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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION **RESOLUTION E-4220**
January 29, 2009

RESOLUTION

Resolution E-4220. Pacific Gas & Electric (PG&E), Southern California Edison (SCE), and San Diego Gas & Electric (SDG&E) are authorized to modify the trigger condition for the Base Interruptible Program (BIP).

By Advice Letter (AL) 3360-E filed on November 12, 2008 by PG&E, AL 2288-E filed on November 12, 2008 by SCE, and AL 2040-E filed on November 12, 2008 by SDG&E.

SUMMARY

This Resolution approves PG&E's, SCE's, and SDG&E's proposal to modify the BIP by adding a new trigger condition for the program: a Warning notice issued by the California Independent System Operator (CAISO) along with a determination by the CAISO that a Stage 1 emergency is imminent consistent with its operating procedure E-508B. Other triggers for the program will remain in effect, and no changes will be made to program incentives.

A one-time thirty day adjustment period is also authorized to give BIP participants the opportunity to adjust their Firm Service Level (FSL) or to opt-out of the program after they have been informed of the additional trigger condition.

The trigger condition change adopted here is an interim solution to a long-standing debate on how to best align emergency-triggered programs with CAISO operational practices. Further refinements to emergency-triggered programs are expected to occur in Phase 3 Order Instituting Rulemaking (OIR)[1].

[1] R.07-01-041

This resolution does not require a mandatory test event for BIP, but instead directs SCE to modify its BIP tariff to include an option to call a test event, consistent with PG&E's and SDG&E's BIP tariffs.

This Resolution also directs PG&E, SCE and SDG&E to make efforts to retain BIP participants in demand response programs, not just the BIP.

BACKGROUND

BIP is a demand response program that provides load reductions during emergency situations

The BIP is an emergency-triggered demand response program that the CAISO can dispatch for system emergencies, and the utilities (PG&E, SCE, and SDG&E) can dispatch for local emergencies to provide load relief. Customers enrolled in BIP receive incentive payments in exchange for committing to reduce their electrical usage to a contractually-established amount of kW, also called their Firm Service Level (FSL). Participants who fail to reduce their load to their FSL are subject to a financial penalty assessed on a kW per hour basis. Participants in the BIP program statewide are able to provide approximately 880 MWs of load drop in the event the program is triggered.

Currently, the BIP is triggered when the CAISO declares a Stage 2 Emergency (when operating reserves are less than 5 percent). CAISO has expressed opposition to current Commission policy that allows the utilities to count the BIP towards meeting their Resource Adequacy (RA) requirement on the grounds that BIP can only be called after an emergency has been declared, and thus do not contribute to the CAISO's operating reserve requirements. The utilities have asserted that BIP should continue to count for RA because it allows the utilities to avoid procuring additional generation capacity. Representatives of the large customers who participate in BIP have asserted that not counting BIP for RA will substantially reduce the incentives offered for the program, and thereby risk customer migration from the program and the loss of reliable MWs for emergencies. The issue of aligning emergency-triggered demand response programs (like BIP) with CAISO operational practices has been raised in the DR OIR Phase 3 Assigned Commissioner's Ruling dated July 18, 2008[2].

[2] http://docs.cpuc.ca.gov/efile/RULC/85507.pdf

The Utilities Propose to Trigger the BIP Prior to a Stage 1 Emergency
The utilities, the CAISO, and the large customer representatives - the California Manufactures and Technology Association (CMTA) and the California Large Energy Consumers Association (CLECA) - met to discuss these issues and negotiate a revision to the BIP. The aforementioned parties reached an agreement to modify BIP by adding a new trigger condition: a Warning notice issued by the CAISO and when Stage 1 is imminent. Specifically the following steps would be followed for the new trigger:

- CAISO forecasts a Stage 1 emergency and issues a Warning.
- CAISO will then take all necessary steps to prevent the further degradation of its operating reserves as outlined in CAISO's emergency operating procedure E-508B.
- If CAISO still determines that a Stage 1 emergency is imminent, it may then dispatch the BIP resource.

To effectuate the new trigger conditions as outlined above, the utilities filed advice letters on November 12, 2008. The proposed changes in the tariff will effectively allow the CAISO to call BIP before a Stage 1 emergency once it has exhausted all other options to prevent further degradation of its operating reserves. The other triggering conditions for the BIP (local emergencies, Stage 2 alerts or test events) will remain. No change is proposed for the BIP incentive.

Upon approval of the BIP tariff modification, the utilities also proposed a one-time thirty day adjustment period to allow participants the opportunity to adjust their FSLs or to opt-out of the program. The utilities requested that this adjustment period (or opt-out window) commence 15 days after approval of the advice letter filings.

