

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA**

Application of Pacific Gas and Electric Company for Approval of 2013-2014 Statewide Marketing, Education, and Outreach Program and Budget (U39M))	Application 12-08-007
)	(filed August 3, 2012)
And Related Matters)	Application 12-08-008
)	Application 12-08-009
)	Application 12-08-010
)	(Filed August 3, 2012)

**COMMENTS OF THE CALIFORNIA INDEPENDENT
SYSTEM OPERATOR CORPORATION**

On March 19, 2012, ALJ Roscow issued a Proposed Decision (PD) on the Phase I issues in this proceeding: utility budgets for the Flex Alert program for 2013 and 2014. The California Independent System Operator Corporation (ISO) previously submitted opening comments in response to the utilities' Flex Alert funding proposals and hereby provides these comments and recommendations for the final decision in Phase I.

The ISO generally supports the PD and urges the Commission to approve this decision with only a minor modification at its earliest opportunity to enable timely implementation.

Specifically, the CAISO commends the Commission and strongly supports:

- Funding the Flex Alert program at an appropriate level (*i.e.*, \$10 million per year) for years 2013 and 2014, and approving cost recovery in this regard for PG&E, SCE and SDG&E.
- Development and implementation of study efforts to evaluate, measure and verify the Flex Alert program.

Additionally, the ISO supports the concept of reviewing the program for potential improvements, including how best to administer and fund the Flex Alert program. However, as

discussed below, the ISO is concerned that the PD presupposes potential outcomes by directing SCE to develop a proposal for transfer of the program funding and administration to the ISO.

A. Flex Alert Funding

The ISO applauds and supports the Commission decision to establish the level of 2013-2014 Flex Alert funding at the level authorized for 2012 – \$10 million per year, allocated among SCE, PG&E, and SDG&E as set forth in PD paragraph 4.2.1. The ISO also supports the utilities’ cost recovery mechanisms approved in paragraph 4.2.2.

B. Evaluation, Measurement and Verification of Flex Alerts

At paragraph 4.4, the PD agrees with the SDG&E recommendation that a formal study of Flex Alert be conducted according to the measurement and evaluation protocols used for all demand response program load impacts. The ISO agrees that customer response to Flex Alerts should be evaluated in order to determine the success of the program. The results of this measurement and evaluation should be used in considering future funding and administration of the program, as discussed below.

C. Future Funding and Administration

SCE recommended that, effective in 2015, the Commission should consider transferring the funding and administration of the Flex Alert program to the ISO. The PD supports this recommendation and directs SCE to work with the other IOUs and the ISO to develop a proposal for this funding and administration transfer, to be filed in this proceeding no later than October 1, 2013 (Paragraph 4.6).

The ISO supports the general notion of exploring different funding and administration options for the Flex Alert program. However, consideration of funding and administration changes first should be informed by the measurement and evaluation of the program’s success in

achieving load reduction in potential grid emergency situations. As noted above, the ISO looks forward to working with the IOUs and the Commission on evaluation and verification.

The ISO also is concerned that the language of the PD narrowly limits transfer and future funding only to the ISO and not to other entities (such as the CEC) that might better situated to take on these functions. For example, the ISO does not currently have a funding mechanism for the Flex Alert program, and developing such a mechanism might involve a stakeholder process and possible tariff amendment. Furthermore, while the ISO appreciates and agrees with the comment in the PD that all consumers in the state should fund the alerts since all consumers benefit from conservation and load reduction, the media markets cross over service area boundaries, and the ISO does not encompass all electric utilities in the state. Thus, the ISO recommends that the scope of the proposals be broadened to include consideration of other entities to take on the funding and administrative duties.

Respectfully submitted,

By: /s/ Judith Sanders

Nancy Saracino

General Counsel

Roger Collanton

Deputy General Counsel

Sidney M. Davies

Assistant General Counsel

Judith Sanders

Senior Counsel

California Independent System

Operator Corporation

250 Outcropping Way

Folsom, CA 95630

Tel.: (916) 608-7143

Fax: (916) 608-7222

jsanders@caiso.com

Attorneys for the California Independent
System Operator

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ATTACHMENT A
PROPOSED MODIFICATION TO CONCLUSIONS OF LAW
AND ORDERING LANGUAGE

Modified Conclusion of Law

8. SCE should coordinate with PG&E, SDG&E and the CAISO to evaluate the EM&V study results and develop a proposal for the future of the Flex Alert program including possible transfer of the administration and funding of the program to the CAISO or to other entities, effective in 2015.

Modified Ordering Language

16. Southern California Edison shall work with Pacific Gas and Electric, San Diego Gas and Electric, and the California Independent System Operator (ISO) to evaluate the EM&V study results and develop a proposal ~~for addressing the future~~ implementation of the Flex Alert program including the possible transfer of the administration and funding of the ~~Flex Alert~~ program to the ISO or to other entities, effective in 2015. Southern California Edison shall file and serve the proposal in this proceeding no later than October 1, 2013.