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**BEFORE THE
CALIFORNIA ENERGY COMMISSION**

In the Matter of Load Management
Standards Implementation

Docket No. 23-LMS-01

**INITIAL PROPOSED FRAMEWORK FOR SINGLE STATEWIDE STANDARD TOOL
REQUIRED BY CALIFORNIA CODE OF REGULATIONS, TITLE 20, SECTION
1623(C)**

Submitted by:

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October 1, 2024

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Standards Implementation

Docket No. 23-LMS-01

**INITIAL PROPOSED FRAMEWORK FOR SINGLE STATEWIDE STANDARD TOOL
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1623(C)**

The load serving entities (LSEs), publicly owned utilities (POUs), and utility distribution companies (UDCs) listed above (collectively, the Parties) submit this document and attachments to the California Energy Commission (CEC) in compliance with California Code of Regulations (CCR), Title 20, Section 1623(c) (hereinafter, Section 1623(c)). The Parties submitting this document include: A. the “Large IOUs” (Large Investor-Owned Utilities), namely: Pacific Gas and Electric Company (PG&E), Southern California Electric Company (SCE), and San Diego Gas & Electric Company (SDG&E); B. the “Large POUs” (Large Publicly-Owned Utilities), namely: Los Angeles Department of Water and Power (LADWP) and Sacramento Municipal Utility District (SMUD); and C. the “Large CCAs” (Large Community Choice Aggregators), namely: Ava Community Energy, Central Coast Community Energy, Clean Energy Alliance, Clean Power Alliance of Southern California, CleanPowerSF, Marin Clean Energy, Orange County Power Authority, Peninsula Clean Energy, Pioneer Community Energy, San Diego Community Power, San José Clean Energy, Silicon Valley Clean Energy, Sonoma Clean Power, and Valley Clean Energy.

I.

EXECUTIVE SUMMARY

The Parties submit this initial proposed framework for the single statewide standard tool (SST) required by Section 1623(c). This submission includes this brief and the two attachments hereto – Appendix A (Concept Design Document for CEC LMS Single Statewide Tool) and Appendix B (Terms and Conditions for Use of Single Statewide Standard Tool by Third Parties).

Section 1623(c) requires that the Parties develop an SST that would allow a third party authorized by a customer to access information on that customer's rate and on other rates for which the customer is eligible, and as warranted then to modify the customer's rate, to be reflected in the next billing cycle. Section 1623(c) also directs the Parties to propose a set of terms and conditions applicable to third parties using the SST.

The Parties have engaged in an extensive collaborative process over many months to develop the SST concept design described in Appendix A. The SST concept design meets the requirements of Section 1623(c)(1) through a model that directs third parties to individual LSEs for the required rate information, rather than acting as a centralized repository for such rate information. While the Parties agree with the overall SST concept design, there remain differences among the Parties, particularly as to the respective roles and responsibilities of the Large IOUs, Large CCAs, and Large POUs in operating the SST once it is built. As discussed below, individual Parties (or groups thereof) have different concerns and priorities with respect to the ultimate design, construction, function, cost, cost allocation, funding, maintenance, and supervision of the SST, and each Party reserves the right to take whatever position is most aligned with its needs and interests.

The Parties have engaged with the CEC in the course of developing their SST proposal. During these meetings, CEC representatives have questioned whether the SST should be more centralized than the LSEs are proposing, and questions regarding particular use cases, customer privacy rights, cybersecurity, funding and cost recovery, technological challenges, operation of the SST, and other matters have been identified but not definitively resolved.

Indeed, there remain many open questions about the ultimate design and functionality of the SST, including (among others) questions related to cost, cost allocation and recovery, ongoing funding, providing services to both bundled and unbundled customers, customer privacy and education, cybersecurity needs, requirements for third parties seeking to utilize the SST, whether a third party operator of the SST ultimately will be needed, compatibility with the CEC's Market-Informed Demand Automation Server (MIDAS) Database (a separate feature of the LMS regulations), and how the SST should be designed to maximize its utility in achieving the goals underlying the LMS.

For these reasons, the Parties are presenting the proposed SST framework described herein with the goal of both fulfilling their obligation under Section 1623(c) and laying the groundwork for an ongoing collaborative process that will ultimately result in a functioning, cost-effective SST that provides real value to California electric customers and to the efficiency of California's electricity grid.

II.

