

Energy Department

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California Energy Commission
Dockets Office, MS-4
Re: Docket No. 13-IEP-1F
1516 Ninth Street
Sacramento, CA 95814-5512

California Energy Commission

DOCKETED
13-IEP-1F

TN 71507

JUL 01 2013

**Re: Increasing Demand Response Capabilities in California –
Comments of Wal-Mart Stores, Inc. (Docket No. 13-IEP-1F)**

Dear Commissioners and Staff:

Thank you for giving Wal-Mart Stores, Inc. ("Walmart") the opportunity to participate as a panelist to provide the customer perspective at the California Energy Commission's June 17, 2013 workshop on Demand Response (DR) opportunities and challenges. As requested at the workshop, I am providing additional details on our regulatory issues of concern and summarizing the suggestions on operational details of DR resources.

Walmart's experience in other parts of the country is that DR resources can be deployed quickly and efficiently to meet system reliability needs. WalMart has actively engaged in other organized markets such as PJM, ISO New England, and NYISO, along with approximately 12 utility and municipal programs to offer DR resources to the market. Several years ago in California, Walmart also participated in a successful test with the California Independent System Operator (CAISO) to demonstrate that Walmart's DR resource could respond to a signal in the ancillary services market.

1. Regulatory Issues

Walmart has been an active participant in DR regulatory proceedings at the California Energy Commission (CEC) and the California Public Utilities Commission (CPUC) since at least 2007.¹ Walmart's experience is that, frequently, the issues raised by customers are often

¹ Walmart has engaged in these proceedings both as an independent party and through its regulatory association, the Direct Access Customer Coalition (DACC).

ignored or deferred and regulatory delays can discourage participation by customers and third parties. Comments below focus on DR-related regulatory proceedings at the CPUC.

In the proceeding addressing the investor-owned utilities' (IOUs) 2012-14 DR Program Applications (A11-03-001 through -003), customers provided testimony that identified issues with California's DR market and proposed remedies. DR programs in California are provided nearly exclusively by the IOUs. DR Providers are only able to bid to participate in a few programs offered by the IOUs for that purpose. This command-and-control, utility-based approach discourages entry by third-party DR Providers and stifles innovation. Further, the vast majority of the IOUs' DR program costs are allocated to all customers through distribution rates as non-bypassable charges. Ratepayer-funded utility DR programs create higher costs for consumers and serve as a direct barrier when competitive DR markets can provide these services and work to lower those costs and bring innovation. While Decision 12-04-045 committed to address these competitive issues beginning in 2012, the CPUC has taken no action to do so.²

Another example is CPUC Rulemaking 07-01-041, which began in 2009 to identify and implement the necessary rules to allow retail customers and third-party DR Providers to bid their DR resources into the CAISO markets. Four decisions have been issued in this proceeding, but the final rules have not yet been implemented. While the CPUC has now begun activity to complete this effort, the IOUs have recently reported that they will require months to implement "system changes" once the final rules are adopted. These long delays and accompanying market uncertainty discourage customers and competitive DR Providers from engaging in California DR markets.

DR issues also span regulatory proceedings involving other topics, which makes it challenging for customers, who have limited resources for such activities, to actively engage and pursue consistent policies. For example, the CPUC Smart Grid proceedings address many DR-related products and services. The multiple Smart Grid proceedings in play at the CPUC include the IOUs' Smart Grid Deployment Plans (A.11-06-006 *et al*), equal access to the IOUs' Smart Grid energy use data (R.08-12-009), the IOUs' plans for implementing equal access to Smart Grid energy use data (A.12-03-002 *et al*), and individual IOU's application for Smart Grid programs (see, for example, A.11-11-017). In these proceedings, customers have raised concerns about IOU domination of competitive products and services, the IOUs' shortage of concrete proposals to provide third-party access, and improper cost allocation that socializes costs and thereby discourages competitive market entry. Most recently, the CPUC issued a proposed decision on the IOUs' Smart Grid Deployment Plans dismissing the competitive concerns as "premature" and "not dispositive."³

² See D.12-04-045, pp. 16, 189, 191, and 204.

³ *Decision Adopting the Smart Grid Deployment Plans of San Diego Gas & Electric Company, Pacific Gas and Electric Company, and Southern California Edison*, proposed decision issued June 11, 2013, A.11-06-006 *et al*, p. 102.

2. Operational Details

In comments at the June 17th workshop, I also provided some suggestions regarding operational details for DR resources that could work better for customers and encourage more participation. In particular, we asked that the following be considered and adopted:

- Minimizing the frequency of calling on a DR resource several days in a row, which would be less disruptive to the customer's operations.
- Providing 30 to 60 minutes of advance notice of the specific DR resources to be called.
- Removing penalties for customers, particularly if operating at the baseline; penalties make customers nervous, discouraging their participation.
- Allowing bids for non-sequential hours; retail facilities like Walmart would be more apt to participate if they can bid certain hours, then recover for a period of hours, and then bid in again for later hours.

3. Conclusion

In summary, customers are ready, willing and able to participate in DR markets that employ reasonable rules with equal access and fair competition. Customers have wide-ranging experience that can assist to resolve regulatory and operational issues and move policy forward. Walmart thanks you for your consideration and looks forward to working with the CEC and CPUC to overcome remaining obstacles and facilitate successful expansion of DR resources in California.

Regards,

/s/Angie Beehler

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