program to the Capacity Bidding and Demand Bidding Programs, and redirect \$3,535,000 towards activities in support of Proxy Demand Resource activities. All other issues included in the initial SCE petition, including those related to direct participation of aggregators in California Independent System Operator markets, have been withdrawn from this proceeding by SCE or are moot, and as a result this decision grants the relief requested in an uncontested matter.

This proceeding is closed.

## **2. Procedural Background**

In Decision (D.) 06-03-024, the Commission approved demand response activities and budgets for Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), and Pacific Gas and Electric Company (PG&E) for 2006 through 2008, and required these utilities to file utility-specific demand response program and budget applications for the 2009 to 2011 time period by June 1, 2008.

In D.09-08-027 (the decision), the Commission approved demand response activities and budgets for SCE, SDG&E and PG&E for 2009 through 2011. On March 18, 2010, SCE filed a petition for modification (the petition) of several aspects of the decision, including authority to eliminate its previously planned Energy Options Program, authority to shift funds from the Energy Options Program to the Capacity Bidding and Demand Bidding Programs, approval to transition its existing Participating Load Pilot to a Proxy Demand Resource pilot program, authority to redirect \$2,535,000 of Demand Response Portal funding and \$1,000,000 of customer aggregation group funding to develop support systems necessary for Proxy Demand Resource participation, and clarification of rules for direct participation of aggregators in the California Independent System Operator (CAISO) markets. No parties filed comments on or protests to that Petition for Modification.

On June 3, 2010, D.10-06-002 in Rulemaking (R.) 07-01-041 addressed issues related to direct participation, including the procedure for SCE to create a Proxy Demand Resource pilot, and adopted preliminary policies on direct participation. Development of more detailed rules for direct participation is continuing in Phase 4 of R.07-01-041.

In August 2010, the Administrative Law Judge (ALJ) assigned to this proceeding issued a ruling requesting information on what portions of the March petition were moot or under consideration in other proceedings, and whether SCE had any other changes to the details of the petition since its filing in March. On August 16, 2010, SCE filed a response to this ruling stating that several issues raised in the initial petition were either moot or under consideration in another proceeding and no longer at issue in this request. In this filing, SCE reiterated its desire for direction on rules for direct aggregator participation in CAISO markets in the appropriate proceeding, R.07-01-041. Also in this supplemental filing, SCE clarified that the remaining issues requiring a decision in this proceeding are the elimination of the Energy Options Program, and its fund shifting requests. The September 16, 2010 filing also modified the amounts of some of SCE's original fund shifting requests. No parties commented on or protested the initial SCE Petition or the supplemental filing as allowed in the ALJ ruling, so the matters addressed in this decision are uncontested.

### **3. Elimination of the Energy Options Program**

In Application (A.) 08-06-001, SCE requested authority to discontinue its Capacity Bidding Program and Demand Bidding Program in early 2010, and to transition the customers on those programs into a new Energy Options Program. D.09-08-027 approved this SCE request, and provided budgets to continue the Capacity Bidding and Demand Bidding Programs through 2009 and early 2010. In addition, that decision authorized a budget of \$5,703,864 to implement and support the Energy Options Program in 2010 and 2011. In the petition, SCE notes that when it filed A.08-06-001, CAISO had not yet launched its Market Redesign and Technology Upgrade restructuring its wholesale markets, and had

not yet fully developed its Proxy Demand Resource product. According to SCE, implementing the Energy Options Program in 2010, given these additional developments, would be difficult and would significantly increase the costs of the program beyond those approved in D.09-08-027. For these reasons, SCE instead requests to continue the Capacity Bidding Program and Demand Bidding Program through 2011.

It is reasonable to approve the SCE request to eliminate the Energy Options Program given the changed circumstances since SCE filed A.08-06-001, with its original program proposal. We expect SCE to investigate the possibility of implementing Energy Options or a similar program during its next demand response program and budget cycle for 2012-2014. In the meantime, we grant the SCE request to modify D.09-08-027 to eliminate this program for 2010 and 2011.

#### **4. Shifting of Funds from Energy Options to the Capacity Bidding Program and the Demand Bidding Program**

Under the original SCE proposal to implement the Energy Options Program, the customers enrolled in SCE's Capacity Bidding Program and Demand Bidding Program would have been transitioned into the Energy Options Program in early 2010. For this reason, SCE did not request funding for the Capacity Bidding and Demand Bidding Programs for most of 2010 or any of 2011. With the elimination of the Energy Options Program, SCE requests to instead continue the Capacity Bidding and Demand Bidding Programs, and to make this possible, requests that \$5,584,231 in funding approved for the Energy Options Program be shifted to these programs to ensure they are able to operate and maintain enrollment through the end of 2011. SCE requests \$2,026,028 for

the Capacity Bidding Program and \$3,558,203 for the Demand Bidding Program for 2010 and 2011.

The elimination of the Capacity Bidding and Demand Bidding Programs was approved as part of the implementation of the Energy Options Program, and the intention of this change was to transition customers to a more flexible program, not to discontinue active programs in which customers are already enrolled. Given the elimination of the Energy Options Program, it is reasonable to continue the Capacity Bidding Program and Demand Bidding Program, and to ensure that they have budgets that enable them to continue to operate through 2011. We approve the SCE request to shift a total of \$5,584,231 to the Capacity Bidding Program and Demand Bidding Program, including any funds transferred before the issuance of this decision, to continue these programs for the remainder of 2010 and 2011, and we modify D.09-08-027 consistent with this request.

