

DOCKETED

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September 10, 2024

Bassam Abou-Chakra
Chief Compliance Officer Regulatory Compliance
Los Angeles Department of Water and Power
Via Email: bassam.abou-chakra@ladwp.com

Dear Bassam Abou-Chakra:

The California Energy Commission (CEC) has completed an initial review of the Los Angeles Department of Water and Power's (LADWP) Load Management Standards (LMS) compliance plan (plan).

Title 20 California Code of Regulations (CCR) section 1623.1(a)(3) establishes a process under which the Executive Director of the CEC "shall 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 made the initial determination that LADWP's plan is inconsistent with 20 CCR sections 1623.1(a)(1), 1623.1(a)(2) and 1623.1(b)(3) and am recommending the changes and requesting the information described below.

Failure to Comply with 20 CCR section 1623.1(a)(1)

Requirements

Section 1623.1(a)(1): "The plan shall describe how the Large POU or the Large CCA will meet the goals of encouraging the use of electrical energy at off-peak hours, encouraging the control of daily and seasonal peak loads to improve electric system efficiency and reliability, lessening or delaying the need for new electrical capacity, and reducing fossil fuel consumption and greenhouse gas emissions.

The plan shall include consideration of rate structures and programs as specified in section 1623.1(b)-(d).

- (A) The plan must evaluate cost-effectiveness, equity, technological feasibility, benefits to the grid, and benefits to customers of marginal cost-based rates for each customer class.
- (B) If after consideration of the factors in Subsection 1623.1(a)(1)(A) the plan does not propose the development of marginal cost-based rates, the plan shall propose programs that enable an 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.

LADWP's Compliance Plan

"On March 16, 2020, LADWP submitted the following comments on the draft load management regulations with regard to LADWP's existing challenges in implementing real-time marginal cost-based tariffs. Even though progress has been made in certain

areas since the time of that submittal, these same challenges essentially remain for LADWP.” LADWP Compliance Plan p. 17.

Executive Director’s Initial Findings, Recommended Changes and Requested Information

LADWP’s Compliance Plan repeats the analysis contained in a comment letter it submitted over four years ago, and before the formal LMS rulemaking process began. The March 16, 2020, letter lists a host of challenges (listed below) LADWP predicted it would face in implementing a marginal cost-based electricity rate, and highlights areas where more study is needed. The letter does not state how LADWP will meet the goals of the LMS program nor does it “evaluate cost-effectiveness, equity, technological feasibility, benefits to the grid, and benefits to customers of marginal cost-based rates for each customer class” as the LMS regulation requires. The analysis in the March 16, 2020, letter was not designed to meet the requirements of the LMS regulation, since the regulation was not in existence at the time the letter was drafted. Declining to conduct the robust analysis of marginal cost-based rates and programs the regulation requires does not constitute compliance.

LADWP’s Plan is inconsistent with the referenced requirements of Section 1623.1(a)(1).

LADWP must modify its plan to make it consistent with the referenced requirements, including providing current objective analyses and data to support the findings and statements in the plan. LADWP should supplement its plan by stating what progress it has made on the issues and challenges highlighted in its March 16, 2020 letter and should provide detailed plans for addressing these issues going forward in consideration of the factors listed in Section 1623.1(a)(1)(A). The issues the letter cites include “infrastructure challenges,” “advanced metering infrastructure (AMI) deployment,” “communications network expansion,” “distribution system technology,” “customer adoption,” “customer impact,” and “POU business model.” According to Section 1623.1(a)(1)(A), these issues must be evaluated in terms of their “cost-effectiveness, equity, technological feasibility, benefits to the grid, and benefits to customers of marginal cost-based rates for each customer class.”

Failure to Comply with 20 CCR section 1623.1(a)(2)

Requirements:

Section 1623(a)(2) “The rate approving body of a Large POU or 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 POU's or 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 POU or 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 POU to implement, or
- (D) that despite the Large POU's or 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."