BACKGROUND

A. The Load Management Standards

1. Applicable Legal Provisions

California Public Resources Code (PRC) § 25403.5 provides that the CEC “shall . . . adopt standards by regulation for a program of electrical load management for each utility service area.”¹ Pursuant to this statute, the CEC has adopted its Load Management Standards (LMS) regulations, located at 20 CCR §§ 1621-1625.

Section 1621² (General Provisions) articulates the goal that the LMS will “establish cost-effective programs and rate structures which will encourage the use of electrical energy at off-peak hours,” defines various terms used in the LMS regulations, and (among other provisions) directs the Large IOUs to submit compliance plans to the CEC’s Executive Director.

Section 1623 (Load Management Tariff Standard), among other requirements, directs Large IOUs to upload time-dependent rates to the CEC’s MIDAS Database, to which the CEC will maintain public access through an interface that, when provided a Rate Identification Number (RIN), will return information sufficient to enable automated response to marginal grid signals.³ Section 1623.1 provides similar direction to Large POUs and Large CCAs.⁴

¹ PRC § 25403.5(a); *see also* PRC § 25403.5(b) (standards “shall be cost-effective when compared with the costs for new electrical capacity, and the [CEC] shall find them to be technologically feasible”); *id.* (“[a]ny expense or any capital investment required of a utility by the standards . . . shall be treated by the Public Utilities Commission as allowable in a rate proceeding”); *id.* (“CEC “may determine that one or more of the load management techniques are infeasible and may delay their adoption”).

² Unless otherwise noted, all references to “Section” in this document refer to a section of Title 20 of the California Code of Regulations.

³ *See* CCR §§ 1623(b), 1623.1(c); 1623(b); *see also* CCR § 1621(c)(13) (“Rate Identification Number” or “RIN” defined as unique identifier established by the CEC for an electricity rate).

⁴ CCR § 1623.1(c).

At issue in this document is the following separate requirement pertaining to the SST set by Section 1623(c):

(c) Support Customer Ability to Link Devices to Electricity Rates.

(1) Third-party Access. The Large IOUs, Large POU's and Large CCAs shall develop a single statewide standard tool for authorized rate data access by third parties that is compatible with each of those entities' systems. The tool shall:

(A) Provide the RIN(s) applicable to the customer's premise(s) to third parties authorized and selected by the customer;

(B) Provide any RINs, to which the customer is eligible to be switched, to third parties authorized and selected by the customer;

(C) Provide estimated average or annual bill amount(s) based on the customer's current rate and any other eligible rate(s) if the Large IOU, Large POU or Large CCA has an existing rate calculation tool, and the customer is eligible for multiple rates;

(D) Enable the authorized third party to, upon the direction and consent of the customer, modify the customer's applicable rate to be reflected in the next billing cycle according to the Large IOU's, Large POU's or Large CCA's standard procedures;

(E) Incorporate reasonable and applicable cybersecurity measures;

(F) Minimize enrollment barriers; and

(G) Be accessible in a digital, machine-readable format according to best practices and standards.⁵

Section 1623(c) also provides that: (i) the Parties shall submit the SST to the CEC for approval at a Business Meeting within eighteen (18) months of April 1, 2023 (i.e., October 1, 2024); (ii) the CEC's Executive Director may extend this deadline upon a showing of good cause; (iii) the Parties shall describe a single set of terms and conditions they intend to require of

⁵ 20 CCR § 1623(c)(1).

third parties using the SST;⁶ (iv) upon Commission approval the Parties shall implement and maintain the SST;⁷ and (v) any changes to the SST, including to the terms and conditions, shall be submitted to the Executive Director for approval, and the Executive Director shall submit any substantive changes to the Commission for approval at a Business Meeting.⁸

2. CEC Proceeding 23-LMS-01

The CEC opened Docket 23-LMS-01 (Load Management Standards Implementation) “for filings in the implementation phase of the [LMS] regulations, which will occur during calendar year 2023 and beyond.”⁹ This proceeding “is intended for guidance to and submissions by entities regulated by the . . . [LMS], specifically large investor-owned utilities (IOUs), large publicly owned utilities (POUs), and large community choice aggregators (CCAs), as defined in [CCR], title 20, sections 1621(c)(8), (9), and (10).”¹⁰ The opening memo noted that “[a]nticipated filings include [LMS] compliance plans; plan updates and modifications; annual reports; requests for delays, modifications, and exemptions; CEC responses to these filings; and CEC compliance assistance and informational materials. Compliance plans submitted to this docket by regulated entities constitutes submission to the CEC executive director, as required by the regulations.”¹¹

⁶ 20 CCR § 1623(c)(2).

