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INITIAL STATEMENT OF REASONS

Title 20. Public Utilities and Energy
Division 2. State Energy Resources Conservation and Development Commission
Chapter 4. Energy Conservation
Article 5. Load Management Standards

Docket No. 21-OIR-03
Notice Published on December 24, 2021

INTRODUCTION

Notice is hereby given that the California Energy Commission (CEC) proposes to adopt amendments to the Load Management Standards (LMS) contained in the California Code of Regulations (CCR), Title 20, after considering all comments, objections, and recommendations regarding the proposed action.

PROBLEM STATEMENT

The Warren-Alquist Act establishes the CEC as California's primary energy policy and planning agency. Sections 25213, 25218(e), and 25403.5 of the Public Resources Code mandate and authorize that the CEC adopt rules and regulations, as necessary, to reduce the wasteful, uneconomic, inefficient, or unnecessary consumption of energy and to manage energy loads, or demand, to help maintain electrical grid reliability.

The LMS regulations are designed to help balance the supply and demand of electricity in California. The original LMS regulations were established in 1979 (CCR Title 20 Sections 1621-1625) and compelled the implementation of marginal cost pricing, industrial time-of-use rates, commercial building audits, and residential load control programs. As a result, California electricity customers in all sectors have for decades provided load shifting and demand response resources in response to electricity pricing and programs.

The existing load management resources are largely met by utility incentive programs that reward customers for reducing peak loads. However, these existing demand response programs are incapable of shifting loads to periods of high renewable generation, and thus are inadequate for supporting the carbon-free grid of the future as envisioned by Senate Bill 100 (De León, 2018). Since adoption of the original LMS regulations, technologies and markets have evolved substantially, creating significant opportunities for more advanced load management strategies.

Therefore, the CEC proposes to update the LMS regulations to require the five largest electric utilities in California -- Los Angeles Department of Water and Power, Pacific Gas and Electric, Sacramento Municipal Utility District, San Diego Gas and Electric, Southern California Edison -- and the community choice aggregators (CCAs) located within their service territories to:

- Develop retail electricity rates that change at least hourly to reflect locational marginal costs and submit those rates to the utility's governing body for approval.
- Update the time-dependent rates in the CEC's Market Informed Demand Automation Server (MIDAS) database whenever a rate is approved or modified.
- Implement a single statewide standard method for providing automation service providers with access to their customers' rate information.
- Develop a list of cost-effective automated price response programs for each sector and integrate information about time-dependent rates and automation technologies into existing customer education and outreach programs.

The proposed regulations will form the foundation for a statewide system of time and location dependent signals that can be used by automation-enabled devices to provide real-time load flexibility on the electric grid.

PURPOSE

The purpose of the LMS regulations is to carry out the CEC's statutory mandate to establish utility programs that reduce peak electricity demand, help balance electricity supply and demand to support grid reliability and provide clean and affordable electricity services to Californians.

The intended outcome of these proposed amendments is to facilitate load management activities by consumers. The standards form the foundation for a statewide demand automation system that aggregates and publishes time-dependent rate information from utilities. This data can be used by mass-market end-use automation to provide time- and location- specific demand flexibility. Such a system would enable automation markets to coalesce around agreed upon principles and consumer technologies for load management.

As with building and appliance standards, the proposed load management standards are consumer centric and consumer protective. Under this paradigm, customers are expected to proactively manage their electricity bill through customer-chosen and customer-controlled automation. This automation can be optimized with the help of a service provider or purchased and installed directly by the customer or the customer's contractor.

The combination of statewide signals and robust responsive automation markets will support customer-supported load management on a mass-market scale. With communications and automated control technologies, customers can shift electric services to take advantage of cleaner and cheaper supplies, while benefiting from

electric services at equal or improved quality. Buildings and water can be precooled or preheated. Batteries and electric vehicles can be charged sooner or later than otherwise scheduled. Dishwashing, laundry, heating, cooling, and many other services can be postponed. Advanced meters, communications, and automation technologies make all this possible today.

