

SB 1414 (Wolk): Using Demand Response Programs to Offset Electrical Generation Needs

Summary:

SB 1414 will help ensure that regulators and utilities use cost-effective Demand Response (DR) programs to reduce demand for electricity. DR saves consumers money and reduces emissions of greenhouse gases and other pollutants by lowering demand for electricity at peak times and thus lowering the need to invest in costly and polluting generating facilities.

Background:

Demand response (DR) programs allow for a smarter electricity grid that reduces demand for electricity during peak hours and other times when the grid operator would otherwise be forced to turn on power plants. These programs can automatically reduce pre-selected, non-essential electrical consumption for volunteers who have elected to participate.

Like energy efficiency, reducing demand for electricity through DR negates the need for costly investments in power plants and transmission lines. Importantly, by reducing demand at peak load, DR negates the need for “peaker” power plants, which are the dirtiest and least efficient of the state’s electrical generating resources.

DR can also direct electricity consumption to times when the grid is cleanest – when low-cost renewables are abundant – allowing more clean energy on the grid. And it can help provide electrical capacity in Southern California following the closure of San Onofre Nuclear Generation Station (SONGS) and the Once-Through Cooling (OTC) Plants.

DR saves consumers money because it achieves reductions in demand in a significantly more cost-effective way than investing in expensive “peaker” plants. A California study found that a 2.5 percent reduction in demand statewide could lower wholesale prices by 24 percent; a 10 percent demand reduction could cut them in half during periods of extreme scarcity.

And because DR allows for meeting peak demand and other grid needs with reductions in demand rather than increases in generation, DR reduces greenhouse gases and other unhealthy pollutants. In this way, DR can help the state’s response to climate change, as electrical generation is the largest source of greenhouse gases in California.

Currently, when planning to make investments to meet electrical demand requirements in their Resource Adequacy studies, utilities are only required to plan out investments in generation.

This Bill:

SB 1414 requires utilities and regulators to utilize Demand Response programs to reduce demand in their Resource Adequacy studies of future investments needed to meet electrical demand requirements.

SB 1414 clarifies and codifies the state’s emphasis on the important role that Demand Response plays in meeting the state’s energy needs. Specifically, SB 1414 requires the three investor-owned utilities and regulators to include demand response in resource adequacy plans, which currently include only generation resources. SB 1414 also ensures that consumers are protected in all demand response programs.

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