Upon the modification of BIP in accordance with the above proposal, CAISO has agreed to support the continued inclusion of BIP capacity as RA capacity. The aforementioned parties have also agreed to continue to engage in meaningful discussions to promote the voluntary transition of large customers to a forward-bid paradigm that incorporates an option for large customers to participate in a viable, price-responsive DR program during the 2010 to 2011 timeframe.

NOTICE

Notice of PG&E AL 3360-E, SCE AL 2288–E, and SDG&E AL 2040-E were made by publication in the Commission's Daily Calendar. PG&E, SCE and SDG&E state that a copy of its Advice Letter was mailed and distributed in accordance with Section 3.14 of General Order 96-B. The Utilities also notified the service lists of R.07-01-041 and A.08-06-001 et al. by email.

PROTESTS

Responses to PG&E's AL 3360-E and SCE's AL 2288-E were filed by EnerNOC, Inc (EnerNOC) on December 1, 2008. The CAISO filed comments on all three advice letters on December 2, 2008. Replies to EnerNOC's response were filed by PG&E on December 8, 2008 and by SCE on December 9, 2008.

DISCUSSION

The new BIP trigger will temporarily resolve CAISO's concern about counting BIP for RA purposes and should be approved.
CAISO and EnerNOC support the proposed BIP trigger condition as described above. The proposed BIP trigger will result in the CAISO's support for counting BIP towards the RA requirements of the utilities, provided that the utilities and other affected parties continue meaningful discussions to promote the voluntary transition of large customers to a price-responsive demand response program during the 2010 to 2011 timeframe. We appreciate the collaborative efforts among the parties and support the proposed additional BIP trigger condition. The new trigger is an interim solution, as the DR Phase 3 of the OIR[3] will make final determinations regarding emergency-triggered demand response program policy and the ultimate design of these programs.

Requiring mandatory annual test events for BIP should be deferred to Phase 3 of R.07-01-041. SCE should however amend its BIP tariff so that it has the discretion to test its BIP program.
For both of PG&E's and SCE's BIP programs, EnerNOC encourages the Commission to require at least one test event per year because it will 1) increase

[3] R.07-01-041

the level of assurance that BIP resources are firm resources and should continue to qualify for RA purposes, 2) provide more information on how much actual load reduction is likely to be available in the event of a real emergency, and 3) ensure that only performing customers remain in the program.

SCE argues that EnerNOC's request for annual testing is unnecessary because the program's performance in the past has proven BIP to be a reliable resource. SCE claims that it has already determined the likely load impact from BIP based on the difference between each participant's average maximum demand and their respective FSL given the fact that a financial penalty is applied if a participant fails to reduce load to their FSL. Based on two events that had occurred in the past, SCE states that its participants' compliance rates were 98.5 percent for August 25, 2005 and 96 percent for July 24, 2006. In addition, SCE also tests the Remote Terminal Unit notification devices and phone system on a monthly basis and believes this is sufficient enough to remind customers of their responsibility to perform.

In its reply comments, PG&E argued that it has the option to call up to two test events per year and believes that it should retain the flexibility to avoid calling a test event when an actual event had been called for that year.

Through a data request, Energy Division found out that in the last five years, PG&E and SDG&E operated the BIP three times while SCE triggered the program twice[4]. EnerNOC's position implies that triggering BIP on an average of once every other year is not enough to determine the firmness of the resource for either RA or day-to-day operational purposes. EnerNOC also believes that mandatory test events will ferret out customers who do not perform.

The issue of mandatory test events for the BIP program is a technical question (how many data points are considered sufficient to determine the firmness of a resource for RA and/or day-to-day operational needs) as well as a policy question (eg. does the absence of mandatory test events in IOU-operated DR programs impact the integration of emergency-triggered demand response with the CAISO's Market Redesign and Technology Upgrade (MRTU)?). Phase 3 of the Demand Response OIR (R.07-01-041) is the appropriate forum to further

[4] Only one of the utility events noted here was a test event.

evaluate and vet this issue as that proceeding is reviewing our policies with respect to emergency-triggered demand response programs, their potential alignment with the CAISO's wholesale markets, and their design. Furthermore the advice letter process is limited to just the utilities and parties who have filed comments on the advice letters, and we believe formal input from other stakeholders is appropriate. For example more information is needed from the CAISO as to what it believes is necessary to evaluate the firmness of these programs and if mandatory test events have an impact on MRTU integration. Therefore at this time, we decline to adopt a mandatory test event for the BIP program as recommended by EnerNOC, but we will take up this issue in Phase 3 of R.07-01-041.

Currently both PG&E and SDG&E have the discretion to call test events for BIP. SCE's BIP tariff does not provide a test event option. While we decline to adopt a mandatory annual test event for BIP at this time, we believe that SCE should have at least the discretion to test the program just as PG&E and SDG&E does. We will direct SCE to modify its BIP tariff so that it has the discretion to test the program.

The 30 day adjustment period is sufficient time for BIP customers to adjust their FSL or to opt-out of the program.

