

Proceeding: R.20-11-003 (Phase 2)

Exhibit No.: SDGE-8

Witnesses: E Bradford Mantz
Michael McConnell

**PREPARED PHASE 2 DIRECT 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 1, 2021

TABLE OF CONTENTS

- I. INTRODUCTION 1
- II. PROPOSED ENHANCEMENT TO AC SAVER PROGRAM
(Witness: E Bradford Mantz)..... 2
 - A. *Expand Eligibility to Include Additional Devices*..... 2
 - B. *Add an Enrollment Incentive to Encourage Customer Participation* 3
 - C. *Offer Additional Annual Incentives to Commercial Customers* 4
 - D. *Tariff Revisions and Required Budget for SEP*..... 5
- III. PROPOSED ENHANCEMENT TO CAPACITY BIDDING PROGRAM
(Witness: E Bradford Mantz)..... 6
 - A. *Proposed Modifications to Commercial CBP*..... 7
 - 1. Add Elect Day Of and Day Ahead Products for 1 p.m – 9 p.m..... 7
 - 2. Increase Capacity Incentives for CBP Commercial Customers 10
 - 3. Update the CBP Tariff Incentives, Energy Payments and Non-Performance Penalties 11
 - 4. Tariff Revisions and Required Budget to Support Proposed Modifications to Commercial CBP 12
 - B. *Proposal to Extend the Residential CBP Pilot* 13
- IV. MARKETING, EDUCATION AND OUTREACH EFFORTS TO SUPPORT PROPOSALS DESIGNED TO ENHANCE CURRENT DR PROGRAMS (Witness: E Bradford Mantz) 13
 - A. *Smart Energy Program* 14
 - B. *Capacity Bidding Program (Commercial and Residential)*..... 14
 - C. *Emergency Load Reduction Pilot* 14
 - D. *Required ME&O Budget*..... 15
- V. COMMENTS ON STAFF PAPER..... 16

A.	<i>Demand Reduction Proposals</i> (Witness: E Bradford Mantz).....	16
1.	Emergency Load Reduction Program (ELRP) Modifications	16
2.	DR Auction Mechanism (DRAM) Modifications	23
3.	Third Party Demand Response Procured by Non-IOU Load Serving Entities (LSEs): Proposal to require all third-party DR resources contracted with CCAs to adhere to certain DRAM requirements, such as those related to market bid price caps, capacity counting and showing (including customer and Resource ID movement), and minimum dispatch activity, starting in 2022.....	27
4.	Agricultural Pumping Proposal.....	27
B.	<i>Smart Thermostat Staff Proposals</i> (Witness: Michael McConnell)	27
1.	SCT Related Modifications to Energy Efficiency Programs.....	27
2.	SCT Modifications to Energy Savings Assistance (ESA) Programs	31
VI.	CONCLUSION.....	31

1 correspondingly, the greatest impact in terms of demand reduction. SDG&E discusses below the
2 proposed enhancements to its AC Saver program and its Capacity Bidding Program (CBP),
3 which are open to bundled service customers and CCA customers alike, that are designed to
4 increase participation and achieve further demand reduction.

5 **II. PROPOSED ENHANCEMENT TO AC SAVER PROGRAM (Witness: E Bradford**
6 **Mantz)**

7 SDG&E's AC Saver program is open to residential and small commercial customers. It
8 incentivizes customers to reduce load through thermostat adjustments – *e.g.*, reducing or shifting
9 load in response to a signal sent to their thermostat (or other notification such as text) by
10 increasing thermostat temperature in times of grid need or cycling air conditioning to conserve
11 energy. SDG&E proposes the following enhancements to its AC Saver program to further
12 reduce demand and improve grid reliability in 2022 and 2023.

13 **A. *Expand Eligibility to Include Additional Devices***

14 SDG&E proposes to expand the eligibility criteria for the program to include additional
15 customer owned devices. Currently, program participation requires an approved device that
16 curtails air-conditioning use. SDG&E proposes to expand eligibility to include approved devices
17 that control a behind-the-meter (BTM) end use or clean generator that can be signaled by
18 SDG&E or by the vendor (with appropriate vendor commitments). Such devices could include,
19 for example, batteries, smart plugs, water heater controls, pool pump controls and whole home
20 devices. SDG&E's approval process would take into account the predicted load reduction of the
21 device, the aggregate potential load reduction expected from all the devices in SDG&E's
22 territory, the cost to onboard and signal the device, whether or not the device can accept a signal
23 directly from SDG&E, and the willingness of the vendor to agree to SDG&E's terms and
24 conditions.

1 If the Commission approves this proposed enhancement, SDG&E would redesignate the
2 program as its the “Smart Energy Program (SEP)”² to indicate that it is no longer limited to air
3 conditioning (AC) devices. SDG&E requests that all new, non-AC technologies in the SEP be
4 enrolled in the current Day Ahead product only since the Day Of product has an incentive
5 structure based on AC tonnage that would not apply to other devices. The AC Saver Day Of
6 product currently offered by SDG&E will be limited to SDG&E’s load control switch program,
7 which utilizes the older one-way communication load control switches.

8 ***B. Add an Enrollment Incentive to Encourage Customer Participation***

9 To increase enrollment in the SEP, SDG&E proposes to add an enrollment incentive for
10 both residential and small commercial customers for thermostats and all other devices (direct
11 load control switches are excluded). The enrollment incentive for new thermostats to the
12 program would be \$50 per device (current limits on the number of devices still apply). The
13 enrollment incentive for any new controls (non-thermostats) would be set at up to \$200³ times
14 the predicted kW average load reduction of the device enrolled.

15 In SDG&E customer surveys, the proposal to add an enrollment payment to the program
16 increased the number of customers who indicated an interest in joining the program. According
17 to the market research, merely increasing the annual payment from \$20 to \$40 would be less
18 effective.⁴

² The program may be branded differently to customers in marketing, etc.

³ SDG&E may provide a lower incentive in the following circumstances: (i) an incentive less than \$200 if the incentive would exceed the cost of the device; (ii) if program funding is running low; and/or (iii) data show that a lower incentive would be equally as effective.

⁴ Draft results from *AC Saver Day Of Participant Survey* responses collected July 2021 as part of a Demand Response Process Evaluation conducted by Nexant, Inc. on behalf of SDG&E. Final report to be published in Fall 2021.

1 **C. *Offer Additional Annual Incentives to Commercial Customers***

2 To increase retainment of customers, SDG&E expects to see a significant increase in the
3 percentage of commercial customers eligible for the SEP in 2022 and 2023, which creates an
4 opportunity to increase the enrollment of commercial customers in the SEP. The percentage of
5 commercial customers eligible for the SEP increased greatly in 2021. This increase is the likely
6 result of two recent developments. First, load departure in SDG&E's service territory will
7 increase the percentage of commercial customers who are eligible to participate in the SEP.
8 Prior to the launch of two new CCAs in SDG&E's distribution service territory, over 90 percent
9 of commercial customers were enrolled on a rate with events (*e.g.*, CPP), which made them
10 ineligible to participate in the SEP (previously AC Saver). Customers participating in
11 community choice aggregation are not eligible for SDG&E's commodity rates with events
12 because they purchase their energy from a provider other than SDG&E. Prior to the launch of
13 the SDCP, over 90% of commercial customers were enrolled on a rate with events and therefore
14 ineligible for SEP. As of August 1, 2021, 36% of SDG&E's commercial customers have
15 migrated off of SDG&E's rates with events. These customers would be eligible for the SEP.
16 Since rates with events like Critical Peak Pricing (CPP) are not an option for CCA customers at
17 this time, the SEP provides commercial customers participating with a CCA an option to
18 participate in DR and continue to receive incentives. The potential pool of SEP participants will
19 continue to grow with additional load departure.

