

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



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

And Related Matters.

Application No. A.17-01-012  
(Filed January 17, 2017)

Application No. A.17-01-018  
Application No. A.17-01-019

**COMMENTS OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E) ON  
ALJ RULING DIRECTING RESPONSES TO QUESTIONS AND FILING OF  
PREVIOUS DEMAND RESPONSE BASELINE DEVELOPMENT AND  
IMPLEMENTATION COSTS**

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Pursuant to Judge Hymes' April 8, 2019 ruling,<sup>1</sup> SDG&E provides the following information.

**I. RESPONSES TO RULING'S QUESTIONS**

SDG&E offers the following responses to the questions set forth at 5- 6 of the ruling:

- 1. Through the 2018 demand response season, the wholesale baseline used by the CAISO was a 10-in10 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.**

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<sup>1</sup> *Administrative Law Judge's Ruling Directing Responses to Questions and Filing of Previous Demand Response Baseline Development and Implementation Costs.* The ruling (at 1) sums its requirements as follows:

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.

- 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.**

SDG&E adds that the interaction between the new wholesale baselines and the current retail baseline creates issues for calculating performance. Some key differences include:

1. The wholesale baselines are calculated at the aggregate level, whereas the retail baselines are calculated at the individual customer level. In certain cases, applying a baseline at the individual level produces significantly different results than applying it at the aggregate level, so simply applying the wholesale baselines in a retail setting at the individual level may produce different results.
2. The wholesale baselines are applied for energy measurement at a CAISO resource level, whereas the retail baseline is applied for both capacity and energy measurement.

- b. **Explain whether the Commission should adopt or limit adoption of these methods for settlement purposes in the Auction Mechanism.**

The baseline(s) used for determining capacity payments/penalties for utility demand response (“DR”) programs and for the Demand Response Auction Mechanism (“DRAM”), if DRAM continues in any form, should be the same in order for the playing field to be as level as possible. Therefore, decisions about whether or not to change baselines should apply to both utility DR programs and DRAM. However, details of how this is implemented for DRAM must be taken up in the DRAM-specific proceedings along with the discussion of Qualifying Capacity.

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.**

The Meter Generator Output (“MGO”) issue involves more than just a baseline calculation, it also involves submetering of generation assets. Therefore, this issue should be addressed either in R.13-09-011 (new models of demand response) or in the next program cycle in the successor to this docket.

**b. What should be the timing for determining solutions to the issues related to the meter generator output?**

This issue should be addressed either in R.13-09-011 (new models of demand response) or in the next program cycle in the successor to this docket.

**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.**

SDG&E adds that the retail energy baseline influences retail capacity payments in the Capacity Bidding Program (“CBP”), because the capacity penalties are calculated using the retail baseline. Energy payments are also calculated using the retail baseline. SDG&E’s CBP settlement payment is based on individual 10-in-10 Day matching with +/- 40% cap.

**b. Explain whether the Commission should revise the current energy retail baseline and what the revisions should entail.**

SDG&E is open to considering retail baseline changes if a process is put in place that thoughtfully considers all the issues. If the Commission wishes to revise the current energy retail baselines, it should be done with consideration of the current wholesale baselines. The Commission must consider the retail and wholesale baselines together, with a common goal of selecting the most accurate baseline(s) in an unbiased approach. Any new baseline should be easy to understand and able to be implemented by all parties. In addition, a complete process should identify policy implications, operational challenges, and the additional budget required to update current systems to manage multiple baseline options.

**c. If a revision is necessary, what timeline should the Commission adopt for developing and approving any such revision and why?**

If a revision is necessary, SDG&E recommends a working group or a series of workshops with stated objectives and a timeline. The working group should conclude several months before the 2020 mid-cycle review so that the Utilities will have the opportunity to request fund-shifting if necessary. SDG&E is required to propose a residential capacity bidding pilot in its mid-cycle review. If the residential capacity bidding pilot is approved, the baselines for the pilot and the existing CBP should be rolled out at the same time to reduce testing and development costs. Any baseline revisions that would require additional funding beyond what is available by shifting should be proposed either in R.13-09-011 (new models of demand response) or the next program cycle in the successor to this docket.

**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?**

SDG&E does not see a compelling need to change the current CBP commercial baseline. However, the research done by the Baseline Analysis Working Group (“BAWG”) showed that the current retail CBP baseline is not accurate for residential customers, so SDG&E recommends that baseline changes be put in place for residential customers if the residential capacity bidding pilot is approved.

However, if the Commission orders revisions, SDG&E cautions that the matter is not as simple as using the CAISO wholesale baselines for CBP. The wholesale market 10-in-10 Day matching baseline methodology developed by the BAWG as part of the CAISO ESDER Phase II (D.17-12-003), analyzed the baseline at the aggregate level and does not measure the individual customer performance for the retail DR program. Therefore, SDG&E recommends a working group or a series of workshops to revise the retail 10-in-10 baseline methodology versus

wholesale 10-in-10 baseline methodology before proposing alternative retail baselines. For example, it might necessary to distinguish a baseline for energy assessments versus capacity assessments.

## **II. COSTS FOR DEVELOPMENT AND IMPLEMENTATION OF PREVIOUS BASELINE METHODS**

The ruling (ordering paragraph 2 at 7) provides that the Utilities “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.” SDG&E retained APX, Inc., to manage the entire CBP settlement process, including baseline calculations when the baseline changes approved in D.09-08-027 and D.12-04-045 were implemented. After review of the APX contracts and invoices, SDG&E is not able to confidently provide cost details because the contracts, statement of work and invoices did not specifically identify the baseline development and implementation work. SDG&E no longer uses the services of APX for CBP. SDG&E now uses another system and calculates these settlements in-house.

## **III. CONCLUSION**

SDG&E requests that the Commission accept this response in compliance with the ruling.

Respectfully submitted,

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