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<b>Document Title:</b>	CEC Executive Director's Request for Revision of MCE LMS Compliance Plan
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June 19, 2025

Sabrinna Soldavini  
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Via Email: [ssoldavini@mcecleanenergy.org](mailto:ssoldavini@mcecleanenergy.org)

Dear Sabrinna Soldavini:

I have completed my initial review of MCE's June 13, 2024, Load Management Standards (LMS) compliance plan ("compliance plan" or "plan").

Title 20, California Code of Regulations (CCR) section 1623.1(a)(3) establishes the process for the Executive Director to *"review the plans and either return them to the Large POU or the Large CCA for changes or submit them to the Commission for review and potential approval."*

I have determined that MCE's plan is consistent with 20 CCR sections 1623.1(a)(1) and 1623.1(a)(2) with the exception that it does not provide for marginal, cost-based rates to customers, such as a commitment to participate in dynamic rate pilot programs that MCE is considering joining or other pathways to compliance. CEC staff's analysis, recommended changes, and requests for action are described below.

**Analysis of MCE's Plan to Comply with 20 CCR section 1623.1(a)(1) and 1623.1(a)(2)**

Requirements:

The plan shall describe how the Large Community Choice Aggregator (CCA) will encourage the use of electrical energy at off-peak hours, encourage the control of daily and seasonal peak loads to improve electric system efficiency and reliability, lessen or delay the need for new electrical capacity and reduce fossil fuel consumption and greenhouse gas emissions. It shall also include consideration of programs and rate structures specified in section 1623.1(b)-(d).

The plan must also evaluate cost effectiveness, equity, technological feasibility, benefits to the grid, and benefits to customers of marginal cost-based rates for each customer class. If after consideration of the factors in subsection 1623.1(a)(1)(A) the plan does not propose development of marginal cost-based rates, the plan shall propose programs that enable automated response to marginal cost signal(s) for each customer class and evaluate them based on their cost-effectiveness, equity, technological feasibility, benefits to the grid, and benefits to customers.

The rate approving body of a Large CCA may approve a plan, or material revisions to a previously approved plan, that delays compliance or modifies compliance with the requirements of Subsections 1623.1(b)-(c), if the rate approving body determines that the plan demonstrates any of the following:

(A) That despite a Large CCA's good faith efforts to comply, requiring timely compliance with the requirements of this article would result in extreme hardship to the Large CCA.

(B) Requiring timely compliance with the requirements of this article would result in reduced system reliability (e.g., equity or safety) or efficiency.

(C) Requiring timely compliance with the requirements of this article would not be technologically feasible or cost-effective for the Large CCA to implement.

(D) That despite the Large CCA's good faith efforts to implement its load management standard plan, the plan must be modified to provide a more technologically feasible, equitable, safe, or cost-effective way to achieve the requirements of this article or the plan's goals.

#### Assessment:

MCE's plan laid out the steps it would need to take to analyze the required factors (cost effectiveness, equity, technological feasibility, and benefits to the grid and customers) to provide its customers with marginal cost-based rates. It also analyzed internal and external sources of information but declined to commit to making marginal cost-based programs available or following other pathways to compliance.

The analysis has objective data and information. MCE concludes that, based on its analysis, it cannot make determinations on each of the required factors, and provides an approach for making these determinations in the future. But MCE declines to commit to actions such as implementing the IOU CalFUSE dynamic rate pilots approved by the California Public Utilities Commission (CPUC) and making them available to its ratepayers or following other pathways to compliance.

MCE has a preference for developing its own MCE-specific dynamic rates but does not define a clear timeframe for accomplishing this.

The MCE's Board of Directors adopted MCE's Load Management Standards Compliance Plan during its meeting held on May 16, 2024.

#### Conclusion:

With regard to 1623.1(a)(1), this analysis is reasonable, is supported by objective data and information, and the plan provides an approach for making these determinations in the near future. However, this analysis does not provide justification for departing from established regulatory requirements, which mandate that MCE provide marginal cost-based rates or programs. MCE declined to commit to implementing the IOU CalFUSE pilots approved by CPUC and making them available to its ratepayers.

MCE's Board of Directors' adoption of MCE's plan is consistent with the referenced requirements of section 1623.1(a)(2). It is based on analysis in the plan, supported by objective data, and concludes that while it cannot make determinations on these factors, the plan provides a reasonable approach for making these determinations in the future.

**Recommended Changes and Requested Information for Compliance with 20 CCR section 1623.1(a)(1) and 1623.1(a)(2)**

Committing to participating in the IOU CalFUSE pilot rates and making them available to customers is one method that would fulfill MCE's obligation to offer a marginal cost-based program or marginal cost-based rates per Section 1623.1(b)(1).

To comply, MCE must modify its plan to commit to implementing the expanded marginal cost-based IOU CalFUSE pilots authorized in CPUC Decision D. 24-01-032 and making them available to its ratepayers or commit to following an alternate pathway to achieving compliance, and resubmitting a Board approved revised plan to the CEC for approval.

I am withholding comment on the statewide rate tool development issue because of the progress being made to address these issues. In light of this, MCE shall add the following or similar language for the Statewide RIN Tool section of the compliance plan.

MCE has been working with the other regulated load serving entities (LSEs) on creating the statewide RIN tool pursuant to 20 CCR Section 1623(c). A proposed plan for the tool was submitted to the CEC for review on October 1, 2024. We will continue to work with the other LSEs and the CEC to implement and maintain the statewide RIN tool in a timely manner subject to the tool's approval by the CEC.

To comply, MCE must resubmit their plan, with the recommended revisions, by September 17, 2025 to me, per 20 CCR section 1623.1(a)(3). Submitting to the 23-LMS-01 docket (<https://efiling.energy.ca.gov/Lists/DocketLog.aspx?docketnumber=23-LMS-01>) fulfills this requirement. Guidance for submission can be found at E-Filing and E-Commenting (<https://www.energy.ca.gov/proceedings/e-filing-and-e-commenting>).

CEC staff is available to assist you. Your point of contact, the LMS team, is available at [loadflex@energy.ca.gov](mailto:loadflex@energy.ca.gov).

Thank you,



Drew Bohan  
Executive Director