20 The second development that may further increase the number of commercial customers
21 eligible for SEP in 2022 and 2023 is a change in the standard pricing plan for new small
22 commercial customers. As approved in SDG&E's General Rate Case (GRC) Phase 2
23 proceeding, a rate with events will soon no longer be the default rate for new small commercial

1 customers receiving bundled service.⁵ Thus, the percentage of bundled service commercial
2 customers eligible for SEP will increase once this change is implemented. Due to both
3 community choice aggregation and the change in the standard pricing plan for new small
4 commercial customers, SDG&E expects many more commercial customers to would be eligible
5 for SEP.

6 To incent these newly-eligible commercial customers to enroll in SEP, SDG&E proposes
7 to offer an enrollment incentive using the same calculation method as is used to calculate
8 residential annual incentives to determine the fixed annual incentive amount. SDG&E proposes
9 to pay commercial customers with devices enrolled in the SEP an annual incentive, as it does
10 now for thermostats in AC Saver. Annual incentives for commercial customers should be
11 determined by multiplying the average expected load reduction (in kW) from the device by \$50.⁶
12 SDG&E believes that offering this proposed incentive will encourage the large pool of newly-
13 eligible commercial customers (as well as commercial customers who are already eligible) to
14 participate in the SEP, which could increase the program's available MW for events by an
15 additional 3 MW to 10 MW depending on enrollments.

16 ***D. Tariff Revisions and Required Budget for SEP***

17 SDG&E proposes to submit necessary amendments to the current AC Saver tariff
18 (Schedule ACS) to change the name to Schedule SEP and to reflect other changes approved in
19 this proceeding after a final decision is issued by the Commission.

20 SDG&E estimates that the proposed changes to SEP may result in an additional \$400,000
21 - \$1,200,000 in incentives and operational costs being paid out depending upon enrollments in

⁵ D.21-07-010, p. 30.

⁶ For example, a thermostat predicted kW load drop is .4 kW X \$50 = \$20.00 of an annual incentive.

1 2022 only. SDG&E proposes to use unspent funds from its current DR budget cycle from AC
2 Saver (DR Budget Category 1) and the Technology Deployment program (DR Budget Category
3 4) for 2022.⁷ Use of unspent funds in the current DR cycle to expand the pool of DR
4 technologies eligible to participate in AC Saver/SEP is consistent with the purpose of these
5 programs and is in the public interest. For 2023 costs, SDG&E requests approval of a budget of
6 \$ 2.9 million for SEP administration, payments and incentives. This includes system changes
7 and information technology work to be done in support of the changes, to issue the incentives,
8 and other back office functions. SDG&E believes these proposed changes will add capacity and
9 delivery load drop in 2022 and 2023.

10 **III. PROPOSED ENHANCEMENT TO CAPACITY BIDDING PROGRAM (Witness:**
11 **E Bradford Mantz)**

12 SDG&E's Capacity Bidding Program (CBP) is a supply-side DR program that is bid into
13 the markets of the California Independent System Operator (CAISO).⁸ The CBP permits
14 commercial customers to enroll directly with SDG&E or, alternatively, to participate through
15 aggregators. Currently, customers enrolled in the CBP are paid a capacity payment to be
16 available with load drop, as well as an energy payment for actual verified load drop, and the
17 program carries penalties for non-performance. In addition to the CBP for commercial
18 customers, SDG&E has launched a pilot CBP option for residential customers, its CBP
19 Residential Pilot (CBP RES). SDG&E proposes enhancements to both its commercial CBP and
20 its residential CBP pilot designed to achieve increased demand reduction.

⁷ Budgets for SDG&E's Technology Deployment program and AC Saver program were approved for the current DR cycle of 2018 to 2022 in D.17-12-003.

⁸ See Schedule CBP: http://regarchive.sdge.com/tm2/pdf/ELEC_ELEC-SCHEDS_CBP.pdf

1 **A. Proposed Modifications to Commercial CBP**

2 SDG&E proposes the following modifications to its CBP for commercial customers in
3 order to increase program enrollment and to help support retainment of customers already
4 enrolled in the program.

5 **1. Add Elect Day Of and Day Ahead Products⁹ for 1 p.m – 9 p.m.**

6 SDG&E proposes to add “Elect” products in which a customer or aggregator may offer
7 any one of the following three nomination trigger price options: at \$200/MWh, \$400/MWh, and
8 \$600/MWh. Specifically, SDG&E proposes to add the products defined in Table EBM-1 below
9 to the CBP:

Table EBM-1 Proposed Elect Products for CBP	
DAY AHEAD PRODUCTS	DAY OF PRODUCTS
CBP – Day Ahead – 1 p.m. to 9 p.m., \$200	CBP – Day Of – 1 p.m. to 9 p.m., \$200
CBP – Day Ahead – 1 p.m. to 9 p.m., \$400	CBP – Day Of – 1 p.m. to 9 p.m., \$400
CBP – Day Ahead – 1 p.m. to 9 p.m., \$600	CBP – Day Of – 1 p.m. to 9 p.m., \$600

10
11 For example, if the customer nominated its trigger to be \$200 and that trigger is reached
12 (*i.e.*, the CAISO market price reaches \$200), the customer would be asked to shed the load
13 nominated or else it would pay the penalty. The higher the trigger price, the lower the likelihood
14 of the market reaching that trigger price, thus making it less likely that the customer will be

⁹ A DR “product” is the term used to describe a DR offering that has a specific trigger, hours that it can be called, and a specific notification window. Products may differ based on triggering event and/or notification window – *e.g.*, the notification window may be the day before an event (“Day Ahead”) or the day of the event (“Day Of”). Each product has specific hours during which events can be triggered. This allows customers to predict the hours of the day that they will be called upon to reduce load. Because Day Of events provide less time to prepare, they are compensated at a higher rate.

1 called upon to shed load. In this way, the customer can manage how frequently they may be
 2 called upon to shed load, which may serve their business needs in a more flexible manner. The
 3 intent is to provide more flexibility and choices to customers to participate in CBP at the
 4 frequency they can handle. The additional flexibility also allows aggregators in the program to
 5 plan their portfolio of existing customers and new customers to make adjustments and
 6 strategically align with the new Elect options.

7 SDG&E analyzed each price trigger proposed above and the number of events that would
 8 have been called between June 2020 to September 2020 if SDG&E had these trigger prices of
 9 \$200, \$400 or \$600 been in place. Table EBM-2 provides a summary of CBP events that would
 10 have been called for each month June through September in 2020.

