PREPARED PHASE 2 REPLY TESTIMONY OF SAN DIEGO GAS & ELECTRIC COMPANY REGARDING DEMAND-SIDE ACTIONS TO REDUCE PEAK AND NET PEAK DEMAND IN 2022 AND 2023

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

September 10, 2021
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I. INTRODUCTION

The purpose of this reply testimony is to address on behalf of San Diego Gas & Electric Company (SDG&E) the demand response (DR) proposals offered in parties’ opening testimony in Phase 2 of this proceeding.

II. THE COMMISSION SHOULD NOT AUTHORIZE THIRD PARTIES TO ADMINISTER AUTOMATED DR TECHNOLOGY INCENTIVES (Witness: E Bradford Mantz)

The Automated DR (AutoDR) technology incentive programs offered by the investor-owned utilities (IOUs) reward customers through rebates for purchase of technologies that automate their load, such as those sold by OhmConnect. SDG&E offers two such programs: its Technology Incentives (TI) and Technology Deployment (TD) programs. The cost of these rebates is paid by all SDG&E ratepayers through the distribution rates. OhmConnect witness, Maria Belenky, notes that the IOUs are responsible for administering the AutoDR programs they offer and asserts that the existing process has “several flaws” and should be modified to allow third parties (such as OhmConnect) to administer the programs rather than the IOUs.¹

SDG&E does not support this proposal. As a threshold matter, OhmConnect’s proposal would encourage fraud and could increase costs for utility ratepayers who fund the AutoDR incentive programs. OhmConnect and similar third-party demand response providers (DRPs) have an economic incentive to secure the highest incentive possible for their customers and no obligation or economic incentive to protect ratepayers or to ensure that the rates of the utility

¹ Opening Testimony of Maria Belenky on behalf of OhmConnect, Inc., dated September 1, 2021 (Phase 2 Opening Testimony of OhmConnect), p. 9.
ratepayers that fund the AutoDR programs are reasonable. This presents a fairly obvious conflict
of interest. In addition, third-party DRPs are not subject to Commission oversight. While the
Commission has full authority over the IOUs to establish administrative processes, audit
programs, modify program elements, etc., the Commission’s authority over third-party DRPs is
far more limited. The clear conflict of interest that would be present if third-party DRPs were
permitted to administer AutoDR rebates (a proverbial ‘fox guarding the henhouse’ scenario) and
lack of effective Commission oversight could cause material harm to utility ratepayers and is not
in the public interest.

Moreover, Ms. Belenky provides little detail and no factual support for her claim that the
current Commission-approved administration process is beset by “flaws” so significant that a
change in program administrator is warranted. Ms. Belenky provides the following examples of
purported shortcomings of the existing process:\(^2\)

- Confusing (or lacking) instructions regarding how to proceed with a rebate claim
  (similarly, application have “lacked centralized information describing the
  incentive and guiding the customer on how to apply”);
- Long wait times for the payment of the rebate;
- In “several instances” messaging regarding eligibility rules was unclear; and
- Applications have “appeared and disappeared.”

No further context is provided regarding these claims. While SDG&E acknowledges that
the roll out of its new Envision customer billing system may have caused certain temporary
technical glitches with AutoDR, that certainly does not warrant the complete administrative
overhaul that OhmConnect proposes. Nor does Ms. Belenky indicate whether these alleged

\(^2\) Id.
problems exist with SDG&E’s routine administration of its TI and TD programs. In some instances, a reasonable justification may exist for the circumstances cited by Ms. Belenky. For example, the wait time for the rebate may be tied to satisfaction of program requirements – e.g., in order to qualify for SDG&E’s TI program incentive, medium and large commercial customers must participate in inspections, engineering review, and in most cases, load shed tests.\(^3\)

Similarly, SDG&E’s TD program, which offers incentives to enroll thermostats in a DR program, requires verification that the thermostat has been installed by enrollment of the thermostat through the thermostat signaling portals. Although these measures prevent immediate award of incentives, it is important that these processes be followed in order to prevent fraud and ensure that the costs paid for such rebates are reasonable. In any event, while the program administration issues detailed by Ms. Belenky should be reviewed in the proper forum, Ms. Belenky fails to convincingly make the case that the issues raised must be addressed here or, more broadly, justify a change to program administration by third-party DRPs.

