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

Application of Pacific Gas and Electric Company
(U 39-E) for Approval of Demand Response
Programs, Pilots and Budgets for Program Years
2018-2022.

A. 17-01-012

And Related Matters.

A. 17-01-018

A.17-01-019

**MOTION OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) FOR
INCLUSION OF INDEPENDENT AUDIT REPORT IN ENERGY DIVISION'S FINAL
EVALUATION REPORT OF THE DEMAND RESPONSE AUCTION MECHANISM**

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STATE OF CALIFORNIA**

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**MOTION OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) FOR
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Pursuant to Rule 11.1 of the Commission’s Rules of Practice and Procedure, Southern California Edison Company (SCE) respectfully moves that the audit report, prepared by Nexant (Nexant Audit Report), be made a part of the Energy Division’s (ED) final evaluation of the Demand Response Auction Mechanism (DRAM).

In July 2018, SCE informed a DRAM Seller that pursuant to Section 1.6(g) of the DRAM contracts, SCE intended to engage an independent auditor.¹ The auditor reviewed Seller's claimed Demonstrated Capacity that was invoiced to SCE from July 2017 through June 2018. The objective of the independent audit was to verify the data upon which Seller based its claimed Demonstrated Capacity under its DRAM contracts by reviewing Seller’s invoices and end-user meter data (customer load).

¹ That engagement is consistent with SCE’s comments at the ED’s July 26, 2018 DRAM workshop and SCE’s Reply Comments on the Proposed Decision Declining to Authorize Additional DRAM Pilot Solicitations (at p. 3) (filed November 19, 2018).

The auditor determined that the estimated curtailable capacity was from 14.8 to 18.4 percent of invoiced capacity from July 2017 to December 2017 (DRAM 2 contracts) and from 3.6 to 5.4 percent of invoiced capacity from January 2018 to May 2018 (DRAM 3 contracts). The auditor noted that, for the Demonstrated Capacity claimed under the DRAM 2 contracts, customer “load was very similar to [Seller’s] estimated capacity. However, based on June [2018] event performance, it is not reasonable to expect 100 percent of the load to be curtailed during an event.” The auditor also noted, with respect to the Demonstrated Capacity claimed under the DRAM 3 contracts, customer “load was substantially lower than [Seller’s] estimated capacity,” and estimated that only 3 to 5 percent of Seller’s invoiced capacity was curtailable based on customer load and June event performance. In addition, Demonstrated Capacity claimed under the DRAM 2 contracts ranged from between 80 to nearly 100 percent of overall customer usage, while Demonstrated Capacity claimed under the DRAM 3 contracts averaged three times overall customer usage. SCE acknowledges that the Seller that was the subject of this Audit has disputed the preliminary audit findings and may dispute the findings in the final Nexant Audit Report.

The importance of the resources that SCE and the grid rely upon for resource adequacy (RA) cannot be overstated; if the DRAM contracts do not provide actual curtailable load, reliability could be affected. The independent audit supports SCE’s position that invoices claiming curtailable load that is close to or greater than actual customer usage during the RA window are simply not reasonable. “Demonstrated Capacity,” as described in Section 1.6(a) of the DRAM contracts, is intended to represent the amount of PDRs and/or RDRRs that the seller is capable of delivering, and it is unreasonable for a seller to claim that it is capable of curtailing customer load to a degree that exceeds the load available to curtail. Given the results of the independent audit, SCE supports the Commission’s final Decision² declining to authorize any

² *Proposed Decision Resolving Remaining Application Issues for 2018-2022 Demand Response Portfolios and Declining to Authorize Additional Demand Response Auction Mechanism Pilot Solicitations*, approved on Consent Agenda 5-0 on 11/29/2018, issuance of final Decision pending.

further DRAM solicitations until the ED's final evaluation is completed. SCE believes that the results of this independent audit should be included in ED's final evaluation of the DRAM Pilot. SCE also believes that a DRAM construct that would permit the results shown in the audit report is likely to produce unreliable RA. SCE will continue to work with both the Commission and stakeholders to ensure that the procurement and operational framework of the current DRAM and any potential future auctions demonstrate that all DRAM resources can perform as RA resources.

SCE hereby moves the Assigned Administrative Law Judges for an order granting SCE's request to make the Nexant Audit Report a part of the Energy Division's final evaluation of the Demand Response Auction Mechanism.

Respectfully submitted,

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