The proposed amendments would require utilities to submit their load management plans to the CEC for review and approval and would provide for exemptions, modification, or delays under certain circumstances.

BENEFITS

The specific benefits of the proposed LMS regulations include cost savings to the consumer, cost savings to utilities, improvements to electricity grid reliability, and lower greenhouse gas emissions from energy generation and use. Updated LMS regulations are expected to improve load flexibility by allowing consumers to voluntarily automate flexible loads. The combination of dynamic marginal rates optimized behind the meter energy storage, and better access to utility load management programs will improve the supply-demand balance. This will reduce both the cost of electricity and greenhouse gas emissions from electricity by shifting use to times when supplies are low- or zero-carbon and readily available.

STATEMENT OF SPECIFIC PURPOSE AND NECESSITY

The proposed amendments would establish the following phased timeline, reporting, and planning requirements for compliance with the new load management standards. This timeline, and these reporting and planning requirements, are necessary to effectively implement the new program as expeditiously as possible with appropriate lead times and to afford adequate oversight by CEC. Their combined purpose is to advance the goals of the program successfully with the maximum amount of public participation. The proposed requirements and deadlines are listed in chronological order below, with references to the sections that would establish them.

- *3 Months After the Effective Date of the Proposed Amendments*: Utilities upload time-dependent rates to the Market Informed Demand Automation Server. Proposed section 1623(b).
- *6 Months After the Effective Date of the Proposed Amendments*: Utilities must submit plans to comply with the proposed amendments to CEC for approval. Proposed section 1621(d).
- *9 Months After the Effective Date of the Proposed Amendments*: Utilities must provide customers access to their Rate Identification Numbers. Proposed section 1623(c)(4).
- *12 Months After the Effective Date of the Proposed Amendments*: Utilities must apply to ratemaking body for approval for marginal cost rate. Proposed section 1623(a)(2). Utilities must submit RIN access tool to CEC for approval. Proposed section 1623(c)(2).

- *18 Months After the Effective Date of the Proposed Amendments*: Utilities must submit lists of cost-effective load flexibility programs to CEC. Proposed section 1623(d)(1).
- *36 Months After the Effective Date of the Proposed Amendments*: Utilities must offer customers marginal cost rates or a cost-effective alternative. Proposed section 1623(d)(2).

SECTION 1621. GENERAL PROVISIONS
SPECIFIC PURPOSE

The specific purpose of the proposed amendments to this section is to update the general provisions to reflect technologies and markets that have evolved substantially, creating significant opportunities for more advanced load management strategies. This includes updating the purpose, broadening the application, updating compliance and enforcement requirements, and adding and amending definitions. There are also non-substantive changes related to numbering and grammar.

The proposed amendments would establish cost-effective programs and rate structures which will encourage the use of electrical energy at off-peak hours and 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, thereby lowering the long-term economic and environmental costs of meeting the State's electricity needs, policy goals and statutory mandates.

NECESSITY

Subsection (a) Purpose
The current load management standard regulations were adopted in 1979 and last amended in 1982. It is necessary to update the subsection regarding the regulations' purpose in order to reflect changes in state energy policy goals and technology over the four decades since adoption of the original standards. Updated LMS regulations are expected to improve load flexibility by allowing consumers to voluntarily automate flexible loads. The combination of dynamic marginal rates optimized behind the meter energy storage, and better access to utility load management programs will improve the supply-demand balance. This will reduce both the cost of electricity and greenhouse gas emissions from electricity by shifting use to times when supplies are low or zero carbon and readily available.

Subsection (b) Application
It is necessary to add CCAs and their customers to the proposed regulations to increase the effectiveness of the LMS and meet the intent of the statute. The CCAs are local government entities that function within Investor Owned Utility (IOU) service territories to procure and provide power on behalf of their customers from non-utility suppliers but continue to receive transmission and distribution (T&D), metering, billing, collection and some customer services from the IOU. Local governments form CCAs to expand their

options to negotiate lower rates and provide lower carbon resources. For LMS to function in a manner that meets the intent of the statute, it is necessary to extend its applicability to CCAs. Otherwise, many consumers who purchase electric power from CCAs would be deprived of the benefits of the proposed amendments.