LADWP's Compliance Plan

The March 16, 2020, comment letter LADWP's compliance plan states:

"The foregoing list of challenges [cited in the March 16, 2020, comment letter] includes the evaluation of equity, technological feasibility, and benefit to customers. As described in the foregoing list, the implementation of marginal cost-based rates according to the timeline described in the Load Management Standards would result in extreme hardship to LADWP and is not technologically feasible. Therefore, in accordance with CCR § 1623.1(a)(2), compliance with the development of marginal-cost based rates for LADWP customers should be delayed until such time as implementing such rates would be technologically feasible and equitable. Even though LADWP has determined that implementation of marginal cost real-time rates under the stated Load Management Standards timeline is not feasible, LADWP will continue to address these challenges, actively look into options, and pursue Meter/IT/Billing infrastructure that can facilitate the Load Management Standards requirements. As part of these efforts, on July 3, 2023, LADWP created a new Advanced Technologies Infrastructure Division, and a Division Director has been appointed to better integrate LADWP power and water infrastructure. LADWP is aiming to start mass AMI meter deployment in mid-2024 for its 1.5+ million residential and business electric service customers. LADWP will work with its Corporate Strategy and Communications Office to develop a public information program at such time that it chooses to adopt the real-time marginal cost-based rates as contemplated by the Load Management Standards." LADWP Compliance Plan p. 19.

"The foregoing analysis includes the evaluation of technological feasibility and benefits to the grid, in that it identifies potential reductions to system reliability or efficiency from implementing DR programs that depend on MIDAS signals without further analysis.

"Therefore, as described in the foregoing analysis, the implementation of programs that enable automated response to marginal cost signals or other MIDAS signals according to the timeline described in the Load Management Standards would result in extreme hardship to LADWP, potentially reduce system reliability or efficiency, and is not technologically feasible. Therefore, in accordance with CCR § 1623.1(a)(2), compliance with the development of programs that enable automated response to marginal cost signals or other MIDAS signals should be delayed until such time as implementing such programs would be technologically feasible and can be done without potential reductions to system reliability or efficiency.

"LADWP will work with its Corporate Strategy and Communications Office to develop a public information program at such time that it chooses to adopt load flexibility programs

as contemplated by the Load Management Standards.” LADWP Compliance Plan, pp. 23-24.

LADWP Board of Directors’ Resolution, November 14, 2023

“BE IT FURTHER RESOLVED that, in accordance with CCR§ 1623.1 (a)(2), the Board finds that compliance with the development of marginal-cost based rates, as defined in the LMS, for LADWP customers should be delayed until such time as implementing such rates would be technologically feasible and equitable.

BE IT FURTHER RESOLVED that, in accordance with CCR§ 1623.1(a)(2), compliance with the development of programs that enable automated response to marginal cost signals or other signals from the MIDAS database of the State of California Energy Commission (CEC) should be delayed until such time as implementing such programs would be technologically feasible and can be done without potential reductions to system reliability or efficiency.”

Executive Director’s Initial Findings, Recommended Changes and Requested Information

LADWP’s Plan is not consistent with the referenced requirements of Section 1623.1(a)(2). As discussed above, declining to conduct the robust analysis of marginal cost-based rates and programs the regulation requires does not constitute compliance. Also discussed above, the March 16, 2020 letter does not provide adequate support for the plan’s findings and does not contain an “evaluation of equity, technological feasibility, and benefit to customers” supported by current objective data or analysis. These shortcomings mean that LADWP’s Plan does not support the findings the LADWP Board of Directors made granting a delay or modifying compliance with Section 1623.1(b).

LADWP must modify its plan to make it consistent with the referenced requirements and provide current, objective analyses and data to support the findings and statements in the plan. If LADWP then seeks a delay or modification of its compliance with Section 1623.1(b) it must resubmit its plan to its Board for approval. Specifically, LADWP’s plan must address and provide objective evidence supporting the findings required in Section 1623.1(a)(2):

- (A) ”that despite a Large POU's or 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 POU or 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 POU to implement, or
- (D) that despite the Large POU's or 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.”