Table EBM-2						
CBP Events that Would Have Been Triggered for Each Price Trigger in 2020						
	June	July	Aug	Sep	Total	Average
>\$600	0	0	5	0	5	1.25
>\$400	0	0	11	0	11	2.75
>\$200	3	4	20	4	31	7.75

11
 12 The data shows that CBP events would still be called even if a customer or an aggregator
 13 selected the highest trigger price of \$600 in a given month; customers in the least frequently
 14 called product (*i.e.*, \$600 trigger price) would have still been called upon to shed load in 2020.
 15 The price trigger of \$400 would have an average of two to three CBP events called per month
 16 during the same period. With a price trigger of \$200, the maximum number of CBP events of six
 17 events per month allowed under the tariff would have been reached.

1 Under this proposal, aggregators in CBP would be allowed to select a mix of different
2 trigger prices of \$200, \$400 or \$600 each month during the standard nomination window. For
3 example, one month an aggregator could nominate one or all their customers at the \$200 market
4 price trigger, then in another month during the nomination window, the aggregator could choose
5 a different price trigger of \$400 or \$600, thus providing aggregators with flexibility to respond to
6 customer availability, feedback provided to the aggregator, etc. By offering the Elect options of
7 CBP products, SDG&E hopes to create more choices for additional new customers, along with
8 greater flexibility, while reducing the number of events for existing customers who might opt out
9 of CBP if they experience ‘customer fatigue’ or too many events during extreme weather events
10 such as those experienced in California in 2020.¹⁰

11 It is SDG&E’s understanding that Pacific Gas and Electric Company (PG&E) already
12 offers the Elect option for its CBP and that the availability of this option has resulted in increased
13 participation from customers and their aggregators. The set price options offered by PG&E
14 allows the aggregator to select a price of \$200, \$400, or \$600 for the customers they are
15 nominating for the Elect Day-Ahead or Day-Of option; the utility can, in turn, bid that resource
16 into the corresponding CAISO market at those prices. Aggregators have signaled to SDG&E
17 that they support this addition to SDG&E’s CBP product mix. Based on informal discussions
18 directly with aggregators, SDG&E forecasts that the addition of the CBP Day Ahead 1 p.m.- 9
19 p.m. Elect option could bring at least seven MWs of new load shed with at least ten new
20 commercial customers. The CBP Elect products of CBP would continue to be bid into the
21 CAISO markets by SDG&E as a supply side resource.

¹⁰ ‘Customer fatigue’ is the term used to describe DR customers who are called upon more times than they wish for load shed; it can be too frequently, or over sustained days, or for too many hours.

1 SDG&E’s costs for offering the Elect products in 2022 and 2023 are included in the CBP
2 budget request discussed below.

3 **2. Increase Capacity Incentives for CBP Commercial Customers**

4 SDG&E proposes to increase the capacity incentives for the Elect CBP products.¹¹

5 Capacity payments are paid to Aggregators for load shed capacity that is available to the utility
6 when needed, whether or not their customers are called upon to shed load during a CBP event.¹²

7 SDG&E offers this proposal for two reasons. First, SDG&E believes that customers who prefer
8 to be enrolled in an investor-owned utility (IOU) DR program, particularly if they are already
9 enrolled in the old CBP program, would prefer to be in enrolled in the new CBP Elect Program.

10 Secondly, those customers who are participating, through an aggregator also make a 12-month
11 commitment to participate in the program. SDG&E seeks to ensure that the aggregators are
12 encouraged to continue to recruit customers to CBP and to retain those customers. Thus, an
13 increase in the capacity incentive is warranted.

14 To encourage this, SDG&E proposes that the capacity incentives for the price trigger at
15 the \$200/MWh be the same as the existing 1 p.m.-9 p.m. incentives. SDG&E proposes an
16 additional 5 percent increase for the \$400/MWh trigger and the \$600/MWh trigger respectively.

17 The proposed new incentive structure is detailed in Table EBM-3 below:

¹¹ SDG&E is proposing to add the Elect products discussed above, as well as to retain its existing products which are CBP Day Ahead 11 am -7,pm and Day Ahead 1 pm – 9 pm, Day Of 11 am -7 pm and Day Of 1pm – 9 pm.

¹² Energy payments are paid for actual energy provided.

Table EBM-3 Proposed CBP Elect Capacity Incentives, By Product and By Trigger Price Triggers (in US Dollars per kW per month)							
Product/Trigger	May	Jun	Jul	Aug	Sep	Oct	Total
Day Ahead 1 p.m.-9 p.m., \$200	3.78	10.07	21.84	27.00	17.88	5.41	85.98
Day Ahead 1 p.m.-9 p.m., \$400	3.60	9.59	20.80	25.71	17.03	5.16	81.89
Day Ahead 1 p.m.-9p.m., \$600	3.43	9.13	19.81	24.49	16.22	4.91	77.99
Day Of 1 p.m.-9 p.m., \$200	4.27	11.36	24.64	30.46	20.18	6.11	97.01
Day Of 1 p.m.-9 p.m., \$400	4.06	10.82	23.47	29.01	19.22	5.82	92.39
Day Of 1 p.m.-9 p.m., \$600	3.87	10.30	22.35	27.63	18.30	5.54	87.99

2

3

4

3. Update the CBP Tariff Incentives, Energy Payments and Non-Performance Penalties

5

In addition to increasing the capacity payments for the Elect options, as described above,

6

SDG&E believes that the Commission can act to make the CBP more attractive to customers in

7

order to increase participation and reduce potential attrition. To that end, SDG&E proposes

8

several changes to the CPB tariff incentives, which are described below and are reflected in

9

Table EBM-4.

1

Table EBM-4 CBP Tariff Changes Capacity Payment Conditions and Calculations	
Performance Levels	Adjusted Event Capacity Payment Amount
If load drop is more than 100% of the nominated load reduction	Payment is equal to 120 % of unadjusted Event capacity payment account for such product
If load drop is 30%-100% of percent of nominated load reduction	Payment calculated by prorating between 30 and 100 percent of unadjusted event capacity payment amount for such product
If load drop <30 percent of nominated load reduction	No payment is made. The capacity penalty is also removed.

2

3 These proposed CPB tariff changes are intended to incentivize more load drop without
 4 penalizing customers to the degree that CBP has done in the past (*i.e.*, more carrot, less stick),
 5 making more of a “pay for performance” program with a capacity payment. SDG&E proposes to
 6 remove the capacity penalty for non-performance; however, the energy payment penalty for CBP
 7 would remain in effect to ensure that customers continue to have some investment or ‘skin in the
 8 game’ and act to drop load when called upon to do so during critical events. SDG&E believes
 9 that there is value to testing this approach and comparing results with the those produced by the
 10 Emergency Load Reduction Pilot (ELRP) and the California State Energy Program (CSEP), both
 11 of which impose no penalties at all.

12 **4. Tariff Revisions and Required Budget to Support Proposed**
 13 **Modifications to Commercial CBP**

14 SDG&E proposes to submit necessary amendments to the tariff for CBP commercial to
 15 reflect changes approved in this proceeding after a final decision is issued by the Commission.

1 SDG&E requests authorization to spend up to \$1.6 million for administration and
2 incentives in 2023. SDG&E proposes to utilize unspent funds in its 2018- 2022 DR CBP budget
3 for 2022.

4 ***B. Proposal to Extend the Residential CBP Pilot***

5 SDG&E’s CBP Residential customer pilot (CBP RES) was approved in D.21-03-056 and
6 launched in 2021. SDG&E proposes to extend the pilot to test residential customers’
7 participation, assess load drop potential and support electric reliability.