Subsection (c) – Definitions
The definitions related to LMS are necessary to ensure that the terms used within the regulations will have clear and unambiguous meaning to readers, including the public, and particularly to the persons and organizations affected by the regulations. The proposed amendments would update current definitions and add additional definitions, which is necessary to support the updated LMS regulations and represent the consensus position of the industry.

The proposed amendments further rearrange the definitions so that they are listed in alphabetical order, which will facilitate users' navigation of the definitions section.

Subsection (c)(1)
It is necessary to amend the definition of "Building Type" because the information is outdated. The Title 24 building standards regulations are updated on a triennial basis and any attempt to capture the information in a static table will quickly become stale. Therefore, in order for the public to have access to the most current information, it is necessary that the regulations reference where in the CCR the most current table of building type classifications can be found.

Subsections (c)(2) and (11)
It is necessary to add a definition of community choice aggregators and amend the definition of "Service Area" for clarity and consistency with Public Resources Code Section 25118. This is necessary to ensure a clear and unambiguous meaning to readers, including the public, and particularly to the persons and organizations affected by the updated regulations.

Subsection (c)(5)
It is necessary to amend the definition of "Conditioned Space" to align with the definition found in Title 24, Part 6, § 100.1(b). This is necessary to provide consistency and clarity for the public, and particularly to the persons and organizations affected by the regulations.

Subsections (c)(6) and (12)-(14)
These subsections define the basic terms essential to the function of the proposed load management standards. This involves defining the terms "time-of-use rate", "time-dependent rate", "tariff", "load management tariff". These definitions set the basic requirements for the rate structures that will be offered by the utilities and CCAs in compliance with the proposed amendments and will enable customers to purchase electricity based on actual cost and whether it is produced by renewable sources, saving money, lowering emissions of greenhouse gases and enhancing grid reliability.

Subsection (c)(7)
It is necessary to amend the definition of “Marginal Cost” to better align with the updated proposed LMS regulations. The technologies and markets have evolved substantially, creating significant opportunities for more advanced load management strategies, and the amended definition better reflects these changes. The proposed amendments to this definition are necessary to make it clear that the load management standards will require electricity rates that are time and location dependent, essential elements of the proposed program.

Subsection (c)(8)
This subsection defines the term “rate identification number,” which is necessary to be able to identify the rate being offered pursuant to the proposed amendments. Without this ability, consumers and service providers would not be able to connect to access the rate structures the proposed amendments would enact.

Subsection (c)(9)
It is necessary to modify the definition of “Rate Approving Body” to remove the examples of investor-owned utilities and publicly owned utilities because the utilities required to comply with these regulations are already specified under Section 1621. It is also necessary to add CCAs to the definition, as the definition of utility is proposed to expand to include CCAs and the proposed regulations will apply to the CCAs operating within the service area of the specified electric utilities.

Subsection (c)(15)
It is necessary to amend the definition of “Utility” to include the CCAs serving customers within a utility service area. This is necessary as the CCAs have been added to the scope of the regulations and their customers need to have access to flexible electricity rate structures.

Subsections (d) through (i) deleted
It is necessary to delete subsections (d) through (i) as the information and requirements have been updated. This is necessary as technologies and markets have evolved substantially, creating significant opportunities for more advanced load management strategies. Updated requirements related to utility plans, exemptions, delays or modifications of plans, and enforcement have been added in new subsections (d) through (f). The deleted sections are not consistent with the timetables deemed necessary for the effective production, review, approval, and implementation of the proposed load management plans. The deleted sections did not provide clear standards to use in evaluating utilities’ requests for exemptions, delays, or modifications to the load management plans. The deleted sections are too long, cumbersome, and difficult to understand. They were deemed inappropriate for such crucial matters as the scrutiny of load management plans and did not provide the CEC with a practical way to oversee the development of the plans. The deleted provisions are proposed to be replaced by a clearer and more streamlined process that is proposed in new subsections (d) and (e). This is necessary because it will give the CEC input into and oversight over the process the utilities undertake to comply with the proposed

amendments and ensure that plans to comply are complete and developed on a timely basis.