Particular attention should be paid to documenting LADWP's good faith efforts to comply with the LMS regulations since it submitted its March 16, 2020 comment letter.

Failure to Comply with 20 CCR section 1623.1(b)(3)

Requirements:

Section 1623.1(b)(3) "No later than eighteen (18) months after April 1, 2023, each Large POU and each Large CCA shall submit to the Executive Director a list of load flexibility programs deemed cost-effective by the Large POU or the Large CCA.

(A) The portfolio of identified programs shall provide at least one option for automating response to MIDAS signals for each customer class that the rate-approving body determines such a program will materially reduce peak load.

(B) The programs shall allow customers to respond to MIDAS signals indicating marginal cost-based rates, marginal prices, hourly or sub-hourly marginal greenhouse gas emissions, or other Commission-approved marginal signal(s)."

LADWP's Compliance Plan

The chart on p. 3 of the plan indicates that it would be feasible for LADWP to provide a list of cost-effective programs to the Executive Director by October 1, 2024, pursuant to section 1623.1(b)(3).

Elsewhere the plan indicates that this is not the case, however:

"LADWP will work with its Corporate Strategy and Communications Office to develop a public information program at such time that it chooses to adopt load flexibility programs as contemplated by the Load Management Standards." LADWP Compliance Plan, p. 24.

Executive Director's Initial Findings, Recommended Changes and Requested Information

As discussed above, LADWP's Plan does not support the findings the LADWP Board of Directors made granting a delay or modifying compliance with Section 1623.1(b). LADWP must modify its plan to make it consistent with the referenced requirements and provide current, objective analyses and data to support the findings and statements in the plan. If LADWP then seeks a delay or modification of its compliance with Section 1623.1(b) it must resubmit its plan to its Board for approval. LADWP should also clarify the contradictory language in the plan regarding the feasibility of section 1623.1(b)(3).

Please note that we are withholding comments on the statewide rate tool development issue because of the progress being made by the working group to address this issue. Guidance on LMS Compliance Plans is available at:

[TN251054_20230714T114915_Compliance Assistance for Load Management Standards Compliance Plan Submitt.pdf](#)

To recap, the load management standards Sections 1623.1(a) and (b) require the compliance plan to include up to three sections covering rates and programs as defined by Section 1623.1(b), depending on the proposed compliance route.

1. 1623.1(a)(1)(A) requires an evaluation of cost effectiveness, equity, technological feasibility, benefits to the grid, and benefits to customers of marginal cost-based rates for each customer class.
2. If LADWP chooses not to provide marginal cost-based rates, and the evaluation from (1) supports this decision, then 1623.1(a)(1)(B) requires an evaluation of programs. The programs proposed and evaluated shall enable automated response to marginal cost signal(s) for each customer class.
3. If LADWP chooses not to provide marginal cost-based rates or programs, and the evaluation from (2) supports this decision, then LADWP must provide evidence and analysis to support the conditions in section 1623.1(a)(2).

Pursuant to 20 CCR section 1623.1(a)(3), LADWP's response is due by December 10, 2024, by emailing Gavin Situ (gavin.situ@energy.ca.gov) and Stefanie Wayland (stefanie.wayland@energy.ca.gov). CEC staff is available to assist and will be contacting you soon to schedule a meeting to review this matter. After staff has worked with you, LADWP's plan, with my recommendation, will be submitted to the Commission under 20 California Code of Regulations section 1623.1(a)(3). The Commission will consider LADWP's plan and my recommendation at a business meeting and may approve or reject it or place conditions on it.

Your point of contact is Stefanie Wayland, available at:
stefanie.wayland@energy.ca.gov.

Thank you,



Drew Bohan
Executive Director