8 SDG&E proposes to continue to offer CBP RES in 2022 in the pilot design as currently
9 approved. SDG&E is in the process of launching the pilot for load shed this year and, as such,
10 does not have extensive experience yet with the pilot design as approved. SDG&E proposes no
11 changes to the CBP RES tariff at this time, but will utilize the advice letter process to propose
12 updates to the pilot as needed this year and next. SDG&E will seek to continually improve the
13 pilot as appropriate, in particular, as more is known about how to increase residential customer
14 participation and load shed. The current approved budget of \$708,000 will cover the CBP RES
15 costs for 2022.¹³ SDG&E will include a funding request for 2023 costs in its DR application to
16 be filed for years 2023-2027.

17 **IV. MARKETING, EDUCATION AND OUTREACH EFFORTS TO SUPPORT**
18 **PROPOSALS DESIGNED TO ENHANCE CURRENT DR PROGRAMS (Witness:**
19 **E Bradford Mantz)**

20 In support of the proposed changes for SEP (formerly AC Saver) and CBP outlined
21 above, the ELRP as outlined below, and upon Commission approval, SDG&E plans to adjust its
22 Marketing, Education and Outreach (ME&O) activities in 2022 and 2023 as follows.

¹³ D 21-03-056 approved the pilot which was originally proposed in SDG&E’s Mid-Cycle Review Advice Letter 3522-E, which described how the \$708,000 would be spent.

1 **A. *Smart Energy Program***

2 Utilizing a multi-channel approach, ME&O activities for SEP will include updating
3 collateral to reflect the new customer-facing program name (formerly AC Saver), promotion of
4 new eligible technologies beyond air conditioning, enrollment incentives for residential and
5 small businesses, and promotion of the annual incentive for business customers. Utilizing
6 various tactics to reach the target audience, SDG&E plans to reach its customers through various
7 channels such as email/direct mail, digital marketing (e.g., digital banner ads, Linked InMail,
8 etc.), and social media.

9 **B. *Capacity Bidding Program (Commercial and Residential)***

10 Upon Commission approval of the changes proposed herein related to the commercial
11 CBP and residential CBP pilot, SDG&E will update its website and collateral to reflect approved
12 program changes. While ME&O activities for CBP are primarily driven by third-party
13 aggregators, SDG&E believes it can further drive enrollment by increasing ME&O activities in
14 2022 and 2023. SDG&E proposes targeted communications including a mix of email and/or
15 direct mail, digital marketing (e.g., LinkedIn InMail), and leverage trade professional outreach
16 and SDG&E's outreach team.

17 **C. *Emergency Load Reduction Pilot***

18 The Staff Paper includes a discussion of expanding ELRP eligibility to include residential
19 customers (SDG&E provides its response to this discussion in Section V. below). Currently, the
20 ME&O activity for ELRP consists primarily of direct customer contact by SDG&E's account
21 executives. If ELRP eligibility is expanded to include residential customers as discussed in the
22 Staff Paper, in addition to updating the current website and collateral to support SDG&E's
23 account executives, marketing efforts would need to be expanded to reach the newly-eligible
24 residential customers. In addition to general awareness, marketing efforts aimed at residential

1 customers would include development a website, collateral (e.g., fact sheet, talking points), an
2 educational video, digital marketing (e.g. digital banners, LinkedIn InMail), social media and
3 leveraging of SDG&E’s outreach team.

4 **D. Required ME&O Budget**

5 To execute the incremental ME&O activities outlined above for SEP, CBP and ELRP,
6 SDG&E requests authorization of additional funds to the authorized 2022 budget and new 2023
7 budget, as set forth in Table EBM-5.

TABLE EBM-5 Proposed Incremental Marketing Budget		
	2022	2023
SEP	\$94,065	\$188,778
CBP	N/A	\$51,000
ELRP	\$50,000	\$125,000

8
9 SDG&E notes that the ELRP incremental budget requested above is requested only if the
10 Commission adopts changes to the ELRP in this Phase 2 of the instant proceeding. If those
11 changes are not adopted, then SDG&E would not need these additional funds and would use
12 already approved funds to support ELRP ME&O activities.

13 All DR program proposals described in this testimony relate to existing DR programs
14 within SDG&E’s DR portfolio. Accordingly, SDG&E proposes to recover the additional
15 funding requested herein in a manner consistent with its existing DR programs. Specifically,
16 costs related to the CBP and SEP (formerly AC Saver) should be tracked in the Advanced
17 Metering and Demand Response Memorandum Account (AMDRMA) and recovered annually in
18 distribution rates through the Rewards and Penalties Balancing Account (RPBA). Incremental

1 costs related to the ELRP (if any) should tracked through the ELRP balancing account,
2 ELRPBA, and recovered in distribution rates.

3 **V. COMMENTS ON STAFF PAPER**

4 In the Staff Paper, the Energy Division set forth program and policy concepts that could
5 be considered by the Commission to address Summer 2022 and 2023 reliability need at net
6 peak.¹⁴ These comments address the topics discussed in Section A of the Staff Paper (Demand
7 Response) and Section B (Smart Thermostats). The numbering below reflects the numbering
8 included in Sections A and B of the Staff Paper.

9 ***A. Demand Reduction Proposals (Witness: E Bradford Mantz)***

10 **1. Emergency Load Reduction Program (ELRP) Modifications**

- 11 **a. Increase Compensation Rates: to increase participation the ELRP program**
12 **overall, the staff proposes to increase incentives to \$2/kWh for Group A.1**
13 **non-residential customers and Group A.2 BIP aggregators. However, at the**
14 **higher compensation rates commitment of load reduction should be more**
15 **certain, thus the increased compensation values should be limited to**
16 **customers who commit to providing a certain load reduction performance**
17 **level.**

18 **SDG&E Response:** SDG&E does not object to this proposed modification. It notes,
19 however, that the California State Energy Program (CSEP) that resulted from the Governor's
20 July 30 Emergency Proclamation also requires payment to customers of \$2/kWh. Since the
21 incentive amount for both of these programs is significantly higher than what SDG&E's existing
22 DR programs offer customers for load shed, there is a concern that customers will come to
23 expect higher levels of incentive payments, which could have negative implications in terms of
24 continuing viability, competitiveness and cost-effectiveness of IOU DR programs. It is
25 important that cost-effectiveness continue to be a consideration in the context of DR and that the

¹⁴ Staff Paper, p. 5.

1 Commission consider, for example, whether if the ELRP is to become a permanent program, will
2 it be required to be cost effective at the \$2/kWh incentive rate?

- 3 **b. ELRP Group A Enhancements: In order to increase total customer**
4 **participation staff proposes reducing the A.1 customer minimum size**
5 **thresholds. This compensation collar may be overly complicated for**
6 **customers and the CPUC could consider removing the compensation collar**
7 **to simplify customer enrollment process and encourage additional**
8 **enrollment.**

9 **SDG&E Response:** SDG&E understands the intent behind lowering the A.1 customer
10 minimum size thresholds. SDG&E currently has a 100 kWh minimum load drop for the ELRP
11 Sub Groups A.1 due to systems limitations, but is open to lowering the minimum load drop to 50
12 kWh for all Small and Medium sized businesses to allow them to participate in the ELRP.

