DRAM SET-ASIDE

In Decision 14-12-024, the Commission expressed a concern that participation in the existing DR programs might have a "crowding out" effect for the DRAM Pilot and ordered that "set-asides" be created which would 1) ensure that all current demand response megawatts continue to be available in the future, but 2) also ensure that the DRAM Pilot has a fair opportunity to succeed. The utilities and the DRAM working group were tasked with developing these set-aside requirements. In collaboration with the other utilities and the DRAM working group, PG&E has developed three measures to help "set aside" customers for DRAM participation. These set-asides include:

1. Remove Existing Un-Enrollment Limitations from Tariffed DR Programs
2. Allow Amendments to AMP Contract Capacity
3. Create a Minimum Participation Target for Residential Customers

Each of these proposed set-asides is described in more detail below.

<u>Remove Existing Un-Enrollment Limitations from Tariffed DR Programs</u>

It is possible that potential DRAM Pilot participants are already enrolled in PG&E tariff-based DR programs. However, dual enrollment in both a PG&E DR program and as a CAISO DR resource (i.e. PDR) is not allowed. As such, PG&E is offering to waive certain tariff and contract provisions for selected programs to allow customers to de-enroll from the PG&E DR program it is currently on for the purpose of participating in the DRAM Pilot. This will make a significant population of active DR customers available to DRAM aggregators.

In AL 4618-E-A, PG&E filed proposed changes to some of its DR programs to accommodate these de-enrollment requests. In particular, E-BIP customers and residential Smart AC (E-RSAC) customers may now leave these programs to participate in the DRAM Pilot even if their service commitment has not been met. The mechanisms which allow any customer to leave any existing DR program are shown in Table 1 at the end of this document. Also included at the end of this document is a sample "opt-out" form that can be used to make this election. Customers will not be de-enrolled from their existing DR program unless they take the required actions under the tariff or contract. De-enrolled customers may elect to return to a PG&E DR program at a later date if they wish, under the terms then applicable. *(e.g. BIP MWs are available; back-up generator (BUG) requirements are met, etc.)*

<u>Allow Amendments to AMP Contract Capacity</u>

The DR aggregators with active PG&E AMP contracts are high-potential DRAM Pilot participants. These aggregators have an existing customer base and experience with third-party demand response. However, the AMP contracts have fixed monthly capacity commitments that only allow limited adjustments. *(15% applies to 2/1, monthly is limited to 5%.)* This significantly limits the ability of these aggregators to move customers to DRAM from their AMP portfolio. PG&E has proposed that DR aggregators with existing AMP contracts for the 2015-2016 periods could modify the capacity commitment of the AMP contract following the execution of a DRAM Pilot contract. The following provisions would apply:

- The Seller’s DRAM agreement must be executed and approved by the Commission.

- The Seller must indicate its desire to execute the AMP amendment at least three weeks prior to the IOUs filing of the executed DRAM contracts with the Commission.

- The Seller must indicate the amount of capacity reduction it wants, and the method it is using. PG&E/SCE will notify the Sellers of the filing date upon execution of the DRAM contract.

- For each MW executed in the DRAM contract, the Seller can elect to amend its AMP contract in one of two ways (at Seller’s option):

    - Option 1 - Up to but not exceeding 5% of the AMP contract MW for each MW executed in a DRAM contract. For example, a DR aggregator with an existing AMP contract with a 100 MW August 2015 capacity commitment, and a 3 MW DRAM award for that month, could reduce its monthly AMP commitment by an additional 15%. Starting at 100 MW, they could exercise the 15% (3 MW x 5%) reduction option proposed above, reducing their August obligation to 85 MW.
    - Option 2 - Up to but not exceeding a 1:1 ratio of the MW executed in a DRAM contract. For example, a DR aggregator with an existing AMP contract with a 10 MW August 2015 capacity commitment, and a 2 MW DRAM award, could reduce its monthly commitment by an additional 2 MW.

    - These options would be applied in addition to existing AMP contract provisions that allow annual or monthly adjustments to contract capacity. For example, an aggregator with an existing AMP contract with a 100 MW August 2015 capacity commitment, and a 1 MW DRAM award, could reduce its monthly commitment by an additional 5%. Starting at 100 MW, they could: exercise the existing AMP option for 10% annual reduction (reducing their obligation to 90 MW); then exercise the 5% (1 MW x 5%) reduction proposed in Option 1 above (reducing their obligation to 85.5 MW), and finally exercise the existing AMP option for 5% monthly reduction (reducing their obligation to 81.2 MW).
    - The reduction must correspond with the equivalent month in the AMP contract. For example, 1 MW of capacity in the DRAM contract for August 2016 could only apply to the August 2016 capacity commitment in the AMP contract.
    - The total reduction cannot exceed 15% of the then current AMP contract MW for the month.
    - This reduction limit applies regardless of whether Option 1 or Option 2 is used. If in the prior example a DR aggregator with an existing 100 MW AMP contract had a 4 MW award (instead of 3 MW), they would still be limited to a 15% DRAM-related reduction (4 MW x 5% = 20%, but capped at 15%).
    - The scope of the AMP contract amendment is strictly limited to this DRAM related capacity reduction. PG&E will not entertain changes to any other aspects of the AMP contract.

Because the payment bands in the AMP contract ensure that aggregators are only paid after the fact for demonstrated capacity reductions, this proposal would not result in DR aggregators receiving capacity payments for the original AMP contact capacity values. Amendment of the AMP contracts under the set-aside provision will be filed concurrently with the Aggregator's executed DRAM contract.