New Subsection (d)
It is necessary to add new subsection (d) to provide clear requirements for utilities submitting their load management plans to the CEC for review and approval under the proposed regulations. This is necessary because it will give the CEC valuable input into and oversight over the process the utilities undertake to comply with the proposed amendments, ensure that plans to comply are complete and are developed on a timely basis. These proposed amendments are also necessary because they clearly delineate the roles that the Energy Commission and the Commission's Executive Director will play in evaluating the plans. The discussion regarding the proposed deletion of Subsections (d)-(l) above is incorporated by reference here.

New Subsection (e)
It is necessary to add new subsection (e) to provide specific and updated standards for exemptions, delays, and modifications of the LMS requirements or a utility's plan. The updates are consistent with Public Resources Code Section 25403.5(c) which provides a process for exemptions from the LMS that allows the CEC to grant to a utility a delay or exemption in implementing one or more of the adopted standards upon making the appropriate findings. This is necessary to allow for plans to be fine-tuned and to account for unforeseen circumstances that may require changes to the compliance obligations. The discussion regarding the proposed adoption of Subsection (d) is incorporated by reference here.

New Subsection (f)
It is necessary to add new subsection (f) to replace former subsection (i) and provide more information regarding updated enforcement requirements tailored to the proposed regulations. The updated enforcement requirements explicitly reference the complaint process located in CCR Title 20, Sections 1233.1 to 1233.4. This is necessary to provide the regulated community with more clear direction regarding the actions for which the CEC may bring a complaint against an entity for noncompliance with the regulations and the CEC's complaint procedures.

Re-lettered Subsection (h)
It is necessary to delete the language in subsection (h) referring to Revenue and Taxation Code Section 2231 because this section was repealed. Therefore, subsection (h) no longer needs to reference the Revenue and Taxation Code. In addition, the examples of local government entities, i.e., the Los Angeles Department of Water and Power and the Sacramento Municipal Utility District, have been deleted as it is unnecessary language.

SECTION 1623. LOAD MANAGEMENT TARIFF STANDARD
SPECIFIC PURPOSE

The specific purpose of the proposed amendments to this section is to increase statewide load flexibility by forming the foundation for a statewide system that automates the

publication of time and location dependent signals that can be used by mass-market end-use automation to provide real-time load flexibility on the electric grid. The proposed amendments would accomplish this by establishing the requirements for developing marginal cost rates, making marginal cost rates available to customers, publishing machine-readable electricity rates, developing a uniform rate identification access tool and providing customer education and outreach programs. There are also non-substantive changes related to numbering and grammar.

NECESSITY

Subsection (a) Marginal Cost Rates

The changes to subsection (a) are necessary to update and clarify the requirement for utilities related to marginal cost rates for LMS to function in a manner that meets the intent of the statute. In particular, the proposed amendments to this subsection are necessary to ensure that utilities offer customers marginal cost marginal rates which are the key to the success of the program.

The reference to the "recommended methodology" is deleted because the task force identified in subsection (b) no longer exists and the reference to the methodology is no longer needed.

Subsection (a)(1) provides the basis for how marginal cost must be determined. The marginal cost must reflect the total cost of electricity: generation, transmission, distribution, reliability, and GHG emissions. This is necessary because it defines what aspects of electricity costs the utilities must include in their calculations. Marginal prices and automation are critical components of the proposed regulations and will lead to time of use optimization of end uses of electricity, and efficient, reliable, and clean load management.