##### **5. Shifting of Funds to Support Proxy Demand Resource**

In A.08-06-001, SCE requested various funds to develop a Demand Response Portal and enhance the SCE billing system to support demand response activities. In this petition, SCE requests authority to redirect \$2,535,000 authorized to support Demand Response Portal activities, along with \$1,000,000 approved for billing system enhancements, towards system improvements needed to support participation in Proxy Demand Resource activities in general, and particularly SCE's Capacity Bidding Program and demand response contracts. SCE states that redirecting this funding will allow modifications of its computer systems, including its customer service system, to track information needed for Proxy Demand Resource participation and improve integration with CAISO Proxy Demand Resource systems. SCE also asserts that, even if these

funds are redirected as requested, system modifications required to fully support Proxy Demand Resource may require additional funding through SCE's 2012-2014 program and budget applications proceeding.

As discussed in Section 3 above, the final rules for the CAISO Proxy Demand Resource tariff were not available at the time SCE submitted its revised version of A.08-06-001 in September 2008, and understanding of the operational requirements for Proxy Demand Resource have changed greatly since the adoption of D.09-08-027. D.09-08-027 emphasizes the importance of participation in Proxy Demand Resource, and it is reasonable to provide funding for system changes that will facilitate such participation. SCE states that changes in understanding of Proxy Demand Resource rules have led to a change in the focus of the Demand Response Portal project from creation of a new information access system to an emphasis on integrating SCE systems with CAISO systems to facilitate information-sharing. Specifically, SCE states that some of the functionality originally envisioned for the Demand Response Portal has been incorporated into other SCE computer systems, and the initial efforts of the mapping of customer locations by local areas within the customer service system have narrowed to focus on participants in Proxy Demand Resource-compatible activities such as Capacity Bidding Program and demand response contracts.

Given the information now available on Proxy Demand Resource rules and requirements, it is reasonable to redirect funding formerly allocated for the Demand Response Portal and customer mapping activities to Proxy Demand Resource systems integration. Because of this, we approve the SCE request to modify D.09-08-027 to redirect a total of \$3,535,000 to Proxy Demand Resource-related system development activities.

## **6. Assignment of Proceeding**

Dian M. Grueneich is the assigned Commissioner and Jessica T. Hecht is the assigned ALJ in this proceeding.

## **7. Comments on Proposed Decision**

SCE's Petition for Modification, as amended in its August 16, 2010, filing, is uncontested and this decision grants the relief requested. Accordingly, as provided by Rule 14.6(c)(2) of our Rules of Practice and Procedure, we waive the otherwise applicable 30-day comment period for this decision.

### **Findings of Fact**

1. D.09-08-027 approved a request by SCE to discontinue the Capacity Bidding and Demand Bidding Programs in early 2010, and transition participants in these programs into a new Energy Options Program.

2. D.09-08-027 provided budgets to continue the Capacity Bidding and Demand Bidding Programs through 2009 and early 2010, until the Energy Options Program was to be implemented.

3. When SCE proposed the Energy Options Program in A.08-06-001, CAISO had not yet launched its new market structure, and had not yet developed its Proxy Demand Resource product.

4. The final rules for the CAISO's Proxy Demand Resource tariff were not available at the time SCE submitted A.08-06-001.

5. Understanding of the operational requirements for Proxy Demand Resource has changed greatly since the adoption of D.09-08-027.

6. D.09-08-027 emphasizes the importance of participation in Proxy Demand Resource by utility demand response activities.

7. D.09-08-027 approved funding for computer system support and related activities, including \$2,535,000 for a new Demand Response Portal and \$1,000,000 for tracking customer locations in the SCE customer service system.

8. Some of the functionality originally envisioned for the Demand Response Portal can be incorporated into other SCE computer systems to support Proxy Demand Resource activities.

9. Customer location mapping and tracking activities approved in D.09-08-027 can support Proxy Demand Resource activities.

### **Conclusions of Law**

1. It is reasonable to approve the SCE request to eliminate the Energy Options Program given the changed circumstances since SCE filed A.08-06-001 with its original program proposal.

2. Given the elimination of Energy Options, it is reasonable to continue the Capacity Bidding Program and Demand Bidding Program, and to ensure that those programs have budgets adequate to support operation through 2011.

3. Given changes in circumstances, including changes in understanding of Proxy Demand Resource participation requirements, it is reasonable to reduce funding for the Demand Response Portal and customer tracking and mapping activities.

4. It is reasonable to redirect funding from the Demand Response Portal and customer tracking and mapping activities to support computer system changes that will facilitate participation in Proxy Demand Resource activities.

**O R D E R**

**IT IS ORDERED** that:

1. The request of Southern California Edison Company to eliminate its Energy Options Program authorized in Decision 09-08-027 is approved.
2. The request of Southern California Edison Company to shift \$2,026,028 approved in Decision 09-08-027 for its Energy Options Program to its Capacity Bidding Program is approved.
3. The request of Southern California Edison Company to shift \$3,558,203 approved in Decision 09-08-027 for its Energy Options Program to its Demand Bidding Program is approved.
4. The request of Southern California Edison Company to shift \$3,525,000 authorized in Decision 09-08-027 for its Demand Response Portal and customer support computer system activities to system development activities in support of Proxy Demand Resource is approved.
5. Applications (A.) 08-06-001, A.08-06-002 and A.08-06-003 are closed.

This order is effective today.

Dated December 16, 2010, at San Francisco, California.

MICHAEL R. PEEVEY  
President  
DIAN M. GRUENEICH  
JOHN A. BOHN  
TIMOTHY ALAN SIMON  
NANCY E. RYAN  
Commissioners