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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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And Related Matters.	A.22-05-003 A.22-05-004

REPLY COMMENTS OF SAN DIEGO GAS & ELECTRIC COMPANY (U902-E) ON PROPOSED DECISION APPROVING DEMAND RESPONSE AUCTION MECHANISM PILOT FOR PILOT YEAR 2024

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I. INTRODUCTION

Pursuant to Rule 14.3(d) of the Rules of Practice and Procedure ("Rules") of the California Public Utilities Commission ("Commission"), and Administrative Law Judge Jungreis's *Ruling Extending Reply Comments Deadline Regarding the Proposed Decision Served December 9, 2022*, dated December 29, 2022, San Diego Gas & Electric Company ("SDG&E") respectfully files these reply comments on the December 9, 2022 Proposed Decision Approving Demand Response Auction Mechanism Pilot for Pilot Year 2024 ("PD"). SDG&E's reply comments focuses on the following recommended changes proposed by various parties:

- Pacific Gas and Electric Company's ("PG&E") recommendation for a modification in the Demand Response Auction Mechanism ("DRAM") schedule to allow for the solicitation launch to occur in mid-February 2023;
- OhmConnect's proposal that the Commission require a new cost effectiveness tool specifically for the DRAM to be developed by parties for use in Phase II of this proceeding; and
- California Large Energy Consumers Association's ("CLECA") objection to the use of ratepayer funding for Energy Division's ("ED") Demand Response ("DR") research.

II. DISCUSSION OF RECOMMENDED CHANGES TO THE PD

A. SDG&E Supports PG&E's Recommended Changes to the DRAM Schedule to Advance the Solicitation Launch

In its Opening Comments, PG&E recommends that the DRAM solicitation launch should be advanced to mid-February (*i.e.*, 2/13/2023) in order to enable greater planning by both the investor-owned utilities ("IOUs") and the potential DRAM bidders.[1] As PG&E notes, in order to support a unified DRAM schedule, the utilities met and agreed on a joint timeline (*see* Table at PG&E Opening Comments at p. 3), which the Commission should adopt as part of its final decision. A joint timeline is consistent with timelines that were applicable to all three IOUs in prior DRAM solicitations. SDG&E submits these comments to confirm that it supports the modified scheduled recommended by PG&E.

B. SDG&E Supports the PD's Finding that DRAM Must Affirmatively Demonstrate Cost-Effectiveness and Reliability

SDG&E strongly supports the PD's finding that in order to transition the DRAM out of pilot status, "the Commission must be affirmatively shown in Phase II that the DRAM successfully served as a cost-effective and reliable demand response resources for Californians."[2] OhmConnect states in its opening comments to the PD that "[t]he Commission should revise the Proposed Decision to adopt a process by which a cost-effectiveness measurement tool appropriate for the Auction Mechanism will be developed and applied." [3] OhmConnect goes on to cite, at page 3 of its comments, to a past proceeding and Commission decision that has touched upon the topic of DRAM cost effectiveness – *i.e.*, whether cost effectiveness can be applied in evaluating the DRAM before the DRAM is made a permanent program. In regards to

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1 PG&E Opening Comments, pp. 2-3.

2 PD, p. 22.

3 OhmConnect Opening Comments, 2.

what has transpired in any past proceedings, SDG&E would simply suggest that the Commission can certainly take a different approach on how to evaluate the DRAM in light of the current state of affairs and the insight provided by the Nexant Report, and that any future DRAM decisions can deviate from, as well as supersede, past decisions as a matter of law. Moreover, OhmConnect's suggestion that the PD must be altered to specify a tool to be developed for use, and by whom, and how it will be used, is overreach – especially given the lack of evidentiary record or input from parties on those issues. At this time, SDG&E defers to the Commission in how it wants to approach DRAM cost-effectiveness in this proceeding and SDG&E looks forward to the Commission's guidance.

C. SDG&E Supports the PD's Approval of ED's Demand Response Research Budget Request

The PD approves ED's continued DR research budget requested of $750,000 to be funded by collected ratepayer funds.[4] As the PD notes, Commission staff have overseen the studies related research since 2015, which has been used to develop supply curve modeling frameworks and assessed the cost and value created from having a diverse set of flexible loads. ED confirms that the money here will be used for potential study updates for the next cycle of Integrated Resource Planning, as well as related research that supports DR.[5]

CLECA objects to the use of ratepayer funds to fund this research and argues that the Commission should consider alternative means to fund this research.[6] While SDG&E appreciates CLECA's concerns about increasing rates, the PD addresses these concerns by confirming that (1) the funding would only be available at ED's discretion and would not be

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[4] PD, pp. 26-27.

[5] *Id*.

[6] CLECA Comments, pp. 5-6

provided as a "blank check;" and (2), the funding would be subject to ED's direction, to ensure the results of the research provide substantive benefits to ratepayers.[7] Also, as the PD notes, funding for the research has already been set aside in Southern California Edison Company ("SCE") and SDG&E's 2023 Bridge Year budget for this research.[8]

For these reasons, SDG&E supports the PD's conclusion to use ratepayer funds to support this research for an additional year. SDG&E remains open to consider alternative funding sources for future DR related research projects.

III. CONCLUSION

For the reasons set forth herein, SDG&E respectfully requests that the PD be modified in the manner set forth in these comments.

Respectfully submitted,

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7 *Id*., p. 26.

8 *Id*.