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California Energy Commission
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SUBJECT: SDG&E Comments on 2025 IEPR Load Shift Goal Workshop

Submitted electronically to Docket No. 25-IEPR-01

Dear Chair Hochschild and Honorable Commissioners:

San Diego Gas & Electric Company (SDG&E) appreciates the opportunity to provide comments in response to the California Energy Commission's (CEC) June 25, 2025, Integrated Energy Policy Report (IEPR) workshop on California's Progress Toward the Load-Shift Goal.

SDG&E respectfully offers the feedback below in response to the overall discussion of progress toward the goal, strategies to advance load flexibility, and potential solutions posed by CEC staff and stakeholders.

I. Affordability As a Driving Factor

During the workshop, some information was presented demonstrating the "stack" of initiatives contributing to the 7 gigawatt (GW) by 2030 load shift goal. However, having further clarity on the assumptions around available programs, policies, and rates that will advance the load shift goal is imperative. With this, stakeholders could better understand how the individual components are expected to support achievement of the goal and what the impacts of such programs will be on energy affordability. While load shifting may ultimately be helpful in reducing procurement and infrastructure needs, consideration must be given to the cost of achieving that load shift.

Specifically, what investments are needed to launch incentives, tools, programs and other policy solutions in support of the goal? What impact might that have on costs borne by electricity ratepayers? To what extent are the programs cost-effective to implement? And, if they are not, can those initiatives be funded by non-ratepayer sources of funding? Policies and initiatives should ensure that all consumers, including low-income households, have access to the necessary technologies and are not disproportionately burdened by the transition.

II. Grounding Strategy in Realistic Customer Participation

While the goal of expanding load-modifying resources is important, California's strategy over the next five years must be grounded in a realistic understanding of the challenges and risks associated with overly aggressive or prescriptive load management policies. A successful approach must be flexible, cost-effective, and informed by past program performance—particularly in regions like SDG&E's service territory, where customer participation in similar programs has historically been limited or faces inherent policy challenges.

For example, load modifying demand response (DR) is typically considered to be electric rates. At the present time, 80% of SDG&E's service territory is served by community choice aggregators (CCAs), and those customers are no longer available for SDG&E's load modifying rates. Not all CCAs offer load modifying rates, or time-of-use rates. This limits the impact of focusing on load modifying resources in SDG&E's territory.

As discussed during the workshop, achieving meaningful progress will require a multi-faceted strategy. However, it is critical that the CEC not assume broad customer adoption or technological readiness without first addressing key success factors and implementation barriers.

The CEC should consider lessons learned from existing IOU strategies such as time-of-use rates and customer pricing rate pilots when evaluating progress. Despite the importance of customer interest in adopting load flexibility solutions, evidence suggests limited interest. PG&E and SCE's Real Time Pricing (RTP) pilots show low customer sign-up rates, while SDG&E is still gathering data on customer interest. These outcomes raise concerns about the feasibility of scaling such programs without significant changes and investments in outreach, education, compensation structure and program design.

Rather than assuming widespread adoption, the CEC should incorporate realistic participation assumptions into its analysis, especially for regions like SDG&E's, where demographic, climate, and infrastructure factors may limit uptake. A phased approach that allows for recalibration based on actual participation and performance data would be more prudent.

To foster customer interest, load-serving entities and flexibility providers must actively engage and educate consumers about load shifting options and benefits. Overcoming outdated beliefs and promoting new technologies will be essential, though the cost and recovery methods for this education remain unclear. Further, for each of the load shifting strategies, it will be important to ensure that there are clear and comprehensive policies around obtaining consumer consent, as well as appropriate protections for customer privacy and cybersecurity.

III. Cost-Effectiveness and Implementation Considerations

Beyond the costs that would arise from designing and initiating the program, load management programs often require substantial investments in technology—both for utilities and customers—including smart meters, automated DR systems, and communication infrastructure. These programs also demand significant administrative resources to manage enrollment, compliance, and performance tracking.

It is not yet clear how these costs are being accounted for in the current analysis. The CEC should conduct a comprehensive cost-benefit assessment that includes technology deployment, customer education, IT systems, and ongoing program administration. Without this, there is a risk of overcommitting to strategies that may not deliver net benefits.