Create a Minimum Participation Target for Residential Customers

The Commission, in its Resolution E-4278, determined that a "Residential" set-aside was needed to ensure consistency with D.14-12-024 and to meet their goals of increasing types of offerings currently available in the market. Residential and small commercial customers are somewhat limited in the DR programs that are available to them at this point. As such, the Commission has created a minimum Residential Customer Product for the DRAM Pilot. PG&E's minimum target number is 2 MW.

The Residential Customer PDR Product is comprised solely of Residential Customers and Small Commercial Customers. The Residential Customer PDR Product must consist of 90 percent (90%) of more Residential Customers. Residential Customers are defined in PG&E Electric Rule 1 as a *"Class of customers whose dwellings are single-family units, multi-family units, mobile homes or other similar living establishments (see "Residential Dwelling Unit" and "Residential Hotel"). A customer who meets the definition of a Residential Customer will be served under a residential rate schedule if 50% or more of the annual energy use on the meter is for residential end-uses."*

Small Commercial Customers may make up the remaining 10 percent (10%) or less of the Residential Customer PDR Product. A "Small Commercial Customer" is a customer which: (1) has a maximum billing demand of 20 kW, or less, per meter during the most recent 12 month period, or (2) has an annual usage of 40,000 kWh, or less, during the most recent 12 month period.

Where multiple PDRs, or portions thereof, are used to meet Seller's Demonstrated Capacity obligations, the percentage requirements apply in the aggregate, based on the total number of PDR customer service accounts in the DRAM Resource used to show Demonstrated Capacity. Also, a penalty of 10 percent (10%) of the capacity payment may be levied if the percentage of actual Residential Customers in a residential aggregation falls below the 90 percent threshold.

Residential Customer PDR offers from DRAM bidders will be evaluated as their own group, separately from other offers.

TRANSITION OF PG&E DR CUSTOMERS TO DRAM – SET ASIDE PROPOSAL

PROGRAM	CURRENT CUSTOMER REMOVAL PROCESS	DRAM 2016 PROCESS
BIP	Once annually, in November	New Process BIP customers may submit new delete form by 15th of month, which would make the customer ineligible for BIP effective on 1st of following month. If the customer is participating in another aggregator's portfolio (BIP, AMP, CBP), PG&E will not approve delete form until the customer has been removed from the other aggregator's portfolio.
CBP	Delete form submission by 15th of month for de-enrollment effect on 1st of following month.	Existing Process If the customer is participating in another aggregator's portfolio (BIP, AMP, CBP), PG&E will not approve delete form until the customer has been removed from the other aggregator's portfolio.
AMP	Delete form submission by 15th of month for de-enrollment effect on 1st of following month	Existing Process If the customer is participating in another aggregator's portfolio (BIP, AMP, CBP), PG&E will not approve delete form until the customer has been removed from the other aggregator's portfolio.
DBP	Customer must provide notice, and is removed from the program at the start of its first billing cycle after a 30 day notice period.	Existing Process
PDP	Customer auto de-enrolled pursuant to Rule 24 process; customers who leave prior to completing the first 12	Existing Process

	months will lose bill protection.	
SmartAC	Customers to follow existing process of calling or emailing the dedicated SmartAC line/inbox for removal	New Process Customers will be allowed to leave the SmartAC program prior to completing their 12 month participation requirement.
SmartRate	Customers can call in and de-enroll.	Existing Process
Auto-DR (PDP, DBP, CBP)	~~Customer must be enrolled for minimum of 36 months in qualifying Utility DR program; First payment of 60% upon installation and testing of ADR equipment. Second payment of 40% based on performance during first year.~~3-year commitment to be in DR program	~~New Process~~ ~~a. Customers who have completed the 1st year of their ADR participation requirement in a PG&E DR program (i.e. been awarded their installation and performance incentives) are allowed to dis-enroll from their PG&E DR program without penalty or further commitment.~~ ~~b. Customers that have not completed their ADR installation and testing for their 60% program incentive as of a set date (e.g. December 31, 2015) cannot participate in DRAM at all without defaulting on their ADR agreement.~~ ~~c. ADR customer locations must be registered at the CAISO by May 31, 2016.~~ ~~d. PG&E will not operate customer ADR equipment for DRAM participation~~ Auto-DR customers moving to DRAM retain their obligations under their commitments and performance requirements under their ADR commitment, except notification of CAISO awards involving the Auto-DR customer will be provided by the customer's aggregator or DRP, and the operation of the customer's Auto-DR equipment will be the responsibility of the customer, its aggregator and/or its DRP. PG&E will not provide notifications or operate the customer's Auto-DR equipment while the customer is in DRAM. Timely notification is required when the customer goes into DRAM and leaves DRAM.

Permanent Load Shift	5 year contract requirement	A PLS customer participating in DRAM can continue on the PLS program, provided its' PLS system continues to operate as required in the PLS program and other obligation are met. Does not involve dual participation.

Self-Generation Incentive Program (SGIP) has a multi-year commitment period (5 years). An SGIP customer participating in DRAM can continue on the SGIP program provided the customer continues to satisfy the requirements of the SGIP program, including continuing to provide the data and information required. Further consideration is required about whether information on performance in the CAISO market may be needed.

If the customer is participating in another aggregator's portfolio (BIP, AMP, CBP), PG&E will not approve delete form until the customer has been removed from the other aggregator's portfolio.