- 13 **c. ELRP Group B Enhancements: Staff offers selected change concepts specific**
14 **to Group B customers:**

- 15 **i. Add Day-Of (DO) trigger in response to CAISO Warning or**
16 **Emergency declaration (in addition to the Day Ahead trigger already**
17 **existent).**
- 18 **ii. To be eligible to participate in ELRP, proxy demand resource**
19 **providers (PDRs) participating in CAISO real time market (RTM)**
20 **must bid at or below \$900/MWh. This is to maintain some consistency**
21 **with reliability-based Base Interruptible Program (BIP) resource**
22 **which is triggered at RTM price reaching \$950/MWh.**

23 **SDG&E Response:** SDG&E supports the addition of of a DO trigger for Group B
24 customers. SDG&E also supports requiring a minimum bid for ELRP's PDRs as described.
25 While these changes would not require major administrative changes, they would require
26 additional administrative oversight and costs to verify and process additional invoices. Also the
27 ME&O budget for ELRP would need to be increased to facilitate customer notification of the
28 changes. If adopted by the Commission, SDG&E would need a path to request additional
29 funding if its current ELRP funding is depleted.

1 **d. Expand Eligibility to Include Residential Customers:**

- 2 **i. All residential customers would be automatically enrolled in ELRP**
3 **(except customers currently enrolled in supply-side DR programs).**
4 **There would be no required sign-up or acknowledgment process.**
- 5 **ii. The triggering requirements for these residential customers would be**
6 **the CAISO calling a Flex Alert or Grid Alert in the day-ahead.**
- 7 **iii. The Flex Alert marketing would be modified to promote ELRP event**
8 **and to utilize all available channels to reach and notify customers**
9 **about the imminent event and the opportunity to reduce consumption**
10 **and receive payment or bill credit.**
- 11 **iv. The payments for load reduction would be based on meter verified**
12 **incremental load reduction (ILR) relative to a “simple” baseline to be**
13 **established by the IOUs.**
- 14 **v. Program would be administered through the IOUs.**
- 15 **vi. IOUs and third-party DR Providers would still be permitted to target**
16 **Residential ELRP customers to enroll them into their respective**
17 **supply-side DR program, in which case the customer is removed from**
18 **ELRP.**

19 **SDG&E Response:** SDG&E supports the objective of enrolling as many customers as
20 possible in the ELRP. It believes that this goal can be accomplished with some key
21 modifications designed to ensure a more positive customer experience and avoid running afoul
22 of consumer protection laws. SDG&E addressed aspects of this concept in its reply testimony
23 submitted in the instant proceeding responding to the supplemental testimony of the California
24 Environmental Justice Alliance (“CEJA”) regarding its proposed Just Flex Rewards (“JFR”) DR
25 program (Exh. SDGE-6). SDG&E incorporates by reference and reiterates that testimony here.

26 SDG&E strongly believes that customers should be allowed to “opt in” to the program
27 rather than being defaulted or automatically enrolled. Among the potential problems with the
28 automatic enrollment approach is the concern that statutory limitations established by the
29 Telecommunications Consumer Protections Act (TCPA) may prevent an IOU from proactively

1 | texting customers who do not first “opt in” to receive those communications.¹⁵ Absent express
2 | opt-in by customers, SDG&E’s communication would be limited to public messaging, such as
3 | social media and other public mass communications channels, or email for those customers who
4 | have provided an email address.

5 | In addition, customers must be able to “opt out” at any time and disenroll should they not
6 | wish to participate after enrolling, or not wish to receive email or text messaging. From a
7 | customer service perspective, SDG&E believes that customers must have the ability to exercise
8 | their own prerogative and make choices regarding the programs they participate in and what
9 | messaging they receive. This is especially true in instances where customers incur charges from
10 | their telecommunications carrier, for example text messaging charges.

11 | SDG&E submits further that while using the Flex Alert as the primary means of notifying
12 | residential customers that they are being asked to shed load will help to achieve maximum
13 | effectiveness, it is important to also send conservation messaging to customers. This 1-2
14 | combination will encourage customers to participate and provide the highest possible kWh
15 | (aggregated MW) load shed during events.

16 | Launching such a separate additional program would require significant customer
17 | education and outreach, as well as system changes to maintain a very fluid database of eligible
18 | customers who do not participate in other supply side programs, or who have opted out of
19 | receiving such messaging, and who have chosen their preferred channel for messaging, thereby
20 | giving SDG&E permission to contact them. SDG&E would need to request an incremental
21 | budget to accomplish this, and the procedural schedule for Phase 2 established in the Amended
22 | Scoping Memo did not provide adequate time for SDG&E to prepare such cost estimates.

¹⁵ See Exh. SDGE-6, pp. 8-9.

1 Accordingly, SDG&E requests that any Commission decision establishing new ELRP
2 requirements permit SDG&E to file a Tier 2 advice letter within 30 days of issuance of the final
3 decision advising the Commission of the associated costs and that it approve the submitted
4 budgets as expeditiously as possible.

5 In considering this proposal, the Commission should take into account lessons learned
6 regarding default programs and free ridership. In 2021, SDG&E defaulted all of its residential
7 customers to the Peak Time Rebate (PTR) program, which was similar to ELRP. PTR paid
8 \$0.75 per kWh for load reduction determined by comparing a customer's actual energy use to a
9 baseline, but there were significant issues with free-ridership and the program was quickly
10 changed from default to opt-in by D.13-07-003,¹⁶ which observed:

11 Upon review of 2012 ex-post PTR load impact data, Staff concludes that,
12 in the case of both [Southern California Edison Company (SCE)] and
13 SDG&E, customers who actively opted to receive event alerts
14 significantly decreased their load during events while those who were
15 defaulted to receive email event notifications provided an insignificant
16 load impact. SDG&E's customers not receiving any event alerts also
17 provided an insignificant load impact.¹⁷

18 Furthermore, Staff claims that in the case of SCE, 95 percent of all
19 incentives were paid to customers who either were not expected to or did
20 not reduce load significantly. Similarly, in the case of SDG&E 94 percent
21 of PTR incentives were paid to customers who did not choose to receive
22 notification of event alerts. Staff contends that this is a case of free
23 ridership, where customers receive incentives without significantly
24 reducing load.¹⁸

25 SDG&E notes further that it already has a similar DR program that could provide a
26 vehicle for mass DR enrollment, which the Commission should consider as a more palatable

¹⁶ D.13-07-003, Ordering Paragraph (OP) 7.

¹⁷ *Id.*, p. 24.

¹⁸ *Id.*, p. 25.

1 alternative. This year, SDG&E’s energy efficiency (EE) behavioral program, in conjunction
2 with the DR team, launched a Behavioral Demand Response program called “Peak Day.” The
3 Peak Day program includes SDG&E’s existing Home Energy Report (HER) customers.¹⁹ DR
4 events in this program run during the summer months between the hours of 4 p.m. and 9 p.m. to
5 encourage customers to conserve energy. Participating customers are notified via email or an
6 automated message phone call when a Peak Day event is approaching. These notifications
7 provide customers with tips and recommendations on how to conserve energy.²⁰ Customers will
8 also receive a follow up notification to inform them of the energy savings results.