⁷ 20 CCR § 1623(c)(3).

⁸ 20 CCR § 1623(c)(5).

⁹ See Docket 23-LMS-01 (available at <https://efiling.energy.ca.gov/Lists/DocketLog.aspx?doctetnumber=23-LMS-01>), Memo to Open New Docket, 3/21/23.

¹⁰ *Id.*

¹¹ *Id.*

B. The Parties' Efforts To Develop The SST

The Parties have engaged with CEC staff since September 2023 to discuss planning and work activities to submit an SST design on the due date of October 1, 2024. On January 17, 2024, the CEC held a Commissioner's Workshop on Load Management Standards, addressing (among other topics) the SST. During the workshop, the Large IOUs were asked to prepare a milestone timeline to achieve the SST design document submittal by the October 1, 2024 deadline. On February 5, 2024, the IOUs submitted that timeline to CEC staff, which included recommendations that project management and technical editing would be needed.

On March 21, 2024, the CEC held a scoping meeting to discuss the SST overview and the CEC's proposed process. A meeting between all Parties was held on April 10, 2024, to discuss meeting logistics and funding sources, and the Parties engaged in subsequent communications regarding ideas for moving forward with the SST. A second scoping meeting was held on April 16, 2024, during which there was discussion regarding (among other matters) potential topic groups that could work on specific aspects of the SST, including (i) design, (ii) software, (iii) legal, (iv) security and access, and (v) support and funding. The CEC asked for volunteers among the Parties to work on these topics. CEC also clarified expectations for the October 1 deliverable as "scope, design, and terms and conditions" for the SST.¹²

The Large IOUs then decided to begin a process for developing a concept design for the SST. Starting in May 2024, the Large IOUs collaborated on defining an SST concept that would be consistent with existing Large IOU systems and business processes. Given the uncertainties around (among other issues) funding and cost recovery, technological challenges, and data privacy and security considerations, the Large IOUs considered it prudent to start with a model

¹² CEC Staff Presentation: *LMS Single Statewide Tool Scope Meeting #2*; April 16, 2024.

that would leverage existing systems and processes rather than require the development of new systems and processes across the board. In July 2024, the IOUs invited the Large POUs and Large CCAs to join the effort to define a viable SST concept. Beginning with distribution of a draft Concept Design document (*i.e.*, the initial draft of the final Concept Design document attached hereto as Appendix A), the Parties held nine workshops between July 12 and September 11, 2024. CEC personnel participated in the August 1 and August 28, 2024 meetings. In addition, the Parties provided status updates to the CEC throughout the process.

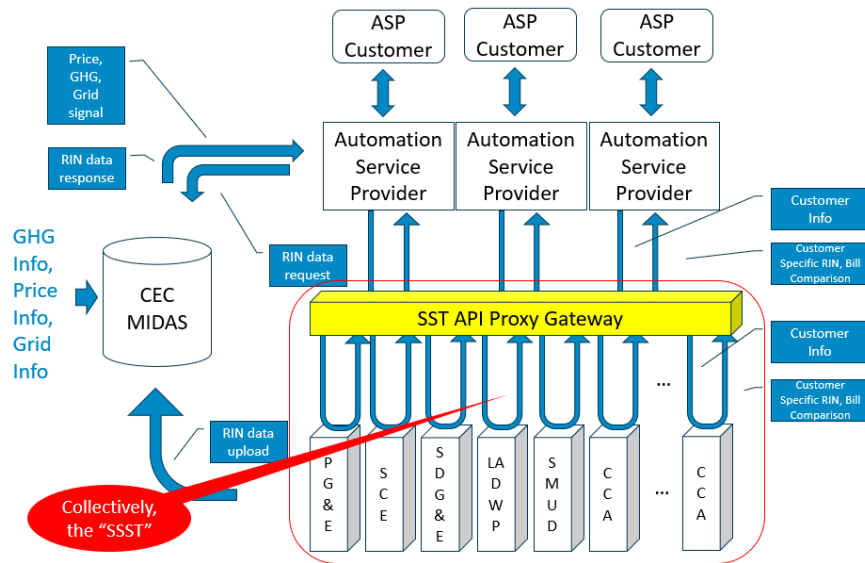
III.