Additionally, to improve consumer experience and increase flexible demand capabilities, additional focus is needed on establishing appliance and grid communication protocols that are easy for customers to understand. Leveraging wi-fi, advanced meter infrastructure (smart meters), Bluetooth, radio frequency, and emerging communication technologies can help improve communication across systems, as could using plug-and-play technologies and third-party enabling technologies. Further, the CEC should consider exploring opportunities to implement one-to-many flexible demand control strategies (i.e., building energy management systems, aggregators, etc.). However, as SDG&E highlighted above, the state should prioritize facilitating these efforts with non-ratepayer sourced funding.

IV. Flexibility to Adapt Regulatory Scheme to Diverse Needs and Changing Conditions

A robust regulatory framework can help support load shifting initiatives. Policies should provide clear guidelines for load-serving entities and other stakeholders and establish performance metrics, but regulatory mechanisms need to be flexible enough to adapt to evolving technologies and market conditions.

To this end, unified and simplified utility DR programs often do not work well in California due to the state's complex energy landscape. As described in further detail below, simplified DR programs lack the precision, flexibility, and compliance capabilities needed to operate effectively in California's dynamic and diverse energy environment.

- **Diverse Climate and Load Profiles.** California spans multiple climate zones—from coastal to desert to mountainous—which means that energy use patterns vary widely. A one-size-fits-all DR program cannot effectively address local peak demand or grid stress.

- **Grid Complexity and Local Constraints.** Our electricity grid is highly decentralized, with many local reliability areas. This makes it particularly

challenging and costly for unified or simplified programs to target DR in a way that can address such localized needs.

- **High Penetration of Renewables.** California has a large share of solar and wind energy, which creates midday oversupply and evening ramping challenges. DR programs need to be time-sensitive and dynamic, not just focused on peak shaving. Simplified DR often lacks the flexibility to respond to real-time grid conditions.

- **Customer Diversity.** California has a wide range of customer types: residential, agricultural, commercial, and industrial. Each group has different energy usage patterns and flexibility. Simplified DR programs may not offer the customization needed to engage all customer segments effectively.

- **Wildfire and Public Safety Power Shutoffs (PSPS).** Utilities must coordinate DR with PSPS events, which adds another layer of complexity. Simplified programs may not be able to adapt quickly to emergency conditions.

V. Need for Strong Collaboration Across Agencies and Stakeholders

Successful load shifting policies will require collaboration among various stakeholders, including the CEC, California Public Utilities Commission, California Independent System Operator, load-serving entities, technology providers, and consumers. Engaging stakeholders in the policy design process can help identify potential challenges and develop solutions that are broadly supported. SDG&E was encouraged by the collaborative nature of this workshop and previous cross-agency discussions on load flexibility. Continuing this coordination will be critical for aligning theoretical strategies with practical implementation realities.

VI. Incorporating FlexAlert and CalOES Text Alert Contributions in 7 GW Goal

To the extent that the impacts of FlexAlert and CalOES text alerts can be quantified, it makes sense to include those contributions in the progress tracking effort for the 7 GW target. These programs play a critical role in managing peak demand and enhancing grid reliability in the state during grid emergencies. FlexAlert and CalOES alerts are also emergency demand reduction programs and can provide a helpful gauge on changes in consumer engagement and willingness to voluntarily reduce load when called upon. By including their contributions, California can ensure a comprehensive and accurate assessment of progress towards the target.

VII. Conclusion

Load flexibility can present a valuable opportunity to enhance the efficiency and sustainability of our electricity grid. However, its complexity necessitates a comprehensive and well-coordinated approach to policy and program design – and

affordability impacts must be central to that design to ensure that identified load flexibility strategies ensure benefits for consumers outweigh the costs. The state's energy agencies need to consider the roles of consumer engagement, technological integration, grid modernization, regulatory frameworks, equity, and stakeholder collaboration to create policies that effectively support load shifting and contribute to a more resilient and sustainable energy future.

Thank you for your consideration of these comments. SDG&E looks forward to continuing to engage in this discussion throughout the IEPR process, as well as via the agencies' ongoing initiatives and proceedings. Please don't hesitate to reach out should you have any questions or wish to discuss any of the information provided in greater detail.

Sincerely,

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