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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.	Application No. A.17-01-012 (Filed January 17, 2017)
And Related Matters.	Application No. A.17-01-018 Application No. A.17-01-019

REPLY OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E) TO RESPONSES TO QUESTIONS RESULTING FROM FEBRUARY 11-12, 2019 DEMAND RESPONSE WORKSHOPS

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REPLY OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E) TO RESPONSES TO QUESTIONS RESULTING FROM FEBRUARY 11-12, 2019 DEMAND RESPONSE WORKSHOPS

Pursuant to the *Assigned Administrative Law Judge's Ruling Directing Responses to Questions Resulting from the February 11-12, 2019 Demand Response Action Mechanism Workshop and Comments on Proposals to Improve Mecha*nism (February 28, 2019) ("ruling"), San Diego Gas & Electric Company ("SDG&E") submits this reply to certain parties' responses to the ruling's questions.[1]

I. JDRP MISCHARACTERIZE THE STATE OF THE MARKET

The Joint Demand Response Parties ("JDRP") (response at 3) state that the opportunities for third parties to provide demand response ("DR") have been reduced. While it may be true that some specific opportunities no longer exist, such as the aggregator contracts the JDRPs enjoyed in the past, SDG&E notes that, in fact, rather than being reduced, the opportunities for providing DR are different, based on our experience with Requests for Offers ("RFOs"). While JDRP has stated that the Base Interruptible Program ("BIP") has no available capacity,[2] to the

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1 Per the ruling, responses were due March 29, 2019. Citations to party responses are as follows: "[party name or abbreviation] response at [page number(s)]."

2 JDRP Response at 3.

contrary, SDG&E still has open available capacity in BIP in which Demand Response Providers ("DRPs") and their customers can participate. SDG&E has continually advocated that DR provided by third parties should and must compete with other resources being procured by the utilities, including in such competitive solicitations as All Source RFOs, Local Capacity Resource RFOs, and Preferred Resource RFOs for renewable resources. By competing in these solicitations, DR providers have the same opportunity as other resource providers and vendors. In SDG&E's experience, DR providers have an equal opportunity to not only compete but to succeed; SDG&E has already executed one contract with a DR vendor that competed successfully in SDG&E's 2016 preferred resources RFO,[3] so the ability of DR resources to compete with other preferred resources has been demonstrated.

The Commission should reject JDRP's argument as contrary to fact and as being contrary to the Commission's own policy goal which is to level the playing field.

II. THE DRPs' PROPOSED TIMELINES ARE NOT REALISTIC

Several of the proposed solicitation schedules, including OhmConnect, JDRP and the California Efficiency + Demand Management Council (the "Council"), do not provide adequate time for collection, processing, review and responses to potential bidders. They do not follow precedents set in prior DRAM solicitations, and they ignore that the highest monthly values for RA are during the summer peak load season. Additionally, there is little value in compressing these schedules to be completed during the Fall of 2019, as several responses have proposed, after the high demand summer months have already ended. It is much more reasonable to use the low demand months of Winter and Spring of 2020 to allow for proper diligence in bid

[3] *See,* D.18-05-024, ordering paragraph 3 at 26, *approving* A.17-04-017 (SDG&E 2016 Track IV Local Capacity Requirement Preferred Resources RFO).

preparation and submittal by all potential bidders, not only those who have had the benefit of running prior bids. Those same low-load months should also be utilized to ensure a more careful evaluation of bids, in addition to submittal, review and protests of potential advice letters. There is simply too little value and too much risk in these compressed schedules.

III. THE DRPs' PROPOSED BUDGETS ARE INFLATED

The DRPs proposed significant budget increases for the first phase ("Step One") of the Two Step approach that would deliver DRAM resources in 2020.[4] In addition, JDRP wrongfully cited the budget approved for DRAM II (2017 delivery) in Resolution E-4754[5] to be the budget for the first DRAM pilot which delivered in 2016.[6] The approved budgets of DRAM II and DRAM III were maintained at the same budget level of $13.5 million across three IOUs for each year 2017, 2018 and 2019.[7] Even though DRAM IV was authorized with an additional $13.5 million for 2019,[8] it should not be viewed as the trend to continue.

4 OhmConnect response at 4-5 ($27 - $40 million budget for all three IOUs); Council response at 4 ($36 – $42 million budget): and JDRP response at 8 ($40.5 million for a 2019 DRAM V solicitation with delivery in 2020).

5 Resolution ("Res.") E-4754, ordering paragraph 8, at 30.

6 Res. E-4728 at 1, specified a non-binding cost estimate of $9 million dollars for the three IOUs.

7 Res. E-4754, ordering paragraph 8 at 30, authorized a total budget of $13.5 million for 2017 statewide DRAM delivery. Resolution E-4817, ordering paragraph 1 at 52, approved the 2018–2019 DRAM III with a total cost estimate of $27 million to cover both years across three IOUs. This translates into a budget of $13.5 million each year in 2018 and 2019.

8 D.17-10-017, ordering paragraph 8 at 89.

SDG&E objects to OhmConnect, JDRP, and the Council's proposals to target the increase of budget of DRAM based on the aspirational goal of 1,000 MW, while Step One DRAM is still in its pilot mode. Despite that the DRAM IV solicitation resulted in a significant Contract Quantity increase for 2019, when compared with 2018, SDG&E's customer registration number, which indicates the actual level of Rule 32 participants, did not increase proportionally in the first quarter of 2019, compared with that in the fourth quarter of 2018.[9]

Both OhmConnect and the Council consider the current DRAM contracted quantity at 370 MW (to be delivered in 2019) to be a good base for the proposed increase of the DRAM budget going forward.[10] SDG&E cautions the Commission that the contracted quantity should not be considered actual capacity that could be delivered. Some DRPs in the 2018 DRAM did not demonstrate the capacity for some or any months in 2018, which indicated that some contracted MWs cannot be verified as capable of delivery. In addition, SDG&E was notified by one of the DRAM IV DRPs, which had multiple years of DRAM experience, to advise that it had decided to terminate its contract due to the difficulty in recruiting customers to provide capacity in 2019.

The stagnant number of customer registrations in SDG&E's territory, the never-invoiced delivery months, and the potential termination of one 2019 DRAM contract, should be taken by

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9 A.14-06-001, SDG&E's Rule 32 Direct Participation Quarterly Report for 4th quarter of 2018, at p A-2, and *id*., 1st quarter of 2019, in the table titled as "Market Participation", at p. 3

10 OhmConnect response to Question 3 at 5; Council response to Question 3 at 6.

the Commission as signs of caution when considering any extension or enlargement of the DRAM. SDG&E urges the Commission not to consider any significant increase of budget for Step One DRAM.

Respectfully submitted,

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