9 The objective of the program is to reduce territory-wide peak load, demonstrate high
10 levels of engagement with personalized energy insights, increase customer satisfaction, and to
11 potentially grow the current program. The Peak Day program has auto-enrolled approximately
12 525,000 of our current 750,000 HER customers. The program plans to call up to five (5) demand
13 response events over the summer months, June through October, and will conclude at the end of
14 2022 to test results. SDG&E submits that greater reliance on this program is preferable to
15 defaulting customers to participation in ELRP. To the extent the Commission expands eligibility
16 for the ELRP program, participation should be on an opt-in basis.

17 **e. Electric Vehicle/Vehicle to Grid Integration (EV/VGI) Aggregation ELRP**
18 **Pilot:**

- 19 **i. Allow aggregators to utilize networks of V1G or bi-directionally**
20 **capable charging stations (EVSEs) to be eligible to participate in**
21 **ELRP, providing the aggregation can contribute incremental load**

¹⁹ Customers receive a mailed report that shows them how much energy they are using, how they compare to their neighbors, and tips for what they can do to lower their usage.

²⁰ For example, energy savings tips may include turning up the temperature on their thermostat a few degrees or delaying the use of large appliances (no devices or appliances are controlled through these events).

1 reduction (ILR) exceeding the Minimum VGI Aggregation Size
2 Threshold of 25 kW within an IOU service territory.

- 3 ii. The IOUs shall dispatch the VGI aggregators for at least 30 hours per
4 season including ELRP events and compensate the aggregators for the
5 ILR delivered during the dispatched hours.
- 6 iii. In case the EVSE is located on different meter (stand-alone EVSE)
7 from the related host site meter (for example, Multi-Unit Dwellings),
8 the aggregator is permitted to virtually aggregate the stand-alone
9 EVSE meter(s) with the host site load on the different meter to
10 partially bypass the V2G export restriction on the standalone EVSE
11 meter(s). The virtual load aggregation of all stand-alone EVSEs and
12 the related host site must not be negative at any time, even when the
13 host site is participating in an event called by another DR program.
14 V2G discharge is prohibited outside of the IOU dispatched hours. iv.
15 The ILR settlement shall be based on the measurements at the EVSE
16 meter, or EVSE sub-meter if the EVSE is taking service through the
17 host site meter
- 18 iv. The ILR settlement shall be based on the measurements at the EVSE
19 meter, or EVSE sub-meter if the EVSE is taking service through the
20 host site meter.

21 **SDG&E Response:** The concept of adding EVs and VGI to the ELRP appears to make
22 sense, although the details would need to be worked out. The Commission could amend the
23 ELRP subgroup definitions to allow EVs to participate in the ELRP as part of Subgroup A.4
24 VPP. However, more analysis is required to determine what the appropriate compensation
25 model would be for EV participation in ELRP.

26 Given the current lack of routine Rule 21 interconnections for mobile inverters, there may
27 be few aggregators capable of contributing substantial incremental load reduction (ILR) at this
28 time. However, the Commission should not adopt a requirement that the IOUs dispatch at least
29 30 hours of events per year since conditions may not warrant this. For example, had the ELRP
30 program existed in 2019, SDG&E would have likely had zero ELRP events as zero critical peak
31 pricing (CPP) events were called that year.

1 SDG&E supports allowing bi-directionally capable charging stations (EVSEs) to be
2 eligible to participate in ELRP as long as they have Rule 21 interconnection permits and the
3 EVSE network provider can control the charging stations directly to dispatch events. SDG&E
4 will also consider easing the eligibility requirement for Subgroup A.4 to allow EV Aggregators
5 to participate in ELRP.

6 Aggregation where the EV charging meter is separate from the related host site meter and
7 permitting virtual aggregation from the stand-alone EV meter with the host site load to partially
8 bypass the V2G restriction is generally possible but substantially more complex than indicated.
9 This brief proposal does not capture the overall complexity of billing relationships across
10 multiple meters, and this will need to be thoroughly explored if it is included in a final decision.
11 Complex billing arrangements across multiple meters will require incremental funding to
12 implement, and SDG&E would require additional time to explore the associated cost.

13 ILR settlement should be based on the SDG&E-owned facility meter, could consider the
14 EVSE meter or submeter if feasible. The customer typically owns the EVSE, which may not be
15 capable of providing revenue-grade billing data.

16 **2. DR Auction Mechanism (DRAM) Modifications**

- 17 **a. Additional DR Auctions for 2022: Energy Division staff proposes expanding**
18 **DRAM capacity for 2022 by adding a partial year supplementary auction**
19 **(for DR capacity to be delivered June – December 2022) to attempt to add**
20 **additional MWs. Additionally, the CPUC could consider expanding the**
21 **budget for 2023 DRAM for which the auction is expected to occur in 2022**
22 **(but likely before the 2023 DRAM budget as a policy issue is revisited here or**
23 **in other proceedings).**

24 **SDG&E Response:** SDG&E objects to additional DR auctions or expanded funding
25 above current levels until the DRAM itself is fully evaluated by the Commission and its future
26 state is decided. SDG&E submits that the public interest is not served by a requirement to
27 procure DR through the DRAM at prices, and up to its budget cap, that may not be competitive

1 with other resources. Second, without the full evaluation of the DRAM yet publicly available, it
2 is difficult to know the extent to which DRAM resources are able to provide reliable capacity
3 when it is needed. The IOUs should not have to run additional solicitations with mandated
4 procurement targets (the IOU is required to spend all of its budget) when resources may not be
5 reliable and customers have additional options with a pure pay for performance design where
6 performance is verified.

7 SDG&E does not believe that an additional DRAM auction will add significant capacity
8 and the minimal value potentially derived from an additional DRAM auction is not justified
9 when compared to time and resources required to run a separate solicitation in a condensed
10 timeframe, including to procure an independent evaluator, rank and evaluate the bids, issue
11 additional contracts, administer those contracts, and provide settlement with invoicing. Further,
12 based on SDG&E's experience with the DRAM, SDG&E sees less capacity being offered, by
13 fewer bidders, with performance that has not increased. For example, in the 2016 DRAM RFO,
14 SDG&E received bids from eight demand response providers (DRPs) and awarded contracts to
15 five. In the 2017 DRAM RFO, SDG&E received bids from eleven DRPs and awarded contracts
16 to five. But in the 2018-2019 DRAM RFO, SDG&E received bids from only five DRPs and
17 awarded contracts to all five in order to use its entire budget. In that RFO, one DRP did not
18 demonstrate *any* capacity during the two-year contract period and another DRP only
19 demonstrated capacity during the first year.

20 In the 2019 DRAM RFO, SDG&E received bids from six DRPs and awarded contracts to
21 three. In the 2020 DRAM RFO, SDG&E received bids from seven DRPs and awarded contracts
22 to five. In the 2021 DRAM RFO, SDG&E only received bids from three DRPs and awarded
23 contracts to all three. For 2020, based on the August 2020 DRAM invoices received, it appears

1 that DRPs are greatly underperforming compared to the capacity at which they were contracted
2 for. For August 2020, DRPs' Demonstrated Capacity is in the range of 45 to 90 percent of their
3 Contracted Capacity; in other words, some DRPs are regularly offering *less than half* of what
4 they contracted for. Similarly, for June and July 2020, DRPs' Demonstrated Capacity ranged as
5 low as 51 percent (with some showing 100 percent) of their Contracted Capacity. Also, with the
6 declining numbers of DRPs bidding into SDG&E's DRAMs, the likelihood of new market
7 entrants stepping up for 2022 or 2023 seems minimal. SDG&E has had no new market entrants
8 in the auctions since the 2020 RFO.

