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March 28, 2025

Mr. Drew Bohan
Executive Director
Energy Data and Analytics Office
California Energy Commission
1516 Ninth Street
Sacramento, California 95814

RE: City of San José's, administrator of San José Clean Energy, Revised Load Management Standards Compliance Plan

Dear Executive Director Bohan:

Pursuant to the California Code of Regulation Section 1623.1 and feedback from the California Energy Commission (CEC), the City of San José, administrator of San José Clean Energy (SJCE), submits its revised Load Management Standards (LMS) Compliance Plan to the CEC Docket Number 23-LMS-01.

SJCE's LMS Compliance Plan has been revised to reflect recent activity to advance load flexibility, particularly our participation in the Hourly Flex Pricing pilot. Following this letter is SJCE's LMS Compliance Plan for the CEC's final approval.

If you have any questions, or additional information is required, please contact Kayla Baum, Regulatory Policy Specialist, at kayla.baum@sanjoseca.gov.

Sincerely,

Heather Dauler

Heather Dauler
Deputy Director
Regulatory Compliance and Policy
City San José, Energy Department
Administrator of San José Clean Energy
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Load Management Standards Compliance Plan

(Updated as of February 10, 2025)

San José Clean Energy
200 E. Santa Clara St.
San José, CA 95113

February 10, 2025

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1 Executive Summary

San José Clean Energy (SJCE) respectfully submits this Load Management Standards Compliance Plan to the California Energy Commission (CEC) Executive Director as required by Title 20, California Code of Regulations (CCR) section 1623.1.

This plan outlines SJCE's current participation in dynamic rate initiatives, including uploading rates to CEC's Market Informed Demand Automation Server (MIDAS) database, and developing load flexibility programs. While SJCE lacks comprehensive data for an exhaustive evaluation, SJCE appreciates the importance of assessing the cost-effectiveness, technological feasibility, and equity impacts of implementing dynamic rates to meet California's clean energy and climate goals and has undertaken a good faith effort to plan to meet LMS goals.

SJCE's Load Management Standards (LMS) Compliance Plan was publicly posted on the City of San José's website on March 8, 2024, and heard at a public meeting before City Council on March 19, 2024. This compliance plan was adopted by City Council, SJCE's rate-approving body, during that same public meeting on March 19, 2024. Following its approval by City Council, this plan was filed with the CEC to the 23-LMS-01 Docket on April 2, 2024.

Since submitting the City Council-approved plan, SJCE has engaged in discussions with CEC staff regarding the plan's consistency with the regulations. On December 17th, 2024, CEC staff sent an informal request via email, providing guidance for plan revisions. In response, SJCE has incorporated their technical assistance to update the plan. Given various developments throughout CEC's review, SJCE has also included the latest information about activities that have taken place since the plan was originally filed.

2 About SJCE

SJCE is a not-for-profit Community-Choice Aggregator (CCA) administered by the City of San José's Energy Department. SJCE serves 4,000 gigawatt-hours of load annually to over 350,000 residential and commercial accounts, representing nearly one million residents and more than 63,000 businesses. With community support and local advocacy, SJCE was unanimously approved by the San José City Council in May 2017 and began serving most residential and commercial customers in San José in February 2019. SJCE prioritizes reliability, consumer equity, and affordability and has made a good faith effort to develop this Compliance Plan with these priorities in mind.

As a city program within the Energy Department, SJCE is subject to the requirements of Title 26 of the San José Municipal Code and is governed by San José's City Council, with input from a Climate Advisory Commission and the public. The City Council has solitary rate-setting authority with rates discussed and approved at noticed, open public meetings. As a city program and not a stand-alone CCA, SJCE's governance structure is unique, with some specific powers and duties granted to the Energy Department's Director. For example, on October 17, 2023, the San José City Council specifically delegated to the Director of the Energy Department the power and duty to "develop and implement local energy efficiency, renewable energy, and other energy programs," and to "administer rate setting and optional rates to encourage policy goals."[1] Compliance with the LMS regulations, including participating in PG&E's pilot program noted below, is squarely within the authority of the Director of the Energy Department, as authorized by the City Council.

[1] City of San Jose Ord. 30956, § 2 (2023).

