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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company (U39E) 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 AND FILING OF PREVIOUS DEMAND RESPONSE BASELINE
DEVELOPMENT AND IMPLEMENTATION COSTS**

Summary

No later than April 24, 2019, parties shall file responses to the questions listed at the end of this ruling. Parties may also provide comment on the presentation given at the March 22, 2019 workshop (Attachment A). In addition, Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company (jointly, the Utilities) shall file costs for development and implementation of previous baseline methods. Reply comments, on the responses to the questions, the presentation, and the previous baseline method development and implementation costs, shall be filed no later than May 3, 2019.

1. Background

Previously in this proceeding, parties argued that the current 10-in-10 baseline used in demand response does not accurately estimate the load

reduction from all customer types.¹ Decision (D.) 17-12-003 in this proceeding stated that alternative wholesale baselines had been developed through the California Independent System Operator (CAISO) Energy Storage Distributed Energy Resource Phase II (ESDER II) process and that the CAISO Board of Governors had approved new baseline methods on July 26, 2017. That Decision explained that the baseline methods would be used to develop new tariff language filed with the Federal Energy Regulatory Commission (FERC) to adopt three new baseline methods. Hence, D.17-12-003 directed Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), and Southern California Edison Company (SCE) (jointly, the Utilities) to file a copy of the tariff in this proceeding, following adoption by the FERC.² On November 8, 2018, the Utilities complied with this directive.

At a January 10, 2019 prehearing conference, parties discussed the need for one or more workshops to address the numerous complexities of baselines and the overlap between retail and wholesale baselines. In addition, PG&E introduced an additional complexity: the creation of meter generator output by the ESDER II process. During the prehearing conference, the Administrative Law Judge read into the record the following questions *proposed* (emphasis added) to be resolved in consideration of new and/or alternative baselines for demand response.

1. What are the potential benefits of revisiting the current baselines for utility retail programs?
2. What are the expected implementation costs for any proposed revisions?

¹ D.17-12-003 at 154.

² D.17-12-003 at 153-155.

3. Do the potential benefits of revising the current baselines justify the potential costs?
4. In reference to the Baseline Analysis Working Group's recommended baselines for CAISO performance evaluation methods, what baseline changes are parties recommending? Should the Commission adopt the recommended baselines "as is" or modify them? If the baseline changes are not from the referenced report, what additional questions and analysis must be answered/conducted prior to any revisions?
5. Should the provision for the adjustment caps be assessed in the context of the different baseline options?
6. Do the baselines developed by the working group apply at the disaggregated level necessary for measuring individual customer performance in a retail demand response program? Is a new study required to make this determination?
7. Should the Commission allow each customer to choose a baseline to use to measure their performance, or should the Commission require the demand response provider to choose a baseline method that all customers in that program would be required to use, or should the Commission adopt another approach?
8. What are the differences between how the CAISO implements wholesale energy settlements and how the utility implements retail settlements?
9. Should the retail baselines be allowed to be different than the wholesale baselines or should they be aligned? Could the baseline approach differ in accuracy for retail incentive payments versus wholesale energy settlements?
10. Should revised baselines only be used in those programs currently using baselines or should the Commission expand the use of baselines to all demand response programs?
11. What is the timing for proposed retail baseline changes?
12. Can the additional implementation costs be covered by the 2018-2022 demand response portfolio approved budgets?

13. Will the additional costs require fund-shifting within the approved 2018-2022 demand response approved budgets?
14. If the costs cannot be covered by the 2018-2022 demand response approved budget and an application is required for implementation, what will that timing look like given this is to be resolved within the next seven months?

2. Overview of March 22, 2019 Workshop

On March 22, 2019, the Administrative Law Judge facilitated a workshop at which time the Utilities presented information addressing some of the questions proposed during the prehearing conference. More specifically, the presentation addressed: current Commission-approved retail baselines; CAISO wholesale baselines, including meter generator output; similarities and differences between wholesale and retail baselines; the interaction between wholesale and retail baselines; and the costs for expanding baseline options and funding options. A copy of the Utilities presentation is attached to this ruling as Attachment A.