Ms. Belenky asserts more broadly that the current process “leads to a lack of transparency and encourages customer mistrust” since customers must work with their existing IOUs to receive the rebate rather than through the DRP.\(^4\) No factual support is provided for this assertion regarding customer perceptions. Nor does Ms. Belenky provide factual support for the claim that “these issues have depressed the uptake of AutoDR incentives among residential customers.”\(^5\) SDG&E submits that understanding the rebate process is largely a customer

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\(^3\) The TI program can offer incentives to medium, large commercial or agricultural customers that have on-peak demand of 20kW or greater at the facility for which the incentives are being requested. Participation also requires onsite inspections and load shed testing. Therefore, the oversight need is great to ensure eligibility and load shed.

\(^4\) Phase 2 Opening Testimony of OhmConnect, pp. 9-10.

\(^5\) Id. at p. 10.
education issue. Customers with a clear understanding of the relationship between the DRP and the IOU will have no reason to “mistrust” the process. Given the lack of a clear or compelling rationale for a change in AutoDR program administration, and the obvious conflict of interest that would exist if third-party DRPs took over administration of the AutoDR program, OhmConnect’s proposal should be rejected.

III. THE COMMISSION SHOULD NOT REQUIRE SDG&E TO FURTHER EXPAND OR EXTEND ITS CURRENT BEHAVIORAL DEMAND RESPONSE PILOT UNTIL RESULTS OF THE CURRENT PILOT ARE AVAILABLE  
(Witness: E Bradford Mantz)

Oracle proposes Commission adoption of a Behavioral Demand Response (BDR) program that would target residential customers through an opt-out program to drive peak reductions through the use of behavioral messaging rather than monetary incentives. The BDR program would use day ahead and/or day-of communications (e.g., e-mail, phone and SMS if opted into text), urging customers to take specific actions that are personalized based on their actual energy consumption to reduce energy usage during specified hours. After each event, customers would be informed as to how much they reduced their consumption during the event as compared to their neighbors. Customers would also receive marketing messages designed to motivate them to adopt automated peak reduction measures, such as programmable controllable thermostats to achieve additional demand reductions. Oracle estimates a per house load drop of ~.02 kW.

While SDG&E sees potential value in the BDR approach proposed by Oracle, SDG&E is already running a BDR Pilot with Oracle’s platform similar to the one proposed by Oracle for

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7 Id. at p. 7.
the Summer of 2021 and 2022. The purpose of SDG&E’s current BDR pilot is to test whether
residential customers will provide SDG&E with peak reductions through the use of behavioral
messaging rather than monetary incentives. Nearly half of SDG&E’s residential customers are
already enrolled in this pilot. To date, SDG&E has not received enough data from the pilot to
permit full evaluation and verification of the performance of the pilot; results will likely not be
available until late in 2021. Given the current status and term of SDG&E’s Oracle/BDR pilot
through 2022, implementation of another identical BDR pilot would be redundant and would
serve no justifiable purpose. Once it is clear what benefits are provided by the pilot, SDG&E
can consider whether to move forward with a new or expanded behavioral pilot for 2023 and
onward. In the meantime, however, SDG&E does not support implementation of a new BDR
pilot.

In addition, more broadly, SDG&E believes that ‘opt-in’ programs are generally more
successful than the type of ‘opt-out’ program Oracle proposes. SDG&E believes that opt-in
programs are the best method to procure the most value per customer. This was clearly
demonstrated by in the IOUs’ Peak Time Rebate Programs, as discussed in SDG&E’s Phase 2
Opening Testimony on demand-side issues,8 as well as in Oracle’s Phase 2 Opening Testimony.9
In addition, Marin Clean Energy (MCE) describes the confusion and potential harm that can
arise if customers are automatically enrolled in DR programs without knowledge or consent.10

8 Prepared Phase 2 Direct Testimony of SDG&E Regarding Demand-Side Actions to Reduce Peak and
Net Peak Demand in 2022 and 2023, dated September 1, 2021 (Phase 2 Opening Testimony of
SDG&E-Demand-Side/Mantz, McConnell), p. 20.

9 Phase 2 Opening Testimony of Oracle, p. 10.

10 Marin Clean Energy Prepared Direct Testimony of Alice Havenar-Daughton in Rulemaking 20-11-
003, dated September 1, 2021 (Phase 2 Opening Testimony of MCE), pp. 3-4.
For these reasons, the Commission should reject Oracle’s proposal.11

IV. THE COMMISSION SHOULD NOT ADD CAPACITY/RESERVATION PAYMENTS TO THE EMERGENCY LOAD REDUCTION PROGRAM (Witness: E Bradford Mantz)

Several parties propose the addition of a capacity payment (also referred to as a reservation payment)12 to the Emergency Load Reduction Program (ELRP) adopted in Phase 1 of this proceeding.13 These parties suggest that a capacity/reservation payment will encourage customers and aggregators to enroll in the program. This proposal should be rejected. The Commission considered arguments in favor of a capacity payment for ELRP in Phase 1 of this proceeding and was not persuaded that such an incentive would serve the public interest. Parties’ attempt to relitigate this issue in Phase 2 is improper.