3 Load Management Standards

The CEC's LMS aim to encourage electricity customers to shift electricity use away from high demand hours, when polluting generators are in use, to times when lower-cost clean electricity is available. The LMS seek greater grid resilience, efficiency, and reduced fossil fuel reliance by urging CCAs to develop voluntary retail rates that change at least hourly to reflect grid costs and greenhouse gas emissions. SJCE recognizes that the LMS represent one of many important steps in achieving California's clean energy, climate, and grid resilience goals.

April 1, 2023 amendments to the LMS regulation imposed new requirements on the largest investor-owned and publicly owned utilities, as well as CCAs like San José Clean Energy. Specifically, the revised LMS regulation compels Large CCAs to embark on a planning process to develop "marginal cost-based rates or public programs." In response to the LMS, codified in 20 CCR § 1623.1(a)(1), San José Clean Energy is required to develop and submit a Compliance Plan that identifies strategies to meet specified requirements. The LMS regulation requires Large CCAs to submit a Compliance Plan for review and a vote by our rate-approving body by April 1, 2024. Such a compliance plan is to analyze and determine whether the adoption of dynamic rates for certain customer classes is technologically feasible, equitable, and cost-effective within the LMS timeline. Per 20 CCR § 1623.1(b)(2), SJCE is required to propose to our rate-approving body a voluntary cost-effective real-time pricing (RTP) rate for one customer class by July 1, 2025. Additionally, 20 CCR § 1623.1(a)(1)(C) requires that each large CCA's compliance plan is reviewed at least every three years.

4 Access to Price Signals

20 CCR § 1623.1(c) requires that CCAs upload all existing time-dependent rates to the Commission's MIDAS database and keep all available time-dependent rates current by uploading as they are approved, prior to taking effect.

4.1 Existing Rates Uploaded to MIDAS

SJCE's time-dependent rates are available on the MIDAS database. SJCE successfully uploaded 501 rate permutations of existing time-dependent rates to MIDAS as required by 20 CCR § 1623.1(c), by the deadline of August 1, 2023, as modified by CEC Order No. 23-0531-10 (Order). On October 1, 2023, SJCE uploaded the remaining 1,504 Rate Identification Numbers (RINs) representing price modifiers as required by the Order. As a CCA, SJCE only provides the unbundled generation component of customer rates, with Pacific Gas & Electric (PG&E) uploading distribution rates. A list of all SJCE's uploaded rates can be found in Appendix Attachment 1.

4.2 Future Rate Uploads

SJCE contracts with Calpine to ensure timely and accurate upload of time-dependent rates to the MIDAS database. SJCE will work with Calpine, or another vendor providing similar or equal services, during future rate changes to upload new rates. This process adds an additional two weeks to SJCE's current rate change timeline.

4.3 Plan for Providing RINs on Customer Bills

SJCE is a CCA in PG&E territory, and SJCE customers receive their final energy statements from PG&E. As such, CCAs have been in conversation with PG&E on the process, presence, and presentation of RINs on

customer bills. On January 16, 2024, PG&E filed Advice Letter 7136-E detailing the addition of RINs for dynamic rates to customer bills[2]. This advice letter states that customer energy statements will have a machine-readable QR code with the corresponding RIN on the top right corner effective March 31, 2024. SJCE intends to continue discussions with PG&E to implement RINs on unbundled customer bills by the required April 1, 2024 deadline.

4.4 Participation in Single Statewide Tool Development and Implementation

20 CCR § 1623(c)(2)(B) requires that parties collaborate to develop and submit the single statewide standard tool for CEC approval by October 1, 2024. The tool is required to provide RINs to customers' premises, the RINs that a customer is eligible for, bill estimations based on a customer's current rate and other eligible rates, and also allow authorized third parties to modify a customer's rate per customer request.

SJCE staff from the Regulatory and Compliance team and the Accounts and Marketing team participated in the January 17, 2024, CEC-hosted workshop, which provided a status update on the development of the statewide rate access tool. Additionally, SJCE staff supported the development of materials for discussion shared at the January workshop on behalf of CCAs. SJCE remains committed to continuing active involvement in the development of the single statewide tool. Once a proposed tool is approved by the CEC, SJCE will proceed with the implementation of the tool. However, until that tool is approved by CEC, the expected system upgrades, personnel, and funds needed for implementation are currently unknown to SJCE.