Subsection (a)(2) requires that each specified utility must develop at least one marginal cost rate and submit it/them to their governing body for approval. This is necessary for each utility to develop such a rate, successfully get it approved by their governing body, submit that rate to MIDAS, and then offer that rate to their customers. A 1-year compliance window is necessary based on existing general rate case schedules and it is reasonable for utilities to complete this requirement in this timeframe.

Subsection (a)(3) is necessary for the Commission to understand the utilities' progress toward establishing rates consistent with the rate structure proposed in the regulations.

Subsection (b) Publication of Machine-Readable Electricity Rates.

This proposed amendment is necessary to establish a database that customers can access to take advantage of the new rate structures that the proposed amendments would require. To increase statewide load flexibility, the CEC has developed the MIDAS to enable demand automation through time-dependent rates and grid status signals. The web-based service provides access to time-dependent rates in a standard machine-readable format using an application programming interface (API). An API will allow technology products and services to communicate with each other via the internet.

This will form the foundation for a statewide demand automation system that aggregates and publishes time-dependent rate information for utilities. With communications and automated control technologies, customers can shift electric use to take advantage of cleaner and less expensive energy. This allows customers to optimize energy use and service quality while minimizing economic and environmental impact. Advanced meters, communications, and automation technologies make this possible today. During extensive pre-rulemaking collaboration including stakeholder input, CEC staff identified the need for a statewide real-time signaling system that enables automation markets to coalesce around principles and technologies for demand flexibility. This will reduce the cost of electricity for consumers and reduce greenhouse gas emissions from electricity consumption by encouraging electricity use when zero carbon resources are readily available.

The proposed regulations provide a three-month compliance window in order to provide utilities sufficient time to gain programming expertise to upload data to MIDAS. This is necessary to ensure the program stays on a reasonable timeline, which will support decarbonization and grid reliability.

The language referring to a Marginal Cost Pricing Project Task Force has not been in use since the 1980s. The language is not necessary to implement the proposed change to this section and was therefore removed in order to reduce confusion.

New Subsection (c) Support Customer Ability to Link Devices to Electricity Rates
This proposed amendment is necessary because it will require the utilities to develop, under the supervision of the CEC, a single statewide software tool to enable third party service providers to obtain customer rate information with customer's consent, and switch customer to a marginal cost rate upon the customer's authorization. The Rate Identification Number Access Tool will enable widespread voluntary and cost-effective demand automation by reducing enrollment barriers. Since the tool is intended to be used by the regulated utilities to support third party interactions with their systems, the regulations require the utilities to participate in the development process to ensure the tool is compatible with their systems. The deadline imposed is based on a reasonable period necessary to develop the tool and consistent with other deadlines in the regulations so that the regulations do not impose multiple coincident deadlines. Staff proposes this staging of deadlines to facilitate the regulated utilities' compliance with the proposal.

New Subsection (d) Public Programs
This proposed amendment is necessary to inform and educate customers of the benefits of the proposed amendments to the load management standards and how best to capitalize on them. Robust customer participation is crucial to fully realizing the intended benefits of the proposed amendments. To increase the effectiveness of the LMS and meet the purpose of the statute, it is necessary that the utilities integrate information about new time-dependent rates and automation technologies into existing customer education and outreach programs to raise customer awareness and provide access to price-responsive automation technologies and services. Existing utility

education and outreach programs need to be updated to remain relevant and effective in light of recent load management technology and market developments.

It is necessary that each utility provide their customers with at least one option for automating response to MIDAS signals so that all customers have the opportunity to benefit from load flexibility. Similarly, it is necessary that each utility provide their customers with the opportunity to voluntarily participate in a marginal cost rate.

The proposed regulations provide an 18-month compliance window to allow for an assessment of the cost-effectiveness of all load flexibility programs at the utility, a summary of those programs' purpose, and the submission of a list to the CEC. This is necessary because Commission staff determined 18 months was a reasonable amount of time to complete the required tasks and ensure the program is completed on a reasonable timeline to achieve its goals.