9 While results from the 2021 Summer are not entirely known yet, and the August 2021
10 invoices from DRAM sellers have not yet been received by SDG&E, the DRAM pilot has now
11 been in place for long enough – seven years – to assess its usefulness as a load reduction tool.
12 SDG&E submits that the DRAM's limited effectiveness militates against its continuation; for all
13 the above reasons above, the Commission should not require that another DRAM auction be
14 undertaken.

15 **b. Additional Requirements for Future Auctions:**

- 16 **i. Offered capacity that is only able to participate in the CAISO**
17 **DayAhead Market (DAM) would be assigned a lower value in the bid**
18 **evaluation process than offered capacity that is able to participate in**
19 **the CAISO Real Time Market (RTM), unless the Demand Response**
20 **Provider (DRP) commits to bidding the offered capacity at or lower**
21 **than \$500/MWh in the DAM at all times.**

22 **SDG&E Response:** SDG&E understands the intent behind this proposal, but cautions
23 that it would be infeasible to implement. How would an IOU verify that the DRP's capacity is
24 only able to participate in the Day Ahead market, for example? Similarly, SDG&E does not see
25 how it could enforce a commitment from a DRP regarding how they bid – the IOUs are not privy
26 to CAISO bids from DRPs and have no insight into that activity. As a market participant itself,

1 SDG&E’s awareness of how a DRP was bidding or was limited to bid into the market could run
2 afoul of antitrust laws. SDG&E agrees that there may need to be minimums to DRP bidding to
3 ensure dispatch, but it does not believe that the IOUs can or should play a role in enforcing those
4 minimums. It is possible that the Commission could consider requiring a certain number of
5 dispatches by DRPs each DR season or DRAM contracting term.

- 6 **ii. Proxy Demand Resources (PDRs) participating in CAISO Real-Time**
7 **Market (RTM) must bid at or below \$900/MWh to maintain some**
8 **consistency with the triggering price for the reliability-based demand**
9 **response programs, including the Base Interruptible Program (BIP),**
10 **which are triggered at RTM price reaching \$950/MWh.**

11 **SDG&E Response:** SDG&E has the same concerns with this proposal as discussed
12 above. Namely, that SDG&E is not in a position to enforce these requirements.

- 13 **iii. Once a PDR Resource Identification (ID) is introduced on a supply**
14 **plan, it must be maintained on the supply plan until it is removed; the**
15 **PDR cannot be reintroduced into the supply plan during the**
16 **remaining months of the contract. This requirement is in addition to**
17 **the existing prohibitions on the customer and Resource ID movement**
18 **within and across the contract.**

19 **SDG&E Response:** SDG&E supports this requirement as reasonable and enforceable,
20 but notes that further detail regarding this proposal may need to be worked out.

- 21 **iv. A shortfall in the DR capacity shown on the monthly supply plan**
22 **relative to the contracted capacity is subject to a penalty based on the**
23 **level of the capacity shortfall.**

24 **SDG&E Response:** SDG&E supports this requirement, although further development of
25 details is required. SDG&E agree that having a firmer, more reliable product is desirable.

- 26 **v. Capacity awarded in the 2022 supplementary auction and the 2023**
27 **DRAM should be counted toward the Qualifying Capacity limit**
28 **established for 2022 and 2023 through the 2021 and 2022 Load**
29 **Impact Protocol (LIP) processes.**

30 **SDG&E Response:** SDG&E agrees with this proposal, but submits that DRAM should
31 not be exempted from the load impact protocols (LIPs).

1 **3. Third Party Demand Response Procured by Non-IOU Load Serving**
2 **Entities (LSEs): Proposal to require all third-party DR resources**
3 **contracted with CCAs to adhere to certain DRAM requirements, such**
4 **as those related to market bid price caps, capacity counting and**
5 **showing (including customer and Resource ID movement), and**
6 **minimum dispatch activity, starting in 2022.**

7 **SDG&E Response:** CCAs relying on DRAM resources for Resource Adequacy (RA)
8 would presumably be in the same position as the IOUs – *i.e.*, they do not yet have a full
9 evaluation of DRAM performance that can confirm that there is reliable load shed associated
10 with these contracts. SDG&E does not offer a position at this time regarding whether CCAs
11 should run DR auctions now or how they may need to differ or remain consistent with the
12 DRAMs of the IOUs, beyond noting that the DRAM itself has not been proven to be effective.

13 **4. Agricultural Pumping Proposal**

14 **SDG&E Response:** SDG&E does not offer a position in this proposal at this time.

15 **B. *Smart Thermostat Staff Proposals (Witness: Michael McConnell)***

16 **1. SCT Related Modifications to Energy Efficiency Programs**

17 **a. Targeting hot climate zones.**

18 **SDG&E Response:** As referenced in the Staff Proposal, the climate zones that are
19 categorized as “inland” & “desert” (Climate Zones 8-15) have the most cooling degree days per
20 year and therefore offer the most energy savings potential per thermostat. These markets should
21 be the focus of any expanded or new SCT program, however, due to the lower populations they
22 also offer limited potential of target customers. As shown in the 2019 Smart Thermostat
23 Evaluation, 0 percent of SDG&E’s thermostat program participants were located in the Desert
24 region and only 35 percent were located in the Inland region. The majority (65 percent) of SCT
25 participants in SDG&E’s territory have been from the densely populated “coastal / mild” climate
26 zones (1-7, &16), which do not offer as much energy savings per thermostat but would still

1 contribute to overall load reduction if SCTs were used in a demand response program.²¹ If
2 incremental SCT programs are subjected to EE cost effectiveness requirements then targeting the
3 inland and desert climate zones, which offer more energy savings per unit is the appropriate
4 approach. However, if cost effectiveness requirements are eased for SCTs and DR is a primary
5 objective, then the population-dense coastal climate zones in SDG&E’s territory should be
6 considered.

7 **b. Require enrollment in a demand response program with any smart**
8 **thermostat incentive.**

9 **SDG&E Response:** As described in SDG&E’s response to 1c & 1d, SCTs do not
10 usually meet the cost effectiveness and savings requirements of an EE resource program, so the
11 continued use of this measure would depend on how savings from demand response could be
12 captured. SDG&E recommends that the co-benefits of an IDSM approach to the deployment of
13 SCTs is important and development should be accelerated to address this persistent concern of
14 cost-effectiveness. Requiring enrollment in a demand response program without first addressing
15 the cost effectiveness and savings claims issues, will most likely not lead to a significant increase
16 in SCTs deployed. Again, SDG&E supports this being piloted to see how it can improve the
17 IOUs’ offerings and accurately reflect value to ratepayers.

18 **c. Consider either a new statewide program to encompass these changes, or**
19 **direct the IOUs and other EE program administrators to, at a minimum,**
20 **maintain the budgets for their current programs.**

21 **SDG&E Response:** SDG&E agrees that EE programs, specifically those operated by a
22 statewide third-party program implementer are a valuable avenue to deploy smart controllable
23 thermostats. However, as acknowledged in the Staff Paper, the recent trends within EE

²¹ http://calmac.org/publications/CPUC_Group_A_Residential_PY2019_SCT_Final_Report
CALMAC.pdf, p.62.

