SENATE THIRD READING
SB 1414 (Wolk)
As Amended August 20, 2014
Majority vote

SENATE VOTE: 31-0

| UTILITIES & COMMERCE | 14-0 | APPROPRIATIONS | 17-0 |
|---|---|---|---|
| Ayes: | Patterson, Bonilla, Buchanan, Chávez, Dahle, Fong, Beth Gaines, Garcia, Roger Hernández, Jones, Mullin, Quirk, Rendon, Skinner | Ayes: | Gatto, Bigelow, Bocanegra, Bradford, Ian Calderon, Campos, Donnelly, Eggman, Gomez, Holden, Jones, Linder, Pan, Quirk, Ridley-Thomas, Wagner, Weber |

SUMMARY: Requires utilities and regulators to include demand response (DR) in resource adequacy plans, as specified. Specifically, this bill:

1) Requires each load-serving entity to maintain either electrical demand reductions or physical generating capacity adequate to meet its load requirements.

2) Requires the California Public Utilities Commission (PUC) to determine the most efficient and equitable means to sure the inclusion of DR that is reliable and cost effective in achieving environmental or demand reduction goals or grid reliability.

3) Requires the PUC to establish a mechanism to value load modifying DR resources that can reduce a load serving entity's resource adequacy obligation.

4) Requires the PUC to ensure that changes in demand caused by load modifying DR are expeditiously and comprehensively reflected in relevant forecasting and planning proceedings and associated analyses and encourage reflection of these changes in demand in the operation of the grid.

5) Ensures the PUC, in establishing a DR program, to take certain actions.

6) Makes findings and declarations about the benefits of DR programs.

FISCAL EFFECT: According to the Assembly Appropriations Committee:

1) Increased one-time costs to the PUC of approximately $300,000 (Public Utilities Reimbursement Account) for expanding proceedings.

2) Ongoing increased compliance costs to the PUC of approximately $150,000 (Public Utilities Reimbursement Account)

COMMENTS: According to the author, "SB 1414 will help ensure that regulators and utilities utilize cost-effective demand response programs to change their demand for electricity during key times. With DR, in exchange for changing their electricity use, participating customers

receive incentives for providing a clean resource to the system. Their reductions in demand (consumption) mean there can be less supply (generation), providing clean energy, reducing the need for "peaker" power plants and helping to integrate renewables. California currently lags behind other parts of the nation in utilizing demand response."

*What is demand response*? DR refers to a family of programs that seek to achieve electric load reductions via actions taken though end-use electric customers during a given time period, in response to a price signal, or to address a situation where reliability or safety of the electricity grid is at risk. Various programs provide incentives or rate discounts, or both to customers who participate in a DR Program. Examples of DR programs include: Pacific Gas & Electric Company (PG&E) Smart Rate, San Diego Gas & Electric (SDG&E) Peak Time Rebate Program, Southern California Edison (SCE) Summer Discount Program, and Business Interruptible Programs.

DR programs are administered by the investor-owned utilities (IOUs): PG&E, SCE, and SDG&E. Most of the utility DR programs target large commercial and industrial customers that are equipped with meters that are capable of measuring and reporting energy usage in one hour intervals or less. The utilities also administer third-party DR programs known as an aggregator managed program. The utilities contract with a DR provider who works with a variety of end-use customers to deliver the necessary demand reductions when called upon by the utility. These contracts are negotiated between the utility and the third-party DR provider.

The theory of DR is that savings are achieved through reduced demand for electricity which offsets the need to build new generation and infrastructure to meet electricity needs. As a result, payments from nonparticipating ratepayers can be provided to these programs participants based on the expected savings.

For the most part, DR programs have been limited to the commercial and industrial users, who have been on time-of-use rates for some time. With the extensive deployment of residential smart metering, the residential customer is likely to become a larger focus of DR programs.

The PUC has an open proceeding underway to address ways to enhance the use of DR in meeting energy needs. In a recent PUC decision (D. 14-03-02, March 2014) the PUC determined that DR can be characterized in one of two ways: DR as load modifying or DR as supply resource. As a follow up to the PUC's decision, the PUC is seeking comments on which types of DR programs are to be categorized as Load Modifying or Supply Resources (DR as a Supply Resource would be treated as if it was a generation facility). Ultimately, utilities will be authorized to develop DR programs that can be bid into the California wholesale electricity market. In exchange, the wholesale DR products could receive payments for Resource Adequacy, Capacity, or other attributes that might normally be paid only to traditional generators.

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