In their presentation, the Utilities contend that the interaction between retail and wholesale baselines creates issues for calculating performance. The Utilities indicate difficulties in calculating performance based on individual customer performance versus aggregated performance and difficulties in calculating performance using a different wholesale baseline (*i.e.*, 5-in-10) versus retail baseline (*i.e.*, 10-in-10). The Utilities also underscore that the Scheduling Coordinators are now responsible for performing baseline calculations pursuant to ESDER II. Finally, while asked to provide information on costs, the Utilities presented no data, stating only that: 1) complexity and cost varies from one method to the next, 2) system work has a lead time of 1-2 years for planning, scheduling, testing, and implementation, and 3) the day matching baseline

method is the least complex method and the control groups method is the most complex.

3. Post Workshop Record Development

As a result of this workshop, several of the questions proposed at the prehearing conference have been addressed by the Utilities. However, certain questions remain. Below are questions to which parties are directed to respond. Responses shall be filed no later than April 24, 2019. Parties may also comment on the workshop discussion and the attached Utilities' presentation (Attachment A.) Additionally, the Utilities are directed to provide the costs for: a) developing and implementing the 10-in-10 baseline adopted by the Commission in D.09-08-027, and b) revising the 10-in-10 baseline as required by D.12-04-045. Reply comments to the responses as well as the comments on the workshop discussion and the Utilities' presentation shall be filed no later than May 3, 2019.

Post Workshop Questions

1. Through the 2018 demand response season, the wholesale baseline used by the CAISO was a 10-in-10 w/ Day of Adjustment with a 20 percent cap. The FERC recently-adopted wholesale settlement methods include: a) a day matching customer load 10-in-10 baseline with a 20 percent cap; b) a weather matching baseline with a 40 percent cap; and c) the use of control groups. The effective date of these new methods was November 2018. As noted in the Utilities presentation, these three options will begin to be used by the CAISO for settlement purposes for customers bidding demand response into the wholesale through the demand response auction mechanism.
 - a. Explain whether you agree with the Utilities that the interaction between these new wholesale baseline methods and the current retail baseline creates issues for calculating performance.

- b. Explain whether the Commission should adopt or limit adoption of these methods for settlement purposes in the Auction Mechanism.
2. A meter generator output is a performance evaluation method, used when a generation asset is located behind the resource's revenue meter, in which the demand reduction value is based on the output of the generation asset. In its presentation, the Utilities contend that there may be consequences resulting from introducing this method.
 - a. Explain whether the Commission should address the issue in this proceeding or another proceeding.
 - b. What should be the timing for determining solutions to the issues related to the meter generator output?
3. The Utilities contend that retail energy baseline influences retail capacity payment in the Capacity Bidding Program.
 - a. Explain whether you agree with the Utilities.
 - b. Explain whether the Commission should revise the current energy retail baseline and what the revisions should entail.
 - c. If a revision is necessary, what timeline should the Commission adopt for developing and approving any such revision and why?
4. With respect to baselines for retail demand response programs, are there any other reasons the Commission should consider revising the current 10-in-10 baseline? What should any such revision entail and what timeline should the Commission adopt for developing and approving the revision?

IT IS RULED that:

1. Parties shall provide responses to the Post Workshop Questions.

Responses shall be filed no later than April 24, 2019. Parties may also comment on the attached workshop presentation (Attachment A) and workshop discussion.

2. No later than April 24, 2019, Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company shall each file a breakdown of the costs for: a) developing and implementing the 10-in-10 baseline adopted by the Commission in Decision 09-08-027, and b) revising the 10-in-10 baseline as required in Decision 12-04-045.

3. Reply comments to the responses, the baseline cost breakdowns filed by Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company, and the comments on the attached workshop presentation and workshop discussion shall be filed no later than May 3, 2019.

Dated April 8, 2019, at San Francisco, California.

/s/ KELLY A. HYMES
Kelly A. Hymes
Administrative Law Judge