INITIAL PROPOSED FRAMEWORK FOR SST

A. Initial Tool Design Concept

The document attached as Appendix A describes the Parties initial proposed framework for the SST. The following diagram captures the Large IOUs' proposed design¹³ (but does not reflect the position of the Large CCAs that the Large IOUs/UDCs should perform some SST functionalities on behalf of the CCAs for the unbundled customers):

¹³ See Appendix A at 29.



As is conceptually illustrated in the diagram above, this design would leverage existing IOU/POU/CCA (and potentially IOUs on behalf of CCA customers) online account authentication and customer consent mechanisms in providing rate data access to authorized third parties. The advantage of this approach is that existing LSE systems, and existing business relationships between the IOUs and CCAs, can be used when available, thus conserving resources and preventing redundancy with existing capabilities. The challenge of this approach is that, within the overall LSE group there are different capabilities at present with respect to online systems, rate comparison tools, and rate data availability, such that for some LSEs the development of new systems may be needed depending on current capabilities and the ultimate functionality and value-added from the SST.

The initial concept design offered here by the Parties meets all of the requirements of Section 1623(c)(1). Specifically:

- As required by Section 1623(c)(1)(A), the concept design would provide the RIN(s) applicable to the customer's premise(s) to third parties authorized and selected by the customer by leveraging existing IOU/POU/CCA (and potentially IOUs on behalf of CCA customers) online accounts to associate customer's

premise(s) to applicable RIN for bundled customers and to mirrored IOU RIN for unbundled customers.

- As required by Section 1623(c)(1)(B), the concept design would provide any RINs, to which the customer is eligible to be switched, to third parties authorized and selected by the customer, for IOUs, by leveraging existing IOU/POU/CCA (and potentially IOUs on behalf of CCA customers) bill comparison tools to provide RIN information for eligible rates to be switched for bundled customers, and for eligible mirrored IOU rates for unbundled customers. However, it is noted that existing IOU comparison tools do not include RINs associated with the various products (i.e., varying levels of renewable energy within the generation component) offered by CCAs, and functionalities may be necessary to include such products in the future. LADWP anticipates creating a mechanism to interface with the SST that will provide other eligible RINs for its customers, until such time as LADWP has a rate or bill calculation tool.
- As required by Section 1623(c)(1)(C), the concept design would provide estimated average or annual bill amount(s) based on the customer's current rate and any other eligible rate(s) if the Large IOU, Large POU or Large CCA has an existing rate calculation tool and the customer is eligible for multiple rates, again, for IOUs, by leveraging existing bill comparison tools, to the extent available, to provide estimated average or annual bill amounts based on customer's current rate and any eligible rates for bundled customers, and as indicated based on customer's mirrored IOU rates for unbundled customers. It is noted that while existing IOU comparison tools reflect the bundled generation component as a proxy for unbundled service, they do not reflect the various products (i.e., varying levels of renewable energy within the generation component) offered by CCAs. However, this requirement only applies to LSEs that have "an existing rate calculation tool."
- As required by Section 1623(c)(1)(D), the concept design would enable the authorized third party to, upon the direction and consent of the customer, modify the customer's applicable rate to be reflected in the next billing cycle according to standard procedures, by leveraging existing IOU/POU rate change processes to enable authorized third party to request modification of customer's applicable rates. CCA rate changes would follow existing IOU/CCA rate change processes in this mechanism.
- As required by Section 1623(c)(1)(E), the concept design would incorporate reasonable and applicable cybersecurity measures, again by leveraging existing IOU/POU/CCA cybersecurity infrastructure and frameworks to protect SST related data access and functions.
- As required by Section 1623(c)(1)(F), the concept design minimizes enrollment barriers by creating a common API proxy gateway layer as a common interface to

third parties whilst providing the functionality and cybersecurity features referenced above.

- As required by Section 1623(c)(1)(G), the concept design would be accessible in a digital, machine-readable format according to best practices and standards, but utilizing an API gateway and bearer-based token access according to best practice methods and standards established in the industry at large.

