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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Approval of Demand Response Programs, Pilots and Budgets for Program Years 2018-2022.

Application 17-01-012

And Related Matters.

Application 17-01-018
Application 17-01-019

ADMINISTRATIVE LAW JUDGE'S RULING DIRECTING RESPONSES TO QUESTIONS REGARDING THE DEMAND RESPONSE AUCTION MECHANISM PILOT

On July 26, 2018, the Commission Energy Division hosted a workshop to present interim results of the demand response auction mechanism pilot (Pilot) evaluation. The Pilot evaluation focused on six criteria: 1) whether the Pilot engaged new and viable demand response providers; 2) whether the Pilot engaged new demand response customers; 3) whether auction bid prices were competitive; 4) whether offer prices were competitive in the wholesale markets; 5) whether demand response provider aggregated the contracted capacity in a timely manner; and 6) whether the resources were reliable when dispatched.

During the first half of the workshop, Energy Division presented its interim results, noting that Energy Division encountered significant challenges in assessing the Pilot due to limited bandwidth and resources as well as data quality issues. Announcing that it will engage an outside consultant to continue

the analysis on issues four and six, Energy Division provided the results of issues one, two, three, and five.

The second half of the workshop addressed whether and how the Commission should address the lack of a demand response auction in 2019. The Administrative Law Judge explained that since the final evaluation will be delayed, up to a year, there is currently no auction scheduled for 2019. The Administrative Law Judge facilitated a discussion on whether the Commission should continue the Pilot despite the evaluation not being complete or wait until the evaluation is complete and address the issue of whether to adopt a permanent auction mechanism.

A determination on this matter will be provided in an upcoming decision in this proceeding. However, to complete the record on this issue, parties are asked to respond in detail to the following questions:

1. In the absence of completed evaluation results, what are policy reasons that the Commission should approve another year of the Pilot (a 2019 auction with 2020 deliveries) in lieu of a complete evaluation?
2. What are policy reasons that the Commission should deny another year of the Pilot?
3. What problems or issues occurred with the solicitation step of the Pilot (including bid submission and evaluation) and what changes to the Pilot could correct these problems? The recommended corrections must be quickly implementable (within 90 days of a decision), cannot require evidentiary hearings (no disputed facts), and should keep in mind any budgetary implications (see questions 6 and 7 below).
4. What problems or issues occurred with the contracting step of the Pilot (including contract termination and re-assignment) and what change(s) to the Pilot could correct these problems? The recommended corrections must comply with the caveats presented above in question three.

5. What problems or issues occurred with the performance step of the Pilot and what change(s) to the Pilot could correct these problems? The recommended corrections must comply with the caveats presented above in question three.
6. If the Commission approves another year of the Pilot, what budget amount should the Commission authorize and why? In particular, address the modifications needed on requirements for demonstrated capacity and resource adequacy compliance, and modifications needed to ensure performance reliability in the California Independent System Operator's markets.
7. What cost recovery approach should the Commission implement and why?

IT IS RULED that parties shall file responses to the questions in this ruling no later than August 17, 2018. Replies shall be filed no later than August 22, 2018.

Dated August 6, 2018 at San Francisco, California.

/s/ KELLY A. HYMES

Kelly A. Hymes
Administrative Law Judge