



California Public Utilities Commission

505 Van Ness Avenue, San Francisco, CA 94102

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Media Contact: PUC Press Office – 415.703.1366 – news@cpuc.ca.gov

PUC ISSUES DEMAND RESPONSE GOALS AND ADOPTS TARIFFS AND PROGRAMS FOR LARGE CUSTOMERS

The California Public Utilities Commission (PUC) today issued the second of two decisions in Phase One of its demand response rulemaking, addressing the interagency vision for advancing statewide demand response goals, linking the task of meeting those goals with utility procurement requirements, and adopting an initial set of voluntary tariffs and programs for large customers whose electricity use exceeds 200 kW per month. The decision also sets annual megawatt (MW) targets to be met through demand response and included in investor-owned utility (IOU) procurement plans.

The approved offerings for large customers include a statewide Critical Peak Pricing tariff, an Hourly Pricing Option tariff for customers in San Diego Gas and Electric Company's (SDG&E) territory, an IOU demand bidding program, and the Demand Reserves Program from the California Consumer Power and Conservation Financing Authority (CPA). While these offerings have no expiration date, the Commission authorized funding for 2003 and 2004, capping expected costs at \$33 million over the two year period.

These tariffs and programs offer large customers more options for reducing peak demand and saving money on their electricity bills. At the same time, these demand reductions save money for the entire system by reducing the need for utilities to procure expensive power at peak hours, as well as reducing the air emissions associated with that power.

These innovative new options for customers are a first step toward a more robust framework that makes consumers aware of, and gives them more ability to respond to, the real costs of their energy use.

The Commission approved four specific voluntary tariffs and programs for large customers (those with monthly demands of 200 kW or more):

1. IOU Critical Peak Pricing tariff:

- a. Designed to appeal primarily to commercial office buildings and others with large air conditioning loads
 - b. Special provisions to augment commercial office building participation in San Francisco
2. Hourly Pricing Option for SDG&E only:
 - a. Converts existing pilot program for 35 customers into full-scale tariff
 3. IOU Demand Bidding Program (DBP):
 - a. “Price-triggered” in addition to “emergency triggered”
 4. California Power Authority (CPA) Demand Reserves Partnership (DRP) program:
 - a. Available to direct access and bundled customers

Overall goals for demand response to be fulfilled through utility procurement plans are:

- Target of 5 percent of system peak demand by 2007, with annual summer time targets ramped up approximately 1 percent per year as follows:
 - 330 MW by 2003 (target is lower due to this being a start-up year)
 - 880 MW by 2004
 - 3 percent of system peak demand by 2005
 - 4 percent of system peak demand by 2006
 - 5 percent of system peak demand by 2007

These targets are over and above existing megawatt goals for existing “emergency” interruptible rate programs and AC cycling programs and are intended to be met through “price-responsive” demand programs and/or tariffs. Utilities will include these megawatt targets in their procurement plans filed in the PUC’s procurement rulemaking (R.01-10-024) along with a backup plan for short-term purchases should they not meet the demand response target amounts.

PUC President Michael R. Peevey will issue a scoping memo for Phase Two of this proceeding to address other next steps.

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