SJCE intends to continue to participate with other stakeholders involved in the development of the single statewide tool. Currently, there is still significant uncertainty about the CEC's expectations for the parameters of the tool itself, the development process, implementation, and the cost recovery for parties.

Since the original submission of this plan, we have been working with the other regulated load serving entities (LSEs) on creating the statewide RIN tool pursuant to 20 CCR Section 1623(c). A proposed plan for the tool was submitted to the CEC for review on October 1, 2024. We will continue to work with the other LSEs and the CEC towards the implementation and maintenance of the statewide RIN tool in a timely manner subject to the tool's approval by the Commission.

5 San José Clean Energy Dynamic Rates and Load Flexibility Programs

5.2 Current Time-Dependent Rates

All SJCE customer classes, excluding lighting and unmetered customers, have access to Time-of-Use (TOU) rates. TOU rates typically comprise some combination of peak, part-peak, off-peak, and super off-peak time periods that include a seasonality component as well. These rates offer customers the

[2] https://www.pge.com/tariffs/assets/pdf/adviceletter/ELEC_7136-E.pdf.

opportunity to shift their usage between relatively easily understandable periods, potentially reducing their bills while improving grid reliability and reducing carbon emissions.

5.2.1 TOU Rates

SJCE has 80 TOU rates that mirror the time periods offered by PG&E. TOU rates shape customer demand through pricing signals that influence customers to use electricity during off-peak and part-peak time periods. SJCE is currently limited in its ability to offer more TOU rates and periods or even modify currently available periods due to the way it receives usage data from PG&E. PG&E provides usage data to SJCE in scalar buckets correlating with their TOU buckets. SJCE has only recently been granted the opportunity to receive hourly interval data for a limited number of customers. With the receipt of this selective hourly interval data, SJCE has adopted a new super off-peak TOU rate called Midday Super Saver[3].

5.3 Current and Planned Load Flexibility Programs

5.3.1 Peak Rewards Program

In May of 2023, SJCE launched its first self-funded and in-house administered demand response program, Peak Rewards. The Peak Rewards Program is a non-residential, behavioral event-based demand response program in which commercial customers voluntarily elect to participate. The Peak Rewards Program compensates participating customers to reduce energy use during two- to four-hour events between the hours of 4 p.m. and 10 p.m., between the months of May and October.

In the case of an upcoming event, participating customers are given advance notice via email or text, unless events such as grid emergencies deem a shorter notice necessary. Prior to the event, commercial customers may opt-out of participating in the specific event. During the event, participants attempt to reduce energy consumption as much as feasible. After a given event, customers are notified of their energy savings and compensation based on the kWh reduction. Incentive payments for energy savings are then bundled and applied to their PG&E bill.

Currently, there are nine commercial customers participating, totaling 1 MW of peak load reduction.

5.3.2 Planned Load Flexibility Programs

While SJCE is relatively new to dynamic rates and programs, we are currently planning a plethora of programs to shift load off-peak, optimize customer affordability, and increase grid resilience. Currently, SJCE is in the process of planning the implementation of several demand response and load flexibility programs.

Event Based Demand Response

For the Summer of 2023, SJCE marketed the Peak Rewards demand response pilot to large commercial

[3] https://sanjosecleanenergy.org/midday-saver/.

customers. For the remainder of the fiscal year and into FY 2024-2025, SJCE is seeking to operationalize lessons learned from this pilot to launch a full demand response program. SJCE plans to open this full demand response program to all commercial and residential customers enrolled in SJCE. This program will not only expand in size but will also be more robust, supporting automated participation through technologies like smart thermostats, smart power strips, EV chargers, and home batteries. SJCE plans to partner with a third-party implementer to launch this expanded program. SJCE expects to reach the goal of establishing a five MW resource after one full year of operation of the full demand response program.