B. Requirements For Third Parties That Utilize The SST

The document attached as Appendix B provides an initial, preliminary set of proposed terms and conditions for third parties that would access and utilize the SST on behalf of customers, which are subject to further review and discussion among the Parties. The final terms and conditions document will depend on the final design and operation of the SST as approved by the CEC and the Parties' respective regulatory or governing bodies. As detailed in that document, any third party seeking to access and utilize the SST on behalf of a given customer would have to obtain approval from (i) the CEC, (ii) the IOU/POU/CCA(s) that serve(s) the customer, and (iii) the customer. These proposed terms and conditions assume that final responsibility over the SST will rest with the CEC, pursuant to the LMS regulations, and that the CEC will develop processes around vetting and registering third parties that utilize the SST. These proposed terms and conditions also include provisions relating to the protection of customer privacy, cybersecurity, and miscellaneous provisions as to liability, choice of law, etc.

IV.

STATEMENTS OF INDIVIDUAL PARTIES

As noted above, while there is general consensus among the Parties on the concept design described in Appendix A, there remain differences as to the respective roles and responsibilities of the Large IOUs, Large CCAs, and Large POU's in operating the SST once it is built, as well as different concerns and priorities with respect to the ultimate design, construction, function, cost,

cost allocation and recovery, funding, maintenance, and supervision of the SST. Accordingly, in this section, Parties provide separate statements on their positions as to the ultimate design and function of the SST.

A. STATEMENT OF LARGE IOUs

The IOUs' perspective is that a "thin" model for the SST is best, and that each Party subject to Section 1623(c)'s requirements should be responsible for the SST's functionality with respect to customers served by that Party. By "thin," the IOUs mean more decentralized and reliant upon existing Party capabilities and functions, including account authentication and customer consent mechanisms. As discussed, this approach will allow for leveraging existing systems when available, thus preventing redundancy and inefficiency, and avoiding the data security concerns that would arise with creating a new, statewide repository of all of the data indicated by Section 1623(c). Moreover, as funding and cost recovery for the SST remains unclear, it is advisable to leverage existing capabilities where possible.¹⁴

While the "thin" model approach does entail the challenge of different data access and rate comparison capabilities among the diverse group of LSEs subject to Section 1623(c), the IOUs submit that it is preferable to creating a more centralized tool. By utilizing existing LSE capabilities, the Parties hope to minimize costs and risks of large volumes of data transfers, potentially complex data processing applications, data storage requirements, third party authorization requirements, customer consent processes, and the ongoing need to keep the data current and accurate with respect to available rates and customers' specific rate choices.

¹⁴ Public Resources Code § 25403.5(b) provides that "[a]ny expense or any capital investment required of a utility by the [LMS]. . . shall be treated by the Public Utilities Commission as allowable in a rate proceeding." However, cost recovery for LMS-related work remains unclear. In CPUC proceeding R.22-07-005, the Large IOUs submitted a motion on May 24, 2024 for authority to establish memorandum accounts for recovery of LMS-related costs. That motion remains pending.

Although there are several aspects of the SST that IOUs can support on behalf of CCA customers, such as identification of a CCA customer and provision of a proxy bill comparison for residential customers, there are other aspects of SST requirements that are not enabled by IOUs for CCA customers today. Depending on the solution crafted, IOU ownership of these items, including RINs, may lead to inefficiencies, such as creating a new data feed to request and then retrieve certain data from a multitude of different CCAs, or may lead to inaccuracies, such as provision of information from monthly update files that is outdated.

B. STATEMENT OF LARGE POUs

1. STATEMENT OF SMUD

SMUD supports the decentralized approach for the SST described in this submittal allowing SMUD to leverage existing SMUD capabilities, systems, processes and procedures to support the functionality of the SST. As pointed out by the Large IOUs, this approach appropriately relies on existing resources and processes, and minimizes the costs and risks associated with data security issues related to implementing a new system. This approach translates into lower SST implementation costs reserving limited POU funds and resources for other critical programs targeted at grid efficiencies, reliability and safety. SMUD has participated in the IOUs/POUs/CCAs collective effort to develop and implement the SST, and believes the proposed concept design can be used if and when SMUD determines dynamic hourly rates can be implemented for its customers at a future time. SMUD is the only large utility in the State with a high residential time of day adoption rate serving 97% of customers which delivers consistent load reduction.

In supporting the SST proposal, SMUD also recognizes and remains concerned that the SST allows rate change automation by authorized third parties and this will have unknown

customer experience impacts in our industry that would need to be addressed as the SST is developed, tested and implemented, along with the generation of robust education campaigns for Automation Service Providers (ASPs) and customers to prevent unintended financial impacts. Furthermore, as of the time of this filing, SMUD does not have bill comparison tools and building them is not part of the scope of this submittal.

