

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

**Item #19 (Rev. 1)
Agenda ID# 24266
RESOLUTION E-5444
July 2, 2026**

R E S O L U T I O N

Resolution E-5444. San Diego Gas & Electric Request for Authorization to Offer a capacity Bidding program to Residential Customers and Fund Shift for a Portion of the Capacity Bidding Program Residential Budget

PROPOSED OUTCOME:

- Denies San Diego Gas & Electric's (SDG&E) request to implement a residential capacity bidding program in 2026 and to shift funds to fund the program.

SAFETY CONSIDERATIONS:

- There are no safety considerations associated with this resolution.

ESTIMATED COST:

- There are no costs associated with this resolution.

By Advice Letter 4569-E, Filed on December 18, 2024.

SUMMARY

This Resolution rejects San Diego Gas & Electric (SDG&E) Advice Letter (AL) 4569-E. In this advice letter, SDG&E requested approval to create a Capacity Bidding Program (CBP) for residential customers (CBP Res) and to transfer money between demand response (DR) budget categories to fund the new program.

BACKGROUND

San Diego Gas & Electric (SDG&E) currently has a CBP program available only to non-residential customers. This contrasts with Pacific Gas & Electric (PG&E) and

Southern California Edison (SCE), which offer a CBP program for both residential and non-residential customers.

SDG&E launched a CBP Residential Pilot in the summer of 2022, following approval in Decision (D.) 21-12-015. The pilot continued through 2023. The pilot allowed a residential option as part of the regular CBP program and tariff.

SDG&E requested, as part of its 2023-2027 DR Application (A.) 22-05-004, that it be permitted to submit a Tier 2 advice letter seeking approval for the CBP Residential Pilot to become a permanent program should it be found to be cost-effective. In Dec 2023, the Commission authorized SDG&E to "... submit a Tier 2 advice letter seeking to make its CBP Residential Pilot permanent, contingent upon a showing of cost-effectiveness. SDG&E is authorized to submit a Tier 3 advice letter by December 31, 2024, seeking additional budget for its CBP Residential Pilot, if necessary."¹

SDG&E submitted a Tier 3 advice letter, 4569-E, on December 18, 2024, seeking to offer a CBP program for residential customers (CBP Res) to participate through a third-party aggregator and to shift funds between budget categories.

SDG&E did not request the incorporation of a residential option into the existing CBP Tariff, similar to its pilot design. Instead, SDG&E seeks to develop a new tariff and, consequently, a new program. SDG&E's request for a residential CBP has many similarities to the non-residential CBP, but it also deviates significantly in several key respects.

The following are proposed changes for SDG&E's new residential program:

1. SDG&E proposes making CBP Res available seven days a week, from 4:00 PM to 9:00 PM, including holidays. The current SDG&E CBP is available six days a week (excluding Sunday) from 1:00 PM to 9:00 PM.
2. SDG&E proposes not requiring residential customers to remain on the program for 12 months, as is required in CBP Commercial.
3. SDG&E proposes to eliminate the requirement that test events occur only after the 20th of the month, which is the case for their existing CBP.
4. SDG&E proposes to use an aggregated baseline calculation as a baseline per customer, as is done with the non-residential option and with the PG&E and SCE residential Capacity Bidding Programs.

¹ D.23-12-005, OP 35

5. Res CBP will only have capacity payments and no energy payments, unlike SDG&E's existing CBP, and as was the case for the pilot.
6. The penalty structure is more forgiving than the existing CBP, allowing zero penalty and zero payment between 20% and 60%.

Additionally, SDG&E requests to shift funds from CBP Commercial to CBP Res, which is the same budget category. To supplement, SDG&E proposes shifting funds from the Emergency Load Reduction Program (ELRP) and the Marketing Education & Outreach (ME&O) budget categories, which triggers the Tier 3 AL filing.

SDG&E provided a cost-effectiveness analysis in its advice letter, indicating a Total Resource Cost (TRC) of 1.01, indicating the program would be (just barely) cost-effective.

In its AL, SDG&E also estimated a load impact based exclusively on thermostat enrollments, which would have had 25,000 customers at 6.5 MW in 2026 and 35,000 customers at 9.1 MW in 2027.

SDG&E did not include the proposed residential CBP program and its estimated load impacts in its Load Impact Protocol filing for the 2026 program year.

NOTICE

Notice of AL 4569-E was made by publication in the Commission's Daily Calendar. San Diego Gas & Electric states that a copy of the Advice Letter was mailed and distributed in accordance with Section 4 of General Order 96-B.

PROTESTS

SDG&E's Advice Letter 4569-E was timely protested by the Public Advocates Office at the Public Utilities Commission (Cal Advocates) on January 7, 2025.

Cal Advocates protests CBP Res primarily on the basis of the penalty structure. As noted above, the proposed penalty structure would eliminate penalties for performance above 20%, compared with the existing CBP of 60%. Cal Advocates argues that the penalty structure would undermine the program's intent. Cal Advocates notes that in D.23-12-005, the Commission denied SDG&E's request to modify the existing CBP's no-penalty threshold from 60% to 30% performance. "The proposal by SDG&E to eliminate penalties would reduce the consequences of non-participation, going against

program intent.”² Cal Advocates claims that “Contrary to SDG&E’s suggestion that it only plans to make a slight adjustment, this would represent a dramatic change to the existing penalty structure, which violates the intent of D.23-12-005.”³

Cal Advocates also contends that the reduced penalty structure could encourage gaming. Cal Advocates cites SDG&E’s own comments that milder temperatures in SDG&E’s service territory could lead to a lower actual load response during statewide events. Cal Advocates questions why SDG&E ratepayers should then pay customers who cannot reduce load when asked, and whether CBP Res is a reliable supply-side program at all. Cal Advocates argues that gaming can occur with large capacity payments and significantly reduced penalties for non-performance. Aggregators and customers may be encouraged to claim greater load reduction than they can reasonably deliver to achieve higher capacity revenues, at a small risk of non-performance penalties.

San Diego Gas & Electric replied to the protest of Cal Advocates on January 14, 2025.

SDG&E’s reply primarily focused on the differences between residential and non-residential customers and the accommodations needed to encourage their participation in the program. SDG&E also argued that it has a more moderate climate than much of the rest of the state and, therefore, must provide more leeway for non-performance, as there may not be any air-conditioner load to reduce.

DISCUSSION

The Commission has reviewed AL 4569-E and denies SDG&E’s request.

The Commission finds that the program outlined diverges too far from the current non-residential CBP and the pilot residential CBP program that D.23-12-005 directed as the basis for the permanent Residential CBP program. Specifically, the program’s more forgiving penalty structure compared to the established penalty structure implemented in SDG&E’s non-residential CBP, and both PG&E and SCE CBP, is too large a deviation to approve via this advice letter process.

The Commission also notes that both PG&E and SCE’s CBP residential customers are included in the same CBP program as the non-residential customers and involve the same

² D.23-12-005, p. 82.

³ CalAdvocates Protest, p. 3.

payment and evaluation structures. Differences among otherwise similar programs among the three IOUs are allowed but discouraged unless justified.

The Commission also agrees with Cal Advocates that the penalty structure may not incentivize performance sufficiently and may encourage adverse customer behaviors due to the possibility of gaming incentives.

The Commission further finds that SDG&E's discussion of load impacts within the AL is unsupported by a Commission-directed Load Impact Protocol filing. As noted earlier, SDG&E did not apply for resource adequacy in 2026 for this proposed program through the appropriate load impact protocols process. Consistent with the Commission's DR bifurcation policy, market-integrated DR programs must comply with RA requirements for supply-side resources. In the absence of approved QC values filed and approved through the load impact protocols process for the proposed program, the program does not comply with Commission direction and cannot be approved as proposed.

The Commission finds that the program proposed in AL 4569-E does not comply with the Commission's direction in D.23-12-005 and the relevant Resource Adequacy requirements for DR resources.

Therefore, the Commission denies this advice letter.

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 public review. Any comments are due within 20 days of the date of its mailing and publication on the Commission's website and in accordance with any instructions accompanying the notice. Section 311(g)(2) provides that this 30-day review period and 20-day comment period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day review and 20-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments and will be placed on the Commission's agenda no earlier than 30 days from today.

SDG&E provided timely comments on June 18, 2023.

SDG&E does not seek to change the disposition contained in the resolution of a denial of SDG&E's residential CBP option. However, SDG&E provides "...specific and limited

comments to provide clarifications for the Commission's consideration and so the record is complete."⁴ Specifically, SDG&E provides comments on each of the "Findings and Conclusions."

According to SDG&E the CBP Residential Program does fall within the scope of Ordering Paragraph 35 of D.23-12-005. The Commission reiterates that the OP specifically directed SDG&E to "...convert the CBP Residential Pilot to a full program and add it to SDG&E's CBP portfolio."⁵ SDG&E did not convert the Pilot program as it was designed to a full program, nor did it add it to the CBP portfolio.

SDG&E takes issue with Finding #2 that compares SDG&E's CBP to PG&E and SCE. SDG&E argues that this should not be a determinative factor in the denial, as there is no regulatory requirement of comparability, and points to Commission's language on allowing differences. The Commission agrees that this should not be a determinative factor and has changed the language in the Discussion section to reflect this. However, this modification does not change the facts in Finding #2.

SDG&E also objects to the draft Resolution Findings and Conclusions #3, which stated: "The requested penalty structure may not incentivize performance sufficiently." SDG&E argues against this as a Fact despite no evidence indicating it is the case is in the record. The Commission agrees and has removed Finding and Conclusions #3 from the Final Resolution.

Finally, SDG&E argues that it cannot seek approval under the Load Impact Protocols for RA Credit for the new CBP Residential program until it has been fully approved. However, this is a misrepresentation of the actual process as there is no requirement that programs must be approved before they quantify potential load impact estimates of qualifying capacity.

FINDINGS AND CONCLUSIONS

1. The Commission finds that SDG&E's proposed Capacity Bidding Program for residential customers does not satisfy Commission orders in D.23-12-005, Ordering Paragraph 35.

⁴ "Comments Of San Diego Gas & Electric Company on Draft Resolution E-5444", San Diego Gas & Electric, p.2

⁵ D.23-12-005, p.162

2. Both PG&E and SCE's CBP residential programs are included in the same CBP program as the non-residential and involve the same payment and evaluation structures as non-res.
3. The Commission cannot approve a supply-side program that does not provide resource adequacy.

THEREFORE IT IS ORDERED THAT:

1. The request of the San Diego Gas & Electric to establish a Capacity Bidding Program for residential customers, as requested in Advice Letter 4569-E, is denied.

This Resolution is effective today.

The foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on July 2, 2026; the following Commissioners voting favorably thereon:

Commissioner Signature blocks to be added
upon adoption of the resolution

Dated July 2, 2026, at City of Fort Bragg Town Hall, 363 N Main Street, Fort Bragg, CA 95437, California.