Electric Vehicle Managed Charging and Telematics

SJCE is considering launching a telematics-based managed charging system program by 2025. Telematics-based charging systems use software to communicate with onboard technology and communications systems in electric vehicles to control when they charge. Several other CCAs have successfully used telematics to shift some of their residential customers' EV charging from the evening peak (4 p.m. to 9 p.m.) and overnight to low-carbon daytime periods[4]. In the planned program, participants are compensated for daytime charging "events" by shifting charging to lower-cost time-of-use periods. SJCE intends to launch the residential managed charging program in two phases. First, open the program to a smaller group of participants and to study whether a scaled-up program will cost-effectively shift load. Second, to expand the program to more electric vehicle owners and/or for a longer duration. CCAs' telematics programs have shown improved grid resiliency by shifting charging during Flex Alerts and other grid emergencies.

6 Evaluation of New Dynamic Rates

20 CCR § 1623.1(a)(1)(A) requires that compliance plans include an evaluation of cost-effectiveness, technological feasibility, benefits to the grid and customer, and equity of marginal cost-based rates for customer classes. Such evaluations are to inform the potential proposal of new marginal cost-based rates or the proposal of programs that enable automated response to time-dependent price signals. Presently, SJCE does not have the data or experience to thoroughly evaluate the impacts of dynamic rates. For this reason, we cannot draw a sound conclusion regarding the cost-effectiveness, technological feasibility, customer and grid benefits, or equity impacts of adopting dynamic rates. Nonetheless, this section explores the factors of evaluation to determine the cost-effectiveness, technological feasibility, benefits to the grid and customer, and equity of implementing new dynamic rates.

6.1 Cost Effectiveness

One evaluation criterion detailed in the LMS regulations is cost-effectiveness. Without in-house data on location-dependent marginal cost-based rates, SJCE will identify factors and qualitatively estimate the potential costs and benefits of adopting such rates in this section. Currently, there are a handful of pilots and studies that analyze the costs and benefits of real-time pricing for which SJCE can draw rough conclusions. Some of these include Valley Clean Energy's AgFIT pilot program and Commonwealth

[4] Peninsula Clean Energy (PCE) and Silicon Valley Clean Energy (SVCE) have both implemented a managed charging and telematics program with EV.Energy.

Edison's Hourly Pricing[5]. While various pilots have yielded real data that we can make broad estimates from, SJCE is unable to speculate about the impacts of real-time pricing on our own jurisdiction from other territories or utilities at this time. Local factors such as weather, energy policies, housing stock, and many other locally dependent factors critically impact the underlying assumptions and conclusions of the costs and benefits of dynamic rates. SJCE finds it necessary to assess the impacts from pilots in our own jurisdiction to accurately estimate the potential risks, costs, and benefits of real-time pricing.

SJCE perceives the following as reasonable factors to influence the cost-effectiveness of dynamic rates:

- *Rate development*. Development of a marginal cost-based rate. The development of a new dynamic rate includes the costs associated with rate design and setup, including the cost of third-party consultant assistance, staff hours, billing system integration and upgrades, and the uploading of the rate into CEC's MIDAS database.
- *Program administration*. This includes ongoing costs to administer the program, including development and maintenance of customer tools, maintenance of CEC MIDAS database, and staff evaluation of effectiveness.
- *Customer education*. Any new rate or program requires significant investment in customer outreach and education. Customer education includes marketing, targeted customer recruitment, and customer education about the benefits of marginal cost-based rates.

Implementing novel and complex rates for each customer class requires a time-intensive, expensive, and involved multistep process. The development of new dynamic rates for each of SJCE's customer classes would require significant investment and administrative capacity to plan, develop, garner approval, and educate customers on new dynamic rates. It is anticipated that developing a rate this complex for a single customer class, from the ground up, would take at least a year.

6.2 Benefits to the Grid and Customer

Dynamic price signals that result in significant load shifts hypothetically provide benefits to the grid and SJCE customers. To what extent benefits will be realized in real-world application, is currently unknowable to SJCE.

The following list represents some of the factors SJCE considers in evaluating the potential benefits offered by dynamic rates:

- *Avoided energy procurement costs*. More efficient use of lower cost solar energy when available results in reduced reliance on more expensive energy associated with peak load. Less demand during peak hours should reduce wholesale energy prices.
- *Avoided capacity costs.* Shifting customer demand to mid-day will likely reduce pressure to build out additional generation facilities and smooth the demand curve across the day. Furthermore, high resource adequacy prices should decrease as a result.
- *Avoided GHG emissions*. Off-peak energy tends to be cleaner than peak hour energy, so a shift in customer demand brings benefits to the greenhouse gas emissions profile.
- *Improved reliability*. Strain on the grid is greatest during summer peak hours. Shifting demand will potentially reduce emergency events and decrease transmission upgrade and buildout

[5] https://icc.illinois.gov/downloads/public/edocket/587138.PDF.

requirements.

6.3 Technological Feasibility

An additional factor of evaluation required by 20 CCR § 1623.1(a)(1)(A) is the technological feasibility of implementing new dynamic rates for all customer classes. Such evaluation includes that of internal technology at SJCE to process rates and customer technology to receive and automate responses to rates.

The following represents factors for consideration in the technological feasibility of adopting dynamic rates:

Internal

- *Billing system.* SJCE has been limited in its ability to offer dynamic rates due to the way it receives usage data from PG&E. PG&E provides usage data to SJCE in scalar buckets correlating with their TOU buckets. PG&E is upgrading its billing system with an expected launch date in 2027. This is when SJCE expects to receive billing quality interval data for nearly all customers. In the meantime, PG&E will provide billing quality interval data for a limited number of customers.

External

- *Customer technology*. The benefits of dynamic rates greatly depend on customer participation and the availability of devices and technology that support automated responses to dynamic rates.

6.4 Equity

Equity is a key component of dynamic rate evaluation. SJCE is pursuing local municipal priorities like consumer equity and affordability by adopting lower rates for disadvantaged customers and designing community-based programs that increase disadvantaged communities' access to renewable energy and electrification. To build on this equity-focused guiding principle, SJCE has incorporated a suite of equity metrics used to evaluate customer programs and their impact on disadvantaged communities.

At this time, SJCE does not have pilot study data to quantify load shift and bill impact for different customer groups, nor does SJCE have comprehensive quantitative data to evaluate the equity impacts of potential dynamic rates. When data becomes available and analysis is made feasible, SJCE intends to use its equity metrics to evaluate the dynamic rate impacts. Below are the customer program equity metrics along with descriptions of how they might be applied to evaluate the new dynamic rates:

- *Percentage of low- to middle-income communities able to access the program.* There may be a difference among customer groups and ability to access dynamic rate programs. Customers need access to relevant technology as well as technological literacy to respond to dynamic rates. Because dynamic rates are new and require advanced technology, they present an unprecedented set of challenges to customers. If customers do not have the means to respond to high price hours, they may experience greater bill shocks. To help address these barriers, SJCE will continue to promote its electrification programs to lower the barriers to technology adoption and offer customer education about time-of-use rates and bill impacts.

- *Percentage of program funding directed to disadvantaged and low-income communities.* Customers must understand dynamic rates to respond to them.

Dynamic rates are less accessible than time-of-use rates. Time-of-use rates currently charge customers higher prices between a consistent range of time. Dynamic rates will not be as consistent, and thus, not as easy to understand. SJCE will develop marketing, education, and outreach plans to promote dynamic rate programs.

- *Percentage change in energy burden for participating customers*. This metric will allow SJCE to quantify bill impacts of dynamic rates. For example, customers who cannot fully access dynamic rates could potentially experience increases in energy burden.

SJCE will approach dynamic rate or program design with equity as a priority.

7 SJCE's LMS Compliance Approach Through Participation in IOU RTP Pilot

SJCE appreciates the CEC providing this opportunity to identify reasonably available pathways to enhance grid resiliency and reduce greenhouse gas emissions through dynamic rates and load flexibility programs. SJCE remains committed to equity, customer affordability, clean energy goals, and grid resilience in all its activities. SJCE appreciates the state's grid resiliency goals and is eager to contribute the necessary actions while promoting equity and emission reductions. Despite challenges and dependencies in adopting novel rate designs, SJCE is committed to participating in PG&E's Hourly Flex Pricing (HFP) pilot. Participation in this pilot rate program will offer our customers the ability to voluntarily opt into hourly dynamic rates. The following paragraphs describe the HFP pilot, recent implementation developments, and SJCE's plans to participate in the pilot.

On January 26, 2024, the California Public Utilities Commission (CPCU) issued Decision (D.) 24-01-032 to Expand System Reliability Pilots of Pacific Gas and Electric Company and Southern California Edison Company in the Order Instituting Rulemaking to Advance Demand Flexibility Through Electric Rates. This Decision directs PG&E to expand the Valley Clean Energy Ag Real Time Pricing Pilot to agricultural, residential, commercial, and industrial customers in its entire service territory, including bundled and unbundled customers. The Decision directs PG&E to file an implementation plan for the expanded pilots within 60 days of the Decision's effective date. On March 25, 2024, PG&E submitted the implementation plan via Advice Letter 7222-E[6]. On September 3, 2024, the CPUC issued a Disposition Letter approving the implementation plan. As of the resubmission of this plan, this pilot is called the Hourly Flex Pricing pilot.

The HFP pilot allows eligible customers to enroll voluntarily in hourly dynamic rates with bill protections. The pilot's rate design includes an hourly marginal cost-based generation and distribution component. The generation component is a day-ahead hourly generation rate equal to the combined marginal energy costs and marginal generation capacity costs. The distribution component is a day-ahead hourly distribution rate designed to recover the primary distribution cost, which varies by customer location. Enrolled customers can view pilot rate hourly prices for the upcoming week and each day, allowing them to adjust their electricity usage based on prices. Pilot participants continue to pay their monthly bill based on their otherwise applicable tariff but receive a monthly performance report, and a yearly credit if they performed better on the pilot rate than their otherwise applicable tariff. Additional information about the pilot can be found on PG&E's website at www.pge.com/hfp, and SJCE's website at https://sanjosecleanenergy.org/hourly-flex-pricing-pilot/.

[6] https://www.pge.com/tariffs/assets/pdf/adviceletter/ELEC_7222-E.pdf.

The pilot initially opened for customer enrollment on November 1, 2024, and is available through December 31, 2027. While the HFP pilot is available to agricultural, residential, commercial, and industrial customers, CCAs may choose to participate in specific pilot rate offerings. SJCE has determined that it will elect for customer enrollment in the residential, commercial, and industrial rates of the HFP pilot. Per the Decision, the pilot is open to all SJCE's residential, commercial, and industrial customers on the following rates subject to dual enrollment prohibitions: B-6, B-10, B-19, B-20, BEV, E-ELEC, and EV2-A. If a customer is not on one of the listed rates, they may switch rates, if eligible, and enroll in the pilot. Neither PG&E nor SJCE has instituted a cap on enrollment per D. 24-01-032.

Although the pilot can be made available to agricultural customers, SJCE has determined that it would not be reasonable or cost-effective. SJCE serves the City of San José, which primarily consists of residential, commercial, and industrial customers. As such, the agricultural rate class in SJCE's territory represents a minimal portion of SJCE's customer base. Currently, the agricultural rate class represents only 0.273% of our load and 1.84% of our revenue. Electing to participate in the agricultural rate would require additional staff time disproportionate to the potential benefits of the pilot. While the pilot is largely administered by PG&E, CCAs act as implementation partners to ensure smooth enrollment and a positive experience for our customers.

SJCE is committed to offering residential, commercial, and industrial pilot rates to our customers. As required by the Decision, SJCE filed a Tier 1 Advice Letter on December 17, 2024, notifying the Commission of its intent to open enrollment. This action was approved by the Director of the Energy Department on the same date, through delegation of the San José City Council, SJCE's ratemaking body, granted on October 17, 2023. In February 2025, SJCE customers were able to enroll in the pilot.

As a CCA, SJCE still faces challenges in setting novel and granular dynamic rates. However, SJCE appreciates the opportunity to participate in the HFP pilot. Through participation in this pilot and the expansion of our own load flexibility programs, we will gain valuable experience and data to support the development of additional rates and programs that align with the goals of the Load Management Standards. Ultimately, SJCE looks forward to providing customers with an additional option to support a clean, reliable grid while saving money.