

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**



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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

**PRE-HEARING CONFERENCE STATEMENT OF  
SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E)**

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**PRE-HEARING CONFERENCE STATEMENT OF  
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**I.**

**INTRODUCTION**

Pursuant to the *November 30, 2018 Administrative Law Judge’s Ruling (ALJ Ruling) Noticing Prehearing Conference and Asking for Prehearing Conference Statements*, Southern California Edison Company (SCE) hereby provides its prehearing conference (PHC) statement.

In Opening Briefs in this proceeding, several parties, including SCE, requested the California Public Utilities Commission (Commission) consider alternative baselines, once approved by the Federal Energy Regulatory Commission (FERC).<sup>1</sup> In Decision (D.) 17-12-003, the Commission concluded that “new alternative baselines are necessary for demand response

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<sup>1</sup> See D.17-12-003, *Decision Adopting Demand Response Activities and Budgets for 2018 through 2022*, p. 154.

[DR] programs and in particular, the residential option of the Capacity Bidding Program.”<sup>2</sup> D.17-12-003 directed the investor-owned utilities (IOUs)<sup>3</sup> to file in this proceeding a copy of the FERC tariff that approves wholesale baselines proposed by the California Independent System Operator (CAISO), once approved.<sup>4</sup> The baselines were accepted by FERC on October 24, 2018, and the IOUs filed the CAISO tariff amendment in this proceeding on November 8, 2018.<sup>5</sup>

On November 30, 2018, ALJ Hymes issued the ALJ Ruling, which directs parties to file PHC statements answering four questions regarding the issues, process, and timeline for adopting new baselines for DR. SCE hereby provides its responses to those questions.

## II.

### **SCE RESPONSES TO THE QUESTIONS IN THE ALJ RULING**

#### **a. What issues should the Commission consider in determining whether to revise the current baseline?**

Now that FERC has accepted the use of three new baseline methodologies, including the control group, 5-in-10, and weather-matching methodologies, those baselines should be considered as potential baselines to apply to retail DR programs. However, SCE has identified several implementation and operational issues that must be resolved in order to realize the potential benefits provided by using alternative baselines.

First, because the three new baselines were developed by the Baselines Analysis Working Group (BAWG) convened by the CAISO, the BAWG analyzed these baselines at the aggregate (wholesale market resource) level, and therefore, the baselines may not apply at the disaggregated level that is necessary for measuring individual customer performance in a retail

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<sup>2</sup> *Id.*, p. 65.

<sup>3</sup> The IOUs are SCE, Pacific Gas and Electric Company, and San Diego Gas & Electric Company.

<sup>4</sup> *Id.*, p. 153.

<sup>5</sup> See Joint Utilities Filing of FERC Tariff Amendment to Implement Energy Storage and Distributed Energy Resource Requirements [i.e., Baseline Methodologies], in Compliance With Decision 17-12-003, filed November 8, 2018.

DR program. A new study may be required to determine whether the baselines can be used at the disaggregated level.

In addition, it is unclear whether the Commission envisions each customer having a choice of baseline to use to measure their performance, whether the IOU or Aggregator would choose a baseline methodology for each customer, whether the IOU or Aggregator would choose a baseline methodology for a program that every customer enrolled in that program would be obligated to use, or some other approach. SCE generally supports flexibility for customers and the IOUs to select the baseline that works best for their program, however, allowing for multiple baselines for each tariffed DR program would require costly systems changes and increased work to manage customers' baseline selections. A related issue concerns the interplay between retail and wholesale baselines. If SCE uses a certain baseline for a DR program or customers within a DR program, must it also use the same baseline for wholesale settlement with the CAISO? This could significantly increase the market integration complexities (e.g., resource registration, bidding, and settlements) by fragmenting the DR resources, and introducing differences across them – even within a single program. Furthermore, the CAISO recognizes baselines at the aggregated resource level, not by each customer location registered within a resource. Therefore, if a small number of customers select a certain baseline, SCE may end up with “islanded” DR megawatts that do not meet the minimum resource size for integration with the CAISO market.

It is also unclear whether the Commission envisions moving all retail DR programs to a baseline construct. Currently, SCE's Capacity Bidding Program and Smart Energy Program are the only tariffed DR programs that utilize a baseline to determine customer performance and receipt of incentives. Would all programs now use some sort of baseline, including direct load control programs such as the Summer Discount Program and capacity-only programs, such as the Base Interruptible Program, or would the baselines apply only to DR programs with energy payments?

Further, while SCE recognizes that several parties emphasize the importance of aligning retail and wholesale baselines, SCE cautions against focusing on perfect alignment of the distinct retail and wholesale baselines over focusing on the intended purpose of baselines, which is to accurately measure DR performance. SCE recommends convening a working group to build on the work of the BAWG and to resolve the remaining operational ambiguities and issues. Alternatively, a workshop or series of workshops could be held to achieve the same purpose.

**b. Will these issues result in the need for an evidentiary hearing?**

The issues SCE has identified are primarily operational issues. SCE does not anticipate a need for evidentiary hearing to present evidence or resolve factual disputes.

**c. Is testimony needed or is a workshop followed by comments and reply comments the appropriate approach?**

SCE proposes that a working group be established to continue the work conducted by the BAWG and to seek to apply the new baselines to DR programs with energy payments. Alternatively, a workshop and comment process may suffice. SCE does not anticipate that testimony will need to be filed. However, depending on the policy approach and operational changes envisioned by the Commission, SCE may need to implement changes to its systems and operations, which may require additional funding. In this case, testimony may be necessary.

**d. This proceeding has a statutory deadline of July 17, 2019. Do you feel the Commission can adopt a baseline for demand response programs by this deadline?**

SCE expects that resolution of the operational issues described above, as well as other issues identified by parties, will require more time beyond July 17, 2019. With the Commission's guidance, it is possible that the operational issues can be further refined via a working group and implemented via the advice letter/resolution process. As discussed above, depending on the direction envisioned by the Commission, additional funding may be required, requiring testimony and likely extending the proceeding beyond the statutory deadline.

**III.**  
**CONCLUSION**

SCE appreciates the opportunity to provide its responses to the questions posed in the ALJ Ruling. SCE looks forward to discussing these issues further at the PHC currently scheduled for January 10, 2019.

Respectfully submitted,

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