Old Subsection (d) Compliance
It is necessary to delete this subsection as compliance related to the LMS has been updated and is now addressed in Section 1621.

TECHNICAL, THEORETICAL, OR EMPIRICAL STUDIES, REPORTS, OR SIMILAR DOCUMENTS.

The CEC relied on input from various stakeholders, subject matter experts, and interested parties that provided information, feedback, and subject matter expertise from operational, technical, and manufacturing perspectives. Some of the groups and organizations that participated include:

California Public Utilities Commission, California Independent System Operator, California Air Resources Board, California Department of Water Resources, Pacific Gas & Electric Company, San Diego Gas & Electric, Southern California Edison, Sacramento Municipal Utility District, Los Angeles Department of Water and Power, California Community Choice Association, California Energy and Demand Management Council, California Large Energy Consumers Association, California Municipal Utilities Association, Center for Sustainable Energy, Environmental Defense Fund, eRadio, Gridworks, Lawrence Berkeley National Laboratory, Natural Resources Defense Council, OpenADR Alliance, Recurve, Southern California Public Power Authority, The Utility Reform Network, and WattTime.

The CEC relied upon the following documents:

- *Staff Report: Analysis of Potential Amendments to the Load Management Standards*. Load Management Rulemaking. Docket Number 19-OIR-01. November 2021. CEC-400-2021-003-SF

- Shepherd, Morgan, David Cuffee, and Karen Herter. 2021. *Market Informed Demand Automation Server (MIDAS) Documentation: Connecting to and*

Interacting with the MIDAS Database. California Energy Commission. Publication Number: CEC-400-2021-009. September 15, 2021.

CONSIDERATION OF REASONABLE ALTERNATIVES INCLUDING THOSE THAT WOULD LESSEN ANY ADVERSE IMPACT ON SMALL BUSINESS

No reasonable alternatives to the proposed regulations have been proposed that would lessen any adverse impact on small business or that would be less burdensome and equally effective in achieving the purposes of the regulation in a manner that achieves the purposes of the statute being implemented.

The CEC proposes to update the LMS regulations to require the five largest electric utilities in California -- Los Angeles Department of Water and Power, Pacific Gas and Electric, Sacramento Municipal Utility District, San Diego Gas and Electric, Southern California Edison -- and the CCAs located within their service territories to:

- Develop retail electricity rates that change at least hourly to reflect locational marginal costs and submit those rates to the utility's governing body for approval.
- Update the time dependent rates in the CEC's MIDAS database whenever a rate is approved or modified.
- Implement a single statewide standard method for providing automation service providers with access to their customers' rate information.
- Develop a list of cost-effective automated price response programs for each sector and integrate information about time dependent rates and automation technologies into existing customer education efforts.

In addition to the proposed regulations, the CEC evaluated the following alternatives:

Under one alternative, the CEC considered further investment to expand the scale of demand response programs to meet the challenge of the projected higher peak hour electricity demand. Under this alternative, utilities would expand current incentive programs to reward more aggregators and customers for load control and other forms of demand response. It was determined that this alternative would be costly and provide limited demand resources and market benefits. Therefore, this alternative was not chosen.

Under a second alternative, the CEC considered not requiring the utilities and state agencies to work together to develop a single statewide standard tool to support authorized third-party automation services. In this alternative, each utility would have to either implement hourly rates and signals without a tool or develop their own tool for providing automation service providers (ASP) with access to their customers rates and the ability to act on their customers directions to change their rate. This alternative was determined to be less effective at encouraging mass market demand automation resulting in lower customer benefits. Therefore, this alternative was not chosen.

SPECIFIC TECHNOLOGIES OR EQUIPMENT

The proposed regulations do not mandate proprietary technology or equipment.

ECONOMIC IMPACT ASSESSMENT/ANALYSIS

The Creation or Elimination of Jobs within the State of California

The proposed regulations may expand employment opportunities in California. Additional skilled labor may be needed in sectors such as information technologies, software engineering, program administration, marketing, and outreach. Therefore, the CEC has determined it is likely that jobs may be created, and unlikely jobs will be eliminated as a result of the proposed regulation.