2. STATEMENT OF LADWP

LADWP, a Large POU, has welcomed the opportunity to engage with its counterpart Utilities, the Large CCAs, and CEC staff in the development of the Concept Design for the SST. Subject to the directives of its governing board, LADWP stands ready to take the steps necessary for successful implementation of the SST, bearing in mind that the Large IOUs, Large POU, and Large CCAs have not yet reached consensus on all aspects of the Concept Design, as noted throughout the Concept Design document. For example, final agreement on all aspects of the Concept Design is conditioned on identification and clarity regarding funding sources, cost, and cost allocation for the SST. Additionally, it should be noted that LADWP does not have an existing rate calculation tool and, therefore, does not anticipate providing bill comparison functionality in conjunction with the SST.

C. STATEMENT OF LARGE CCAs

The Large CCAs generally agree with the Large IOUs that a thin, decentralized SST, utilizing existing LSE capabilities, functions, and systems, is preferable for both functionality and cost-effectiveness. However, complexities exist for Third Party use of the SST on behalf of CCA “unbundled customers,” requiring alternative functionalities than those originally proposed by the Large IOUs (i.e., that each LSE develop systems, tools, and processes to handle providing the information through the thin SST proxy layer). As set forth below, the Large CCAs

recommend that the Large IOUs, as UDCs for Large CCA unbundled customers, perform functions required by the SST on behalf of Large CCAs in their territories.

CCA “unbundled” customer rates are comprised of both CCA generation components and IOU transmission and distribution components, creating complexity for Large CCA participation in the SST. IOU and POU rates “bundle” the generation, transmission, and distribution components, which allow for IOU and POU functions in the canonical description of the SST to be relatively straightforward. During SST development discussions, the Large IOUs and Large CCAs identified and attempted to reconcile the complexities of providing the combined CCA/IOU RINS, rate comparisons, bill comparisons, or rate change capabilities required by LMS section 1623(c) for unbundled customers. Since CCA customers are also de facto IOU customers, the Large CCAs recommend that when a Third Party engages with the SST on behalf of an unbundled customer, the first “stop” should be the IOU. The IOU can then interact for both the CCA generation component, and IOU transmission and distribution component, with the SST on behalf of the IOU and Large CCA for that unbundled customer. To ensure cost effectiveness and ratepayer affordability – by not requesting CCAs to build duplicative systems that increase ratepayer costs – the Large CCAs recommend the existing “business rules” and billing services agreements between the IOUs and CCAs be utilized to govern the provision of services (providing RINS, rate/bill comparison, rate change) by the Large IOUs to the Large CCAs for the SST. The direct interface of the IOU on behalf of the CCA will result in the Large CCAs generally not interfacing directly with the SST, unless an individual CCA chooses such direct contact with the SST.

Certain details of the functionalities between the Large IOUs and Large CCAs for the SST remain unresolved, such as the IOUs storing (or “caching”) RINS on behalf of the Large CCAs.

PG&E has stated that it already caches RINs for CCAs in its territory, and therefore will be able to provide RINs on behalf of unbundled customers of those CCAs. However, SCE and SDG&E have stated that they do not currently cache the unbundled customer RINs, and therefore would need to build systems to cache the RINs (which are already provided to the IOUs by the CCAs in their service territories) for inclusion on customers' monthly bills. In addition, it should be noted that most, if not all, Large CCAs do not currently have existing rate or bill comparison tools as likely envisioned by the LMS regulations. Finally, as stated above, costs, funding sources and cost allocation for the functionalities of the SST, including the IOU/CCA functionalities, for both building and ongoing operation of the SST remain uncertain and must be resolved prior to final adoption of the SST as proposed herein.

As the SST functionalities for unbundled customers are unresolved and functionalities may change in the future, the Large CCAs reserve all rights to seek approval for revisions to the SST, including CCA functionalities thereunder.

V.

PROPOSED NEXT STEPS

A. Determination by CEC Regarding Concept Design

The Parties look forward to receiving CEC input on next steps in the process of developing the SST. The Parties would support public input, consultation with experts, and ongoing engagement with the CEC on developing a tool that provides real value-added and an affordable, cost-effective tool for electric customers and the grid overall. From an affordability and cost-effectiveness perspective, the Parties advocate for utilizing and incorporating existing tools, technologies, and business relationships to the greatest extent possible.