In D.21-03-056, the Commission explicitly addressed the question of whether the ELRP should offer capacity payments, noting that “there was strong support in the record for compensation to occur after the fact based only on the amount of load reduction achieved, with no capacity payments.”14 It made clear that “[o]nly incremental load reduction (ILR) is eligible

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11 Phase 2 Opening Testimony of Oracle, p. 7.

12 SD&E considers the terms “capacity payment” and “reservation payment” to be synonymous in the sense that both provide a payment to the customer/aggregator to reserve or hold capacity so that it is available for an event.


14 D.21-03-056, p. 25 (emphasis added).
for compensation under ELRP,”\textsuperscript{15} and specifically directed that the ELRP include “no Capacity-like payments or enrollment incentive.”\textsuperscript{16} It found that the energy-only “pay-for-performance” ELRP rate would “ensure that the compensation was substantial enough to drive participation without over-compensating participants” and that a capacity/reservation payment was not justified.\textsuperscript{17}

The IOUs have only recently implemented their respective ELRPs and there is no evidence in the record at this point to establish that the Commission’s determination in D.21-03-056 was in error. SDG&E notes that its customers have not indicated that a capacity/reservation payment is a determining factor in their participation; rather, customers have generally expressed satisfaction with the currently approved ELRP Terms and Conditions.

Moreover, offering a capacity/reservation payment is ill-advised when a program is voluntary and imposes no corresponding penalties (as is the case with the ELRP). If an ELRP customer were offered a capacity/reservation payments but chose not to drop load during an event (since doing so is voluntary and their decision not to drop would result in no penalty), the ELRP could result in significant sums being paid out to customers for \textit{no} load drop. This outcome would impose unnecessary cost on ratepayers while doing nothing to address the State’s reliability crisis. Having already fully considered and rejected the argument that a capacity or reservation payment is necessary to ensure ELRP participation, the Commission should soundly reject this recycled proposal in Phase 2.

\textsuperscript{15} \textit{Id.} at p. 24 (emphasis added). The term “ILR” refers to “the load reduction achieved during an ELRP event incremental to the non-event applicable baseline and any other existing commitment.” \textit{Id.}

\textsuperscript{16} \textit{Id.} at p. 25.

\textsuperscript{17} \textit{Id.}
V. THE COMMISSION SHOULD NOT EXPAND THE DR AUCTION MECHANISM OR AUTHORIZE BILATERAL SOLICITATIONS FOR DR
(Witness: E Bradford Mantz)

The Joint Parties propose in their opening testimony that the DR Auction Mechanism (DRAM) pilot be expanded to include an additional supplemental auction for 2022, and further that the Commission expand the 2023 DRAM with additional budget.\(^{18}\) As support for this proposal, the Joint Parties claim that “DRAM remains one of the most efficient and effective way to procure significant amounts of DR capacity.”\(^{19}\) SDG&E strongly disagrees with this assertion.

The Phase 2 opening testimony of the Public Advocates Office (Cal Advocates) outlines several concerns regarding the DRAM and highlights its limited effectiveness as a load reduction tool.\(^{20}\) SDG&E agrees with the observations by Cal Advocates and, indeed, raised many of the same issues in Phase 1 of this proceeding in response to similar requests for expansion of the DRAM program.\(^{21}\) Since DRAM’s launch, significant questions have been raised regarding the performance and cost-effectiveness of DRAM resources and, over time, SDG&E has observed less capacity being offered by fewer bidders, with performance that has not increased. DR


\(^{19}\) Phase 2 Opening Testimony of the Joint Parties, p. 14.

\(^{20}\) Public Advocates Office Prepared Testimony, dated September 1, 2021 (Phase 2 Opening Testimony of Cal Advocates), pp. 2-1 – 2-5.

providers (DRPs) routinely invoice SDG&E for much less capacity than they were contracted to deliver—*i.e.*, they regularly fail to deliver on those procurement contracts.22

Moreover, DRAM is generally not well-suited for use in emergency circumstances. The DRAM pilot was originally intended to test: a) the feasibility of procuring DR resources for resource adequacy (RA) from third party DRPs through an auction mechanism; and b) the ability of winning bidders to integrate their DR resources directly into the California Independent System Operator (CAISO) market. DRAM was not designed for use in an emergency event: there is no requirement that DRAM resources be available to respond to an emergency event and no penalty if they are not. Indeed, as Cal Advocates points out, DRAM resources significantly underperformed during the Summer of 2020 extreme heat events such that “when ratepayers most needed these resources to perform, they were unable to provide reliable energy.”23