The Creation of New Businesses or the Elimination of Existing Businesses within the State of California.

The proposed regulations are intended to increase the availability of automated flexible loads to manage electricity costs, support grid resiliency, and reduce the likelihood of widespread outages during system emergencies. However, the requirements would only apply to specific utilities and the CCAs located within their boundaries. Therefore, the CEC has determined it is unlikely new businesses would be created and unlikely existing businesses would be eliminated as a result of the proposed regulations.

The Expansion of Businesses Currently Doing Business within the State of California

The proposed regulations may provide expansion opportunities related to smart device manufacturers and automation service providers. Smart device manufacturers may bring to market new smart devices that work well with the new hourly tariffs or hourly signal programs proposed in the regulation. Automation service providers may leverage the proposed standardized RIN access tool to attract more customers previously deterred by the obstacles in the enrollment processes. Therefore, the CEC has determined that it is likely the expansion of businesses may be a result of the proposed regulations.

Benefits of the Regulations to the Health and Welfare of California Residents, Worker Safety, and the State's Environment

The proposed regulation will benefit the health and welfare of California residents and the state's environment through cost savings to the consumer, cost savings to utilities, and lower greenhouse gas emissions from energy generation and use. Updated LMS regulations are expected to improve load flexibility by allowing consumers to voluntarily automate flexible loads. The combination of dynamic marginal rates optimized behind the meter energy storage, and better access to utility load management programs will improve the supply-demand balance. This will reduce both the cost of electricity and greenhouse gas emissions from electricity by shifting use to times when supplies are low or zero carbon and readily available.

Results of the Economic Impact Assessment/Analysis

The CEC concludes that the proposal: (1) may create jobs within California, (2) is unlikely to eliminate jobs within California, (3) is unlikely to create new businesses in

California, (4) is unlikely to eliminate existing businesses within California, and (5) may result in the expansion of businesses currently doing business within the state

DUPLICATION OR CONFLICTS WITH FEDERAL REGULATIONS

These proposed amended regulations do not duplicate or conflict with any federal regulations or statute contained in the Code of Federal Regulations.

EVIDENCE SUPPORTING FINDING OF NO SIGNIFICANT ADVERSE ECONOMIC IMPACT AFFECTING BUSINESS

The CEC has made an initial determination that the proposed regulations are unlikely to have a statewide adverse economic impact directly affecting business, including the ability of California businesses to compete with businesses in other states.

The CEC proposes to update the LMS regulations to require the five largest electric utilities in California – Los Angeles Department of Water and Power, Pacific Gas and Electric, Sacramento Municipal Utility District, San Diego Gas and Electric, Southern California Edison – and the CCAs located within their service territories to:

- Develop retail electricity rates that change at least hourly to reflect locational marginal costs and submit those rates to the utility's governing body for approval.
- Update the time-dependent rates in CEC's MIDAS database whenever a rate is approved or modified.
- Implement a single statewide standard method for providing automation service providers with access to their customers' rate information.
- Develop a list of cost-effective automated price response programs for each sector and integrate information about time-dependent rates and automation technologies into existing customer education and outreach programs.

The proposed regulations will form the foundation for a statewide system of time and location dependent signals that can be used by automation enabled loads to provide voluntary load flexibility on the electric grid.

The proposed regulations do not create the need for a new good or service. Instead, they require the improvement of existing goods in the market. The economic impact on utilities is expected to be small compared to the total sales of these entities, and insufficient to have an adverse economic impact affecting business.

While the amended regulations would impose new compliance costs on the utilities, the CEC assumes the utilities will pass these costs through to the ratepayer. However, the savings from lower utility bills are anticipated to be larger than the increased costs, resulting in overall economic savings

FOR FURTHER INFORMATION

Inquiries concerning all aspects of the rulemaking process should be directed to Corrine Fishman at Corrine.Fishman@energy.ca.gov.