

DOCKETED

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Project Title:	Load Management Standards Implementation
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Document Title:	Request for Revision of SMUD Compliance Plan
Description:	Letter from CEC Executive Director Drew Bohan to SMUD requesting revisions to SMUD compliance plan
Filer:	Heather Bird
Organization:	California Energy Commission
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September 19, 2024

Alcides Hernandez
Revenue Strategy Manager
Sacramento Municipal Utility District
6301 S Street
Sacramento, CA 95817

Dear Alcides Hernandez:

The California Energy Commission (CEC) has completed an initial review of the [Sacramento Municipal Utility District's \(SMUD\) Load Management Standards \(LMS\) compliance plan \(plan\)](#)¹ submitted November 30, 2023.

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 SMUD’s plan is inconsistent with 20 CCR sections 1623.1(a)(1) and 1623.1(a)(2) and am recommending the changes and requesting the information described below. I would characterize the spirit of these requested revisions as a need to see a more rigorous justification of the path that SMUD intends to take to comply with the Load Management Standards. The revised plan should be more clearly grounded in the technical, economic, and behavioral assessments SMUD has conducted which informed the construction of customer-facing initiatives – e.g. rates and programs – that together will mobilize load-based resources as described in the regulations.

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

Requirements: 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)

¹ [SMUD's Load Management Standard \(LMS\) Compliance Plan \(Attachment A\)](https://efiling.energy.ca.gov/GetDocument.aspx?tn=253402&DocumentContentId=88616)
<https://efiling.energy.ca.gov/GetDocument.aspx?tn=253402&DocumentContentId=88616>

for each customer class and evaluate them based on their cost-effectiveness, equity, technological feasibility, benefits to the grid, and benefits to customers.

SMUD's Compliance Plan

"SMUD will defer developing and proposing adoption of new dynamic rates beyond April 1, 2025, and offering voluntary participation in any such rates beyond April 1, 2026. Based on the information currently available, SMUD cannot conclude that proposing and implementing dynamic rates as proposed in the LMS schedule cited above would result in material incremental reductions in peak load; be cost-effective; yield equity benefits; be technologically feasible; or yield any cost savings or emissions-related benefits for SMUD and our customers. Moreover, the risks of premature implementation include adversely impacting participating customers' bills, overall experience, and SMUD's image and reputation." (SMUD's Compliance Plan, page 35)

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

SMUD's Plan is inconsistent with the referenced requirements of Section 1623.1(a)(1). Declining to conduct the robust analysis of marginal cost-based rates and programs the regulation requires does not constitute compliance.

We request that SMUD modify its plan to make it consistent with the referenced requirements, including providing objective analyses and data to support the findings and statements in the plan.

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

Requirements: 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.

SMUD's Compliance Plan

"Based on the foregoing evaluation, SMUD cannot conclude that the development of new programs that allow for automated responses to dynamic price signals would be

cost-effective at this time. Developing new programs or modifying existing programs would require SMUD to incur costs associated with design and implementation, along with new technology costs. While these costs could potentially be offset with capacity, energy, or transmission cost savings, the magnitude of those benefits are uncertain. Moreover, SMUD anticipates that any incremental benefits will be limited in the near-term, while new technology is continuing to grow. However, as SMUD continues to learn from, refine, and propose new pilots, and as the penetration of enabling technology grows, SMUD will continue to assess the expected incremental costs and benefits associated with incorporating more dynamic price signals and/or allowing resources to be dispatched by MIDAS signals.” (SMUD Compliance Plan, page 43)

SMUD Board of Directors’ Resolution No. 23-11-04, November 16, 2023

“Section 2. This Board cannot at this time determine that new dynamic hourly rates and/or programs would materially reduce peak load for any customer class relative to SMUD’s current and planned rates and load flexibility programs and pilots.” ([SMUD Resolution No. 23-11-04](#), November 16, 2023²)

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

SMUD’s Plan is not consistent with the referenced requirements of Section 1623.1(a)(2). Declining to conduct the robust analysis of marginal cost-based rates and programs the regulation requires does not constitute compliance. The defects in SMUD’s Plan prevented the SMUD Board of Directors from making the findings the regulation requires to support granting a delay or modifying compliance with Section 1623.1(b).

We request that SMUD modify its plan to make it consistent with the referenced requirements and provide objective analyses and data to support the findings and statements in the plan. If SMUD then seeks a delay or modification of its compliance with Section 1623.1(b), it must then resubmit its plan to its Board for approval.

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

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

In summary, 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 SMUD 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

² [SMUD’s Load Management Standard \(LMS\) Compliance Plan \(Attachment A\)](#)
<https://efiling.energy.ca.gov/GetDocument.aspx?tn=253402&DocumentContentId=88616>

programs. The programs proposed and evaluated shall enable automated response to marginal cost signal(s) for each customer class.

3. If SMUD chooses not to provide marginal cost-based rates or programs, and the evaluation from (2) supports this decision, then SMUD must provide evidence and analysis to support the conditions in section 1623.1(a)(2).

Pursuant to 20 CCR section 1623.1(a)(3), SMUD's response is due by December 18, 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. Technical inquiries should be submitted to Stefanie Wayland at stefanie.wayland@energy.ca.gov.

Following this meeting and once any revisions have been received, SMUD's plan, with the Executive Director's recommendation, will be submitted to the CEC under 20 California Code of Regulations section 1623.1(a)(3). The CEC will then consider SMUD's plan and my recommendation at a business meeting and may approve, reject, or place conditions on the plan.

Thank you,

A handwritten signature in dark ink, appearing to be 'Drew Bohan', with a stylized, sweeping underline.

Drew Bohan
Executive Director