Practically speaking, there is no reason to expect that the DRAM-related proposals offered in Phase 2 would actually serve the objective of reducing peak and net peak demand in 2022 and 2023.24 SDG&E agrees with Cal Advocates that the Commission “should not authorize further DRAM procurement at this time, as it would be risky to seek additional MWs from third-party DR providers with track records of underperformance.”25

The DRAM pilot has never been implemented as a permanent program. The Commission is currently engaged in a separate effort to evaluate the effectiveness of the DRAM,

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22 DRPs are contracted for capacity in their DRAM contracts, and then invoice the utility for payment based on demonstrated capacity they believe they delivered at the month’s end. The invoice is supposed to be for what is actually delivered. What is invoiced is often much less than what the DRP was contracted to deliver.

23 Phase 2 Opening Testimony of Cal Advocates, p. 2-2.

24 Amended Scoping Memo, p. 4.

25 *Id.*
whether modifications to the program are warranted, and whether it should be adopted permanently. The program modifications proposed by the DR parties are better addressed as part of that effort than in the instant proceeding.

The Joint Parties suggest further that if the Commission does not approve a supplemental DRAM budget for 2022 and 2023 in this proceeding, the IOUs should be directed to issue competitive solicitations for bilateral DR RA contracts. The Joint Parties propose this as an alternative method for procurement of DR that bypasses the DRAM pro-forma contract. This proposal would serve no valid purpose and would allow DRAM providers to perform an end-run around program requirements reflected in the pro-forma contracts. This request is unreasonable and should be denied.

SDG&E submits that rather than being procured on a bilateral basis or through DRAM, DR resources should be required to participate in all-source solicitations, open to all types of resources, to compete on the basis of availability, reliability, and price. DR must be required to compete against other resources in competitive solicitations to ensure that ratepayers derive the greatest value from the resources procured. Requiring the IOUs to procure DR through separate solicitations limited strictly to DR and not open to other resources skews the public interest analysis and prevents resources from competing on a level playing field. Accordingly, the proposal for required expansion of DRAM and bilateral DR contracting should be rejected.

VI. DATA-SHARING PROPOSALS SHOULD NOT BE ADDRESSED IN THIS PROCEEDING (Witness: E Bradford Mantz)

MCE proposes adoption of broad data-sharing rules, suggesting that the Commission “direct all IOUs to share customer participation data in all DR programs, and other pertinent data

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26 Phase 2 Opening Testimony of the Joint Parties, p. 18.
Recurve Analytics, Inc. (Recurve) also seeks greater access to customer data on behalf of parties who are not load-serving entities (non-LSEs), suggesting that such data-sharing is necessary to “facilitate targeting and comparison group analysis to support reliability.”

While SDG&E does not challenge the notion that a comprehensive discussion of data-sharing could be fruitful, it submits that this proceeding is not the appropriate forum for such discussion. First, neither MCE nor Recurve demonstrate that the data-sharing requirements they propose are within scope of this proceeding – i.e., that they are capable of being implemented and would produce material additional load drop within the 2022-2023 timeline that is the focus of this proceeding. In addition, even if the Commission were inclined to consider the proposals offered by MCE and Recurve in the instant proceeding, the record of this proceeding is wholly inadequate to support a decision modifying the Commission’s existing data-sharing rules.

Proposals to modify the Commission’s existing data-sharing rules raises important issues related to customer privacy, cost reasonableness, administrative burden and cost recovery, to name a few. For example, Recurve’s request for more data to enable targeted marketing raises several questions: Is the public interest served by providing data access to third parties? What type of additional customer approval would be required to provide data to third parties? What is the business need for third-party access to requested data and who should pay the costs of providing it? What data can third parties obtain from customers themselves through surveys or other means? What marketing data can be purchased from data sharing companies? What data

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27 Phase 2 Opening Comments of MCE, p. 3-5.

28 Comment and Testimony of Recurve Analytics, Inc. in Response to ALJ Stevens Email Ruling of August 16, 2021 Regarding Staff Concept Proposals for Summer 2022 and 2023 Reliability Enhancements, dated September 1, 2021, (Phase 2 Opening Comments of Recurve), p. 11.

29 See Amended Scoping Memo, p. 4 (establishing the scope, in pertinent part, as demand reduction measures that will “[r]educe peak and net peak demand in 2022 and 2023”).
could be purchased by third parties from research companies as a normal cost of customer acquisition?

Among the myriad issues to be considered is the foundational questions of whether broad data-sharing requirements such as those proposed by MCA and Recurve, on balance, serve the public interest. None of these issues have been considered and no record on them has been developed in the instant proceeding (as, indeed, they are outside the scope). Accordingly, while it may make sense to examine these and other issues related to data-sharing in a comprehensive manner to develop an overarching set of updated data-sharing rules, this proceeding is not the place to undertake that effort. Hence, the Commission should reject the data-sharing proposals offered by MCE and Recurve.

VII. EXTENDING NEM-FC IS CONTRARY TO THE PLAIN LANGUAGE OF PUBLIC UTILITIES CODE SECTION 2827.10(g) (Witness: Gwendolyn Morien)

FuelCell Energy proposes that the Commission extend the IOU fuel cell net energy metering (“FC-NEM”) tariff. However, the plain language of the statute makes clear that to be eligible to participate in this program, a facility must commence operation on or before December 31, 2021, and that this eligibility criterion cannot be modified absent a later enacted statute chaptered on or before December 31, 2021:

A fuel cell electrical generating facility shall not be eligible for the tariff unless it commences operation on or before December 31, 2021, unless a later enacted statute, that is chaptered on or before December 31, 2021, extends this eligibility commencement date. The tariff shall remain in effect for an eligible fuel cell electrical generating facility that commences operation pursuant to the tariff on or before December 31, 2021. A fuel cell customer-generator is eligible for the tariff established pursuant to this section only for the

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operating life of the eligible fuel cell electrical generating facility.\textsuperscript{31}

As FuelCell Energy acknowledges, no such statutory extension has been enacted.\textsuperscript{32} As an alternate basis for extending the FC-NEM tariff, FuelCell Energy asserts that the Commission could establish a “follow-on program” to go into effect on January 1, 2022 if the FC-NEM program has not been extended by the California Legislature.\textsuperscript{33} However, adoption of a “follow-on” tariff that is identical to the existing FC-NEM tariff is an impermissible end-run around the clear limitation imposed by Section 2827.10(g). Such a tactic is questionable at best and could be subject to legal challenge.

VIII. SDG&E’S PROPOSED ENHANCEMENTS TO ITS COMMERCIAL CAPACITY BIDDING PROGRAM SHOULD BE APPROVED (Witness: E Bradford Mantz)

In its opening testimony, SDG&E proposed to add “Elect” day of and day ahead products to its Capacity Bidding Program (CBP) for commercial customers in order to increase program enrollment and to help support retention of customers already enrolled in the program.\textsuperscript{34} SDG&E appreciates the input of the Joint Demand Response Parties who submitted testimony supporting the Elect option for CBP stating: “CBP Elect will make the program much more attractive and allow aggregators, like Enel X and CPower, to recruit new DR and DER customers to the program to provide critical reliability services in 2022 and 2023.”\textsuperscript{35} SDG&E firmly believes the addition of the Elect option will encourage new customers and aggregators to enroll in the program and help provide additional energy load reductions for 2022 and subsequent

\textsuperscript{31} Pub. Util. Code Section 2827.10(g) (emphasis added).

\textsuperscript{32} Phase 2 Opening Testimony of FuelCell Energy, p. 5.

\textsuperscript{33} Id.

\textsuperscript{34} Phase 2 Opening Testimony of SDG&E-Demand-Side/Mantz, McConnell, pp. 7-9.

\textsuperscript{35} Phase 2 Opening Testimony of Joint DR Parties, p. 14.
years. SDG&E encourages the Commission to promptly approve SDG&E’s Capacity Bidding Program (CBP) Elect option as set forth in SDG&E’s Phase 2, Prepared Direct Testimony Regarding Demand Side Actions.

**IX. CONCLUSION**

This concludes SDG&E’s prepared reply testimony.
STATEMENT OF QUALIFICATIONS

My name is Gwendolyn Morien. My business address is 8330 Century Park Court, San Diego, California 92123. I have been employed as a Rate Strategy Project Manager in the Customer Pricing Department at San Diego Gas & Electric Company since 2017. My primary responsibilities include the development of electric rate design and policy in various regulatory filings. I began work at SDG&E in 2016 as a Business/Economics Analyst and have held positions of increasing responsibility in the Customer Pricing group.

I received a Bachelor of Science in Accounting from the State University of New York at Geneseo in 2010 and a Master of International Affairs with a concentration in Environmental and Energy Policy from the School of Global Policy and Strategy at the University of California, San Diego in 2016. I am a licensed CPA in New York.

I have previously testified before the California Public Utilities Commission and the Federal Energy Regulatory Commission.