If the CEC approves the basic design as proposed here, and resolves issues regarding SST functionality for unbundled customers and regarding funding and cost allocation, the Parties can provide cost and time estimates for building interfaces that would connect third parties to the SST. These cost and time estimates can also include establishing processes for obtaining customer consent, approving third parties that seek to utilize the SST, and developing the capability to allow for rate changes in line with Section 1623(c)(1)(D). If the CEC does not approve the basic design as proposed here, the Parties are open to collaborate with the CEC for further discussions on developing the SST and all of the processes needed to make it function in a cost-effective and meaningful manner.

A further process around designing the SST will need to address, among other items, the following:

1. How in practical terms the Tool would function and provide value-add and affordability to customers;
2. How unbundled customer information will be obtained under the SST;
3. Where the necessary data would be housed and how it would be maintained and timely refreshed;
4. How technical maintenance will be performed;
5. How to avoid obsolescence of the SST in light of other developing technologies and tools (including tools and systems being developed by the CPUC in its Demand Flexibility Proceeding (Rulemaking (R.) 22-07-005);
6. The CEC's ongoing role in the operation of the SST;
7. The relationship (if any) between the SST and the MIDAS platform;
8. Management of third parties that are accessing the SST;

9. The general administrative requirements of maintaining the SST;
10. Data privacy and cybersecurity requirements;
11. Funding and cost recovery for the tool (including Third Party payment for use of the SST); and
12. Customer rights with respect to the Tool.

B. Process Considerations Once Concept Design Is Approved

1. Tool Construction, Operation, Maintenance, And Security

Once the CEC approves a concept design for the SST (whether that is the design proposed in Appendix A or a different design that results from ongoing consultation on this matter), there will be a variety of process considerations to manage. First, the SST will need to be built. For this, the Parties believe it would be best for a request for proposal (RFP) process to be initiated for purposes of selecting and contracting with an external solution provider to build and host the SST. The details around what business requirements to include in the RFP, the entity that would issue the RFP and enter into the contract with the third party, the source of funding for the third party provider, the terms of the contract with the third party, and how the individual Parties will engage with both the CEC and the third party to maintain the functionality of the SST going forward, among many other issues, would need to be worked through as part of this process.

2. Financial And Cost Recovery Considerations

The SST workshop process revealed differences amongst the Parties that call for further development of the LMS regulations. Specifically, the LMS regulations do not address the issues of cost allocation associated with respect to the initial development and implementation of the SST, in addition to funding associated with ongoing operations, maintenance, and upgrades

the SST will undoubtedly require in order to serve its intended purpose. The Parties see the need for a second phase in this Docket to fully explore the issues of:

1. overall SST costs to help inform the scope and scale of the initial design and implementation;
2. cost allocation across LSEs to ensure that customers from the LSE categories (i.e., IOU, Large CCA and POU) are responsible for an appropriate share of the costs, based on legislative and CPUC guidance on cost allocation;
3. development of a cost allocation methodology to ensure customers from the LSE categories are responsible for foundational SST costs to prevent the avoidance of foundational cost responsibility through late entrance into the SST; and
4. regulatory approval of cost recovery and allocation and future funding sources to ensure the SST starts as and remains a viable and effective tool to support California's energy transition.

The California Legislature and the CPUC provide guidance with respect to cost allocation between IOU bundled and unbundled electricity service. While the guidance is not specific to the SST, the guidance from both bodies establishes principles of cost causation that can provide guidance for allocation of SST related costs. California Public Utilities Code Section 366.3 provides that "Bundled retail customers of an electrical corporation shall not experience any cost increase as a result of the implementation of a community choice aggregator program. The commission shall also ensure that departing load does not experience any cost increases as a result of an allocation of costs that were not incurred on behalf of the departing load."

Public Utilities Code Section 366.2(c)(20) further provides that "An electrical corporation shall recover from the community choice aggregator any costs reasonably

attributable to the community choice aggregator, as determined by the commission, of implementing this section, including, but not limited to, all business and information system changes, except for transaction-based costs as described in this paragraph. Any costs not reasonably attributable to a community choice aggregator shall be recovered from ratepayers, as determined by the commission. All reasonable transaction-based costs of notices, billing, metering, collections, and customer communications or other services provided to an aggregator, or its customers shall be recovered from the aggregator or its customers on terms and at rates to be approved by the commission.”

The CPUC captures the legislative intent in Decision (D.) 14-12-024, p. 48, in establishing cost causation principles for IOU bundled and unbundled service, in its statement that “the principle of cost causation means that the costs should be borne by those customers who cause the utility to incur the costs, not necessarily by those who benefit from the expense.” Thus, the Commission adopted as a cost allocation principle that any demand response program or tariff that is available to all customers shall be paid for by all customers. (*Id.*) By analogy, since the SST generally will be available to all retail customers of the IOUs, the CCAs and the POU, its costs should be paid for by all customers. But if there are parts of the SST that will not be available to specific groups of customers based on their IOU/CCA/POU, those customers theoretically should not bear the costs for the SST that is unavailable to them.

Because the design, implementation, and ongoing operations of the SST will involve costs that are shared across Parties and will involve costs that are specific to individual Party categories, the responsible regulatory agency must engage in a robust process to identify these costs and establish appropriate regulatory guidance and ratemaking mechanisms that build on the legislative, regulatory, and other applicable guidance.

CEC LMS compliance cost recovery questions for IOUs are currently pending in the Demand Flexibility Order Instituting Rulemaking, R.22-07005, where the Assigned Commissioner ruling (November 2, 2022) has asked “5. How should the Commission support the implementation of the amendments to the California Energy Commission’s Load Management Standards?” The ALJ ruling issued April 24, 2024, asked for comments on this question (Attachment A, Section 5). Comments and motions on the LMS cost recovery questions in the ruling were filed this spring, with both the Large IOUs and Large CCAs (through their trade association California Community Choice Association) providing comments.¹⁵ The Large IOUs and Large CCAs therefore respectfully request the CEC to confer with the CPUC regarding overall costs of the SST, cost allocation across LSEs, and future funding sources. The Large IOUs and Large CCAs recommend incorporating the following into any decisions on the SST plan as guidance:

1. Exploration of the scale and scope of SST related costs.
2. Established cost causation principles between bundled and unbundled service.

¹⁵ See *California Community Choice Association’s Comments on the Administrative Law Judge’s Ruling on Track B Working Group 1 Proposals and Issue 5*, R.22-07-005 (May 22, 2024) at 5-7 (that LMS cost recovery on behalf of bundled and unbundled customers, including costs for the SST, should be through IOU distribution rates if cost recovery is not available through non-ratepayer or CEC funds); see also *California Community Choice Association’s Reply Comments on Administrative Law Judge’s Ruling on Track B Working Group 1 Proposals and Issue 5*, R.22-07-005 (June 12, 2024) at 6-11 (stating that the CPUC should adopt the Large IOUs’ categorization of LMS costs and specify from whom and how the LMS costs will be recovered from the Large IOU and Large CCA customers to prevent cost shifts).

The IOUs also filed comments and reply comments on the ALJ’s April 24, 2024 ruling. See, *Opening Comments Of Southern California Edison Company (U 338-E), Pacific Gas And Electric Company (U-39), And San Diego Gas & Electric Company (U-902-E) In Response To Administrative Law Judge’s Ruling On Track B Working Group 1 Proposals And Issue 5 (May 22, 2024)*, at 13-18; and *Reply Of Southern California Edison Company (U 338-E), Pacific Gas And Electric Company (U-39), And San Diego Gas & Electric Company (U-902-E) In Response To Administrative Law Judge’s Ruling On Track B Working Group 1 Proposals And Issue 5*, R.22-07-005 (June 1, 2024) at 3-5.

The Public Advocates Office also filed opening and reply replies to the ALJ’s April 24, 2024 ruling on Issue 5.

3. Allocation of foundational SST costs on a functional (i.e., delivery service vs. generation service) basis to all Parties.
4. A mechanism by which costs that are reasonably attributable to a specific Party category are recovered from the responsible Party category to prevent shifting of cost recovery to customers from other Party categories who do not cause the cost to be incurred.
5. Regulatory approval of cost recovery and future funding source for ongoing operations maintenance and upgrades of the SST.

VI.

CONCLUSION

The Parties appreciate the opportunity to share the considerations and initial framework presented above for the CEC's consideration and look forward to moving forward collaboratively with the CEC to implement the SST.

Respectfully submitted,¹⁶

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Date: October 1, 2024

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¹⁶ The other Parties joining in this submission have authorized Rebecca Hansson, Attorney for San Diego Gas & Electric Company, to sign this brief on their behalf.

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