DOCKETED	
Docket Number:	19-OIR-01
Project Title:	Load Management Rulemaking
TN #:	232432
Document Title:	California Large Energy Consumers Association Comments - Comments on the Load Management Workshop Held on March 2, 2020
Description:	N/A
Filer:	System
Organization:	California Large Energy Consumers Association
Submitter Role:	Public
Submission Date:	3/16/2020 3:52:35 PM
Docketed Date:	3/16/2020

Comment Received From: California Large Energy Consumers Association
Submitted On: 3/16/2020
Docket Number: 19-OIR-01

Comments on the Load Management Workshop Held on March 2, 2020

Additional submitted attachment is included below.

Comments on the Load Management Workshop
Held on March 2, 2020
Docket 19-OIR-01, Load Management Rulemaking

The California Large Energy Consumers Association (CLECA) is supportive of providing access for all customers to lower real-time rates when costs are lower (such as in the "belly of the duck curve"), as long as all rates are based on cost-of-service principles. We submit these comments on the Draft Amendments to the Load Management Tariff Standard discussed at a workshop at the California Energy Commission (CEC) on March 2, 2020. The Draft Amendments are presented below with CLECA's comments in italics.

Draft Amendments to the Load Management Tariff Standard

California Code of Regulations Title 20, Division 2, Chapter 4, Article 5
§ 1623. Load Management Tariff Standard.

(a) This standard requires that retail electricity providers develop rates based on marginal costs, submit such rates to its rate-approving body and to the CEC, and make them publicly available for access by customers and their devices. Fixed charges, rebates, and taxes associated with electric service are not subject to this standard. The purpose of this standard is to provide granular economic signals that enable increased demand flexibility through customer automation of loads, with the goal of moving electric demand away from system load peaks, and toward times of surplus renewable power.

(b) Marginal Costs and Rates. Marginal costs are defined as the cost ($/MWh) of serving the next increment of electricity demand in the relevant load area, consistent with existing grid constraints and generators' ability to deliver energy to meet that demand.

There are several different types of marginal costs, and only the marginal cost of electric energy is defined in terms of $/MWh. There are also marginal costs of generation capacity (defined as $/kW), transmission and distribution capacity (also defined as $/kW), and per customer access costs (defined as $/customer). In the short run, $/MWh represents the cost of meeting an increment of electric energy usage at the margin. However, overall increases in use may require investment in additional generating capacity, wires, customer hookups, and administrative costs, such as metering and *billing. If the proposal contemplates setting rates at CAISO market-clearing prices to represent the cost of serving an increment of usage, we note that rates limited to these wholesale prices would fall well below the level needed to recover the required generation revenue requirement from retail customers, and would be even farther below that needed to recover the distribution revenue requirement. We further note that while market-clearing prices for energy are in $/MWh and vary hourly in the day-ahead market, and by 15- and 5-minute intervals in the real-time market, not all CAISO costs are measured in $/MWh. The CAISO plans to change its recovery of transmission access charges to a mixture of $/MWh and $/MW.*

It is our understanding based on the workshop that the reference to fixed charges means that such charges as demand charges and customer charges do not have to vary in a granular way. We assume that this should mean that they should continue to be based on marginal costs (subject to the concerns raised in the comments below).

We also note that CAISO market prices are not marginal for all load-serving entities (LSEs), since not all LSEs in California participate in the same way in the CAISO markets (i.e. not all LSEs bid all of their resources into the CAISO market and buy back from the CAISO). Furthermore, not all LSEs set rates on the basis of marginal costs.

> (1) Retail Electricity Rates. To ensure efficient economic signals required for optimal load management, all retail electricity rates shall be based on the marginal cost of electricity and shall recover the costs associated with the set of customers who elect that rate.

Basing rates on marginal costs is not the same as setting them at marginal costs. In current practice, rates based on marginal costs must be adjusted to recover the supplier's revenue requirement, which includes costs such as public purpose programs and electric vehicle incentives that are not part of providing an extra kWh or kW. The standard does not appear to recognize this on its face. Should this be made explicit?

Furthermore, as noted above, not all LSEs price electricity on the basis of marginal costs. (For example, there are Community Choice Aggregators that set their rates on a percentage of an investor-owned utility's rates). Is the CEC anticipating that all LSEs will be required to base their rates on marginal costs? How would this be enforced?

In addition, the mention of recovering the costs associated with the set of customers who elect the rate suggests that there will be no subsidies (e.g. for low income customers), and that each rate schedule will be fully cost-based with no grandfathering or phase-in of changes as costs change. CLECA strongly agrees that rate schedules should recover the costs of serving the customers on those schedules. However, this is not always current practice. Is basing all rates on marginal costs and avoiding any subsidies, however temporary, what the CEC contemplates for all rates, or are there acceptable reasons for certain subsidies (e.g. for low-income customers) and for phasing in rate changes based on changing costs over time?

(2) Real-time Tariff. For the purpose of this standard, a real-time tariff is one that incorporates a retail electricity rate that updates at least hourly based on (i) a day-ahead or real-time energy market prices, and (ii) electric distribution conditions to reflect marginal costs at the ZIP code [or secondary transformer] level. Prior to July 1, 2022, each electricity provider shall submit at least one real-time tariff per sector: electric vehicle, residential, commercial, industrial, and agricultural.

Costs do not vary on the basis of ZIP code. For example, CAISO market costs and prices paid to generators vary by Pnode. A policy decision was made in the CAISO Load Granularity Stakeholder Process and accepted by FERC not to require pricing for LSEs at the nodal level. It was determined that the costs of more granular pricing exceeded the benefits; instead, pricing continues to be at the default load aggregation point (DLAP) level. CLECA discussed this matter in more detail in its January 24, 2020 comments on the workshop held on January 14, 2020. DLAPs and Pnodes have no clear relationship to ZIP code. We are not clear what is meant by secondary transformers. Is the reference to final line transformers or to distribution substations?

Increasing granularity could result in a self-selection bias where customers with lower cost options choose to opt into a real-time pricing rate and shift recovery of fixed costs to other customers if the real-time pricing option does not reflect all cost actually incurred in serving the customer. While CLECA supports development of real-time pricing rate options for all customers, any real-time pricing option should recover actual costs imposed on the system by the customers taking that optional rate. For the sake of comparison, the retail generation revenue requirement on an average dollar per kWh basis is considerably higher than the wholesale cost per kWh in the CAISO market; thus developing rates based strictly on the CAISO market prices would be guaranteed to under-collect the LSE's generation revenue requirement from those customers on the real-time rate. This would shift generation cost recovery to other customers. Additionally, separate rates would have to be developed to collect the distribution revenue requirement.

We concur with PG&E's comment at the workshop that billing system changes will be required to implement rates at a greater level of granularity. Metering changes are also likely to be required to increase the granularity of meter reads. These are currently one hour for residential and fifteen minutes for non-residential customers of investor-owned utilities. (The granularity can be changed by reprogramming the meters, but this will require more data storage). The amount of potential data that would have to be tracked and stored through the metering and billing systems is daunting if one contemplates rates recalculated for more than 8760 hours per year on a more granular basis (e.g. at each individual zip code) for millions of residential customers, and thousands of commercial/industrial customers that are served by PG&E and SCE. Implementation of such changes in tracking and storing usage and rate data would be associated with major increases in costs. PG&E's idea of a pilot to see if the benefits exceed the costs that would otherwise be incurred is prudent.

(3) Universal Real-time Tariff. Before July 1, 2023, each electricity provider shall submit a real-time tariff that can be offered universally to all customers in all sectