

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION E-3881

July 8, 2004

R E S O L U T I O N

Resolution E-3881. Southern California Edison Company (SCE) for approval of Modifications to the Demand Response Goals and Programs for Large Customers as authorized by Administrative Law Judge Ruling issued on June 2, 2004.

By Advice Letter 1805-E filed on June 14, 2004.

SUMMARY

SCE's proposed modifications to its existing demand response programs, with one exception, are approved.

SCE requested Commission approval of several modifications to its existing demand response programs for large customers (>200 kW). These modifications include:

- Elimination of the 3% performance requirement for bill protection in the Critical Peak Pricing (CPP) tariff.
- Expanding the notification requirement of pending CPP events from one day to two days (effective for one year only).
- Opening the Demand Bidding Program to Direct Access customers.
- Modifying and reprinting marketing materials for the large power programs and implement a direct mailing campaign.

The proposed program modifications are approved with the exception of opening the Demand Bidding Program to Direct Access customers.

SCE's proposed modifications comply with the ALJ Ruling

On June 2, 2004, an Administrative Law Judge (ALJ) Ruling provided guidance to the utilities regarding appropriate modifications to existing demand response programs. The ruling aimed to expand customer eligibility for the programs while avoiding significant impacts.

BACKGROUND

An ALJ Ruling Provided Guidance on Modifications to Existing Demand Response Programs.

On June 2, 2004, the Administrative Law Judge (ALJ) in Rulemaking (R.) 02-06-001 issued a Ruling Approving 2004 Schedule and Plan for the Statewide Pricing Pilot Evaluation and Customer Research Activities and Establishing Process for Evaluation of Proposed 2005 Price Responsive Demand Programs (Ruling).

The Ruling reviewed a number of program modifications proposed by the utilities, guided by the following set of principles:

- Does the proposed change expand customer eligibility? (positive)
- Would the proposed change modify an important aspect of the program design? (negative)

The Ruling directed the utilities to file advice letters to implement the approved 2004 program changes described within the Ruling.

SCE filed proposed modifications to 2004 demand response programs in response to the Administrative Law Judge's Ruling.

On June 14, 2004, SCE filed AL 1805-E in compliance with Ordering Paragraph 3 of the Ruling. In its AL, SCE proposes modifications to the Critical Peak Pricing (CPP) Schedules, revisions to the Demand Bidding Program (DBP) Schedule and the DBP Agreement (Form 14-741).

Specifically, SCE proposes:

- Eliminating the 3% bill protection performance requirement in Schedules TOU-8-CPP, GS2-TOU-CPP, and TOU-PA-CPP.
- Changing the required notification of a pending CPP event from one day to two days in Schedules TOU-8-CPP, GS2-TOU-CPP, and TOU-PA-CPP. Consistent with the Ruling, this modification to the statewide CPP program is only effective for SCE for one year, unless modified or extended by the Commission prior to June 15, 2005. The trigger will not change, but will occur two days ahead from one day ahead.
- Opening the DBP to Direct Access (DA) customers.

- Tracking the incremental Operating and Maintenance (O&M) costs associated with DA customers' participation in the DBP.
- Revising the DBP Agreement (Form 14-741) to correct the cross reference to Schedule DBP special condition 3, which outlines the customer's Energy Bid.
- Modifying and reprinting up to 3,000 joint utility packages for the large power programs and implement a direct mailing campaign.

NOTICE

Notice of AL 1805-E was made by publication in the Commission's Daily Calendar. SCE states that a copy of the Advice Letter was mailed and distributed in accordance with Section III-G of General Order 96-A.

PROTESTS

SCE's Advice Letter AL 1805-E was timely protested by the California Large Energy Consumers Association (CLECA). CLECA's protest was received on June 18, 2004.

SCE responded to CLECA's protest on June 25, 2004.

CLECA generally supports SCE's filing, but raises concerns about one specific proposal in SCE's filing: the proposal to include DA customers in SCE's revised DBP. In SCE's proposal, prior to DA customers participating in the DBP, SCE would require their Energy Service Providers (ESPs) to "contractually agree to arrangements, whose details are not yet developed, that will result in all SCE's bundled service and DA customers receiving the benefits of the energy agreed upon by the participating DA customers." (SCE AL 1805-E, p.3) CLECA is concerned that all DA customers will be billed for the program, while a DA customer's participation is contingent on an agreement between SCE and their ESP.

In response, SCE states that sharing the costs between bundled customers and DA customers is fair "as it results in equitable sharing the cost burden as well as the benefits of the program." SCE also clarifies that the proposal was "not intended to be a proposal that would allow an ESP to accept or reject this

agreement on an individual basis, but rather to be a generally-accepted arrangement.”

Pacific Gas and Electric Company (PG&E) and San Diego Gas & Electric Company (SDG&E) both propose opening the DBP to DA customers, but do not propose any requirements specific to agreements between the utility and a ESP. At its July 8 business meeting, the Commission was not convinced that it should open the DBP program to DA customer participation. Therefore the proposal by all three utilities is rejected.

DISCUSSION

SCE filed AL 1805-E in compliance with Ordering Paragraph 3 of the Ruling. Energy Division recommends the adoption of the proposed modifications to the 2004 programs with the exception of SCE’s proposal to require an agreement between itself and ESPs for DA customers’ participation in the Demand Bidding program.

Eliminating the 3% bill protection performance requirement is in compliance with the Ruling.

SCE proposes modifications to Schedules TOU-8-CPP, GS2-TOU-CPP, and TOU-PA-CPP. This is consistent with Section 2.10 of the Ruling, which states that “the 3% performance requirement should be eliminated from the CPP tariff for customers in all three utility service territories.” (Ruling, p.9) Customers would be allowed to participate in the CPP program during the summer of 2004.

Changing the required notification of a pending CPP event from one day to two days is in compliance with the Ruling.

Modifications to Schedules TOU-8-CPP, GS2-TOU-CPP, and TOU-PA-CPP, as proposed by SEC, are consistent with Section 2.9 of the Ruling. By providing notification two days ahead, customers have more time to determine how to achieve load reduction. The Ruling determined that two-day notice is beneficial to customers and SCE is authorized to implement this change for one year, unless modified or extended before June 15, 2005.

Expanding DBP eligibility to DA customers is in compliance with the Ruling, but the Commission rejected this idea.

Consistent with Sections 2.2 and 2.3 of the Ruling, SCE proposes to open the DBP to eligible DA customers. SCE states that eligibility is “contingent on formalizing an acceptable arrangement between the customer’s Energy Service Provider (ESP) and SCE.” (AL 1805-E, p.2) SCE agrees with the Ruling that DA customers have potential as a source of demand response and that allowing DA customers to participate will increase the load available for demand reduction.

Energy Division acknowledges CLECA’s protest regarding SCE’s proposal that DA customers’ participation is contingent on an agreement between the ESP and SCE.

On July 8, 2004, the Commission determined that the DBP should not be opened to DA customers.

SCE plans to track additional incremental O&M costs associated with DA customers’ participation in the DBP.

DA customers participating in DBP will be offered incentive payments at the same level as SCE’s bundled service customers. SCE estimates the incremental costs to implement and administer DBP for DA customers to be \$178,000. The costs include a first year amount of \$168,000 for billing system enhancements, meter data collection system modifications and contract administration and \$10,000 for on-going system maintenance and program administration. SCE proposes to establish a new memorandum account, the Demand Bidding Program Memorandum Account (DBPMA), to record the value of the freed-up energy and the implementation costs of the DBP. At the end of each year, SCE proposes that the balance of the DBPMA be transferred to the distribution sub-account of Base Revenue Requirement Balancing Account (BRRBA).

SCE proposes to recover the costs of DBP in memorandum accounts.

The monetary benefits of the DBP are determined by valuing the freed-up energy at the Independent System Operator (ISO) ex-post hourly price. Currently, SCE records the associated revenues in its Energy Resource Recovery Account (ERRA), whose balance is recovered from SCE’s bundled service customers. SCE requests Commission authorization to record future expenditures in its BRRBA for recovery from all customers.

SCE’s proposed marketing efforts are consistent with the Ruling.

SCE proposes to modify and reprint up to 3,000 joint utility packages for the large power programs and to implement a direct mailing campaign. The

estimated costs for creative printing and postage for 2004 total up to \$258,000. SCE requests these costs to be tracked in its Advanced Metering and Demand Response Memorandum Account (AMDRMA). This proposal is consistent with the ALJ Ruling, which encourages the investor-owned utilities (IOUs) to revise their marketing materials and to further their marketing efforts.

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 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.

All parties in the proceeding have stipulated to reduce the 30-day waiting period required by PU Code section 311(g)(1) to nine days. Accordingly, this matter will be placed on the first Commission's agenda nine days following the mailing of this draft resolution. By stipulation of all parties, comments shall be filed on July 1, 2004; reply comments shall be filed by 2:00pm PST on July 6, 2004.

SCE timely filed comments on the Draft Resolution.

SCE's comments note that the Draft Resolution approves all SCE's suggested modifications in full except the proposal regarding SCE's requirement of an agreement with DA customer's ESP prior to their participation in the DBP. In response to the Draft Resolution, SCE proposes modifying its proposal in the following manner:

- To adopt SDG&E's approach to calculating the incentive payments for DA customers participating in the DBP. The incentive payments to DA customers shall be calculated taking the California Independent System Operator (CAISO) hourly ex-post zonal average energy price and deducting that from the DBP hourly price offer.
- In order to implement the DBP according to SDG&E's approach, SCE will require \$250,000 in funding, as opposed to the originally proposed \$178,000, for additional operational costs.
- The proposed modification will require additional implementation activities. Similar to PG&E's proposal in AL 2522-E, SCE also specifies that DA participation in the DBP will require access to daily metering data. SCE intends to submit revised tariff sheets to detail the modifications.

- Lastly, SCE will require 60 days from the date of approval of the final Resolution to implement the DBP for DA customers.

No reply comments were received.

The Commission decided at its July 8, 2004 business meeting that neither SCE's original nor its modified proposal concerning DA customer participation in the DBP was acceptable.

FINDINGS

1. The Administrative Law Judge's Ruling, issued on June 2, 2004, directed the utilities to file advice letters to implement modifications to 2004 demand response programs.
2. SCE filed AL 1805-E on June 14, 2004, requesting Commission approval of modifications to the demand response goals and programs for large customers.
3. SCE proposed, in compliance with the ALJ Ruling, modifications to the CPP Schedules for certain Commercial, Industrial and Agricultural service customers with loads above 200kW, revisions to the DBP Schedule and the DBP Agreement Form 14-741.
4. SCE's AL 1805-E was timely protested by the California Large Energy Consumers Association (CLECA). CLECA's protest was received on June 18, 2004. SCE responded to CLECA's protest on June 25, 2004.
5. SCE's proposed modifications to its CPP tariff and its proposed marketing campaign shall be approved.
6. SCE's proposal to include DA customers in the DBP should be rejected.

THEREFORE IT IS ORDERED THAT:

1. SCE's request for Commission authorization of the 2004 demand response programs modifications, as modified, is approved with the exception of allowing DA customers to participate in the DBP program.
2. The utilities' offering of the DBP to DA customers is rejected.
3. SCE is authorized to spend up to \$258,000 to implement aggressive marketing in coordination with the other utilities for summer 2004. SCE shall track these expenditures in the newly created Advanced Metering and Demand Response Memorandum Account (AMDRMA).
4. Energy Division shall inform PG&E and SDG&E that DA customers shall not be allowed to participate in the Demand Bidding Program and direct both utilities to file advice letters within 7 days that delete the relevant portion of the tariff that Energy Division had approved.

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 July 8, 2004; the following Commissioners voting favorably thereon:

WESLEY M. FRANKLIN
Deputy Executive Director

MICHAEL R. PEEVEY
PRESIDENT
CARL W. WOOD
GEOFFREY F. BROWN
SUSAN P. KENNEDY
Commissioners

I will file a concurrence.
CARL W. WOOD
Commissioner

I dissent.
/s/ LORETTA M. LYNCH
Commissioner