EnerNOC requested the proposed one-time 30-day adjustment period be changed from 30 days to 60 days, because 30 days is not sufficient time for all customers to make an informed decision. In its reply comments, PG&E and SCE argue that a period of 30 days, starting 15 days after final approval of the advice letter, is sufficient and is the standard norm. PG&E and SCE claim that customers have been notified that the proposed new trigger for BIP was being considered. We approve the one-time adjustment period for BIP customers to adjust their FSLs or opt-out of the program and we agree with the utilities that 30 days is a sufficient amount of time for BIP customers to understand the new trigger and make decisions on their participation in the program.

The Utilities should use the 30 day adjustment period to inform their BIP participants of other DR options.

EnerNOC takes issue with PG&E's statement that it "will make a strong effort to retain all customers in the (BIP) program" when it contacts participants about the trigger modification. EnerNOC argues that during the BIP opt-out period, PG&E should be focused on retaining customers in DR programs, not just in BIP. EnerNOC believes PG&E should devote its sales and service representatives to be indifferent as to whether an existing BIP customer stays in BIP, or join other PG&E DR programs such as Peak Choice, AMP contract portfolios, and etc. In its reply comment, PG&E states that its primary goal is to retain existing customers in BIP and offer customers other DR options if customers feel BIP is not a viable option. We see the one-time adjustment period for BIP participants as an opportunity to inform these customers of other DR opportunities that may be better suited for them. While EnerNOC's recommendation was directed specifically at PG&E, we direct all three utilities to make a reasonable effort to educate current BIP participants of all DR opportunities during the 30 day adjustment period.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days of public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding. The 30-day comment period for the draft of this resolution was neither waived or reduced.

Accordingly, on December 23, 2008 this draft resolution was served to the parties to PG&E AL 3360-E, SCE AL 2288-E, and SDG&E AL 2040-E, as well as the service lists for R.07-01-041 and A.08-06-001 et al., for public comment, and placed on the Commission's agenda for January 29, 2009. On January 14, 2009 EnerNOC, SCE and CAISO filed comments. No party filed a reply.

All the parties support the draft resolution. Although the draft resolution declines the specific recommendations from EnerNOC, EnerNOC supports the draft resolution, particularly its direction to the utilities to inform customers of other DR opportunities during the 30-day adjustment period.

SCE suggests minor changes for purposes of clarification.

FINDINGS

1. The BIP is an emergency-triggered demand response program that the CAISO can dispatch for system emergencies, and the utilities (PG&E, SCE, and SDG&E) can dispatch for local emergencies to provide load relief.
2. Customers enrolled in BIP receive incentive payments in exchange for committing to reduce their electrical usage to a contractually-established amount of kW, also called their Firm Service Level (FSL).
3. The utilities propose to modify BIP by adding a new trigger condition: a Warning notice issued by the CAISO and when Stage 1 is imminent.
4. The proposed BIP trigger will result in the CAISO's support for counting BIP towards the RA requirements of the utilities, provided that the utilities and other affected parties continue meaningful discussions to promote the voluntary transition of large customers to a price-responsive demand response program during the 2010 to 2011 timeframe.
5. The parties who support the new BIP trigger have agreed to continue to engage in meaningful discussions to promote the voluntary transition of large customers to a forward-bid paradigm that incorporates an option for large customers to participate in a viable, price-responsive DR program during the 2010 to 2011 timeframe.
6. The issue of requiring mandatory annual test events for BIP should be deferred to Phase 3 of R.07-01-041.
7. Unlike PG&E and SDG&E, SCE does not have the discretion to call a BIP test event.
8. SCE should modify its BIP tariff so that it has the discretion to test the program.
9. A 30 day adjustment period is sufficient time for BIP customers to adjust their FSL or to opt-out of the program.
10. The utilities shall make a reasonable effort to educate current BIP participants of all DR opportunities during the 30 day adjustment period.

THEREFORE IT IS ORDERED THAT:

1. The requests of Pacific Gas & Electric, Southern California Edison, and San Diego Gas & Electric to add a new trigger condition for BIP as requested by Advice Letter 3360-E filed by PG&E, Advice Letter 2288-E filed by SCE, and Advice Letter 2040-E filed by SDG&E, are approved.

2. Southern California Edison shall modify its BIP tariff to include an option to call a test event at its discretion.

3. The utilities shall make a reasonable effort to educate current BIP participants of all DR opportunities during the 30 day adjustment period.
4. Southern California Edison shall file a supplemental advice letter in compliance with this resolution within 3 business days of the effective date of this resolution.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on January 29, 2009; the following Commissioners voting favorably thereon:

/s/ Paul Clanon
Paul Clanon
Executive Director

MICHAEL R. PEEVEY
PRESIDENT
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
TIMOTHY ALAN SIMON
Commissioners