1 programs have shown that SCTs are not particularly effective at delivering the energy savings or
2 cost effectiveness requirements of the EE proceeding and therefore program offerings are
3 reduced or de-scoped in some cases.

4 The current relatively low rate of engagement amongst customers with an SCT indicates
5 that the products have the potential to deliver greater energy savings and load reduction than they
6 are currently delivering. For this reason, SDG&E would potentially support a new or expanded
7 program to deliver SCTs that not only focuses on a delivery mechanism for the program but also
8 a focused education effort on the benefits of the SCT in combination with either Time-of-Use
9 rates, participating in appropriate demand response programs and voluntary actions to respond to
10 Flex Alerts. Because of the current EE requirements of cost effectiveness, SDG&E looks
11 forward to proposals that would accelerate the development and identification of co-benefits that
12 can be incorporated in an appropriate cost effectiveness model that would better reflect the
13 benefits from SCTs.

14 Should this program be considered a component of the EE portfolios and funded through
15 EE and Integrated Demand Side Management (IDSM) DR, SDG&E recommends that the
16 program be classified at this time as a “market support” program per the new segmentation
17 adopted by the Commission in D.21-05-031.^{22, 23} Classifying the program as market support
18 would allow the implementer to focus on educating customers to better contribute to reliability
19 efforts while increasing energy savings and demand reduction opportunities. SDG&E does not
20 support a requirement to maintain the current budgets for SCTs while the programs that offer

²² “Market Support Programs have the primary objective of supporting the long-term success of the energy efficiency market by educating customers, training contractors, building partnerships, or moving beneficial technologies towards greater cost-effectiveness.” D.21-05-031, p. 14.

²³ *Id.*, Finding of Fact (FOF) 5.

1 | them are subject to cost effectiveness requirements as this would greatly restrict Third-Party
2 | program implementer’s ability to deliver on their contractual obligations. Any mandated SCT
3 | funding should be incremental to the “resource” segment of the EE portfolio.

4 | In response to the request in the Staff Paper for recommendations on the most effective
5 | delivery channel for SCTs, SDG&E recommends a statewide upstream/midstream program
6 | design for the streamlined coordination that this type of program delivers, in coordination with
7 | higher level of customer engagement and enrollment in demand response programs that Rebate
8 | programs deliver when compared to Direct-Install, as shown in the 2019 Impact Evaluation.
9 | This would require strong coordination between the upstream/midstream approach to acquiring
10 | SCTs and the local utility to facilitate customer enrollment in the appropriate demand response
11 | program. To be fully successful in terms of addressing reliability needs would require this well-
12 | rounded coordination approach to increasing customer participation.

13 | **d. Utilize Combine EE-DR Cost Effectiveness Tests to increase the Cost**
14 | **Effectiveness of Smart thermostats for Energy Efficiency Programs.**

15 | **SDG&E Response:** SDG&E supports deploying this effort as a pilot to test how EE and
16 | DR cost effectiveness interact as they may actually support each other or impact each other in
17 | ways not yet contemplated. SDG&E agrees that combining EE and DR benefits may increase
18 | cost effectiveness. However, SDG&E is also aware that its own DR programs can have low cost
19 | effectiveness and would support how testing this would impact a combined IDSM cost
20 | effectiveness measurement. It may be possible that adding DR benefits/costs may lower the
21 | overall EE/DR cost effectiveness. Alternatively, if efficiencies can be gained, or if
22 | administration costs can somehow be lowered, and counting DR benefits, then there could be
23 | some interesting findings that would help inform this area going forward. With these
24 | considerations in mind, SDG&E recommends that the co-benefits of an IDSM approach to the

1 deployment of SCTs is important and development should be accelerated to address this
2 persistent concern of cost-effectiveness. Again, SDG&E supports this being piloted to see how it
3 can improve the IOUs' offerings and accurately reflect value to ratepayers.

4 **2. SCT Modifications to Energy Savings Assistance (ESA) Programs**

- 5 **a. Continue to allow smart thermostats in all climate zones with potential**
6 **voluntary participation in the DR program**

7 **SDG&E Response:** SDG&E does not object to this proposal.

- 8 **b. For hotter climate zones that currently allow central Air Conditioning (AC)**
9 **measures (and potentially paired with insulation measures) as well as smart**
10 **thermostats, include voluntary participation in the DR program.**

11 **SDG&E's Response:** SDG&E supports this change. SDG&E suggests that increased
12 education and marketing could be undertaken to examine where potential greater savings could
13 be achieved.

14 **VI. CONCLUSION**

15 This concludes SDG&E's prepared direct testimony.

1 **E BRADFORD MANTZ – STATEMENT OF QUALIFICATIONS**

2 My name is E Bradford Mantz. My business address is 8335 Century Park Court, San
3 Diego, California 92123. I am employed by SDG&E as the Demand Response and
4 Segmentation Manager for Customer Programs. My responsibilities include the design,
5 implementation and management of demand response programs for SDG&E. I have been
6 employed by SDG&E since 2010.

7 I graduated from University of Texas, Austin with a Bachelor’s of Arts in Business
8 Administration with emphasis in Marketing and Petroleum Land Management and a minor in
9 Geology.

10 I have testified previously before the California Public Utilities Commission.

1 **MICHAEL MCCONNELL – STATEMENT OF QUALIFICATIONS**

2 My name is Michael McConnell. My business address is 8315 Century Park Court, San
3 Diego, CA 92123. My current title is Customer Programs Policy & Support Supervisor. My
4 responsibilities include supervising the regulatory compliance of sustainability related programs
5 including energy efficiency. I have been employed by SDG&E since 2017.

6 I graduated from The University of South Carolina with a Bachelors of Science in
7 Business Administration, as well as from American University with a Masters of Arts in
8 Environmental Policy.

9 I have not previously testified before the California Public Utilities Commission.

VERIFICATION

In accordance with Rules 1.11 and 13.7 of the Rules of Practice and Procedure of the California Public Utilities Commission, I hereby declare under penalty of perjury that factual statements in my testimony are true and correct of my own knowledge, except as to matters that are stated on information or belief, and as to those matters I believe them to be true. Insofar as statements in my testimony are in the nature of opinion or judgment, such statements represent my best professional judgment. I adopt this testimony as my sworn testimony in this proceeding.

Executed this 1st day of September, 2021, at San Diego, California

/s/ E Bradford Mantz _____

E Bradford Mantz

SDG&E Customer Programs

Demand Response and Segmentation Manager

VERIFICATION

In accordance with Rules 1.11 and 13.7 of the Rules of Practice and Procedure of the California Public Utilities Commission, I hereby declare under penalty of perjury that factual statements in my testimony are true and correct of my own knowledge, except as to matters that are stated on information or belief, and as to those matters I believe them to be true. Insofar as statements in my testimony are in the nature of opinion or judgment, such statements represent my best professional judgment. I adopt this testimony as my sworn testimony in this proceeding.

Executed this 1st day of September, 2021, at San Diego, California

/s/ Michael McConnell
Michael McConnell
SDG&E Customer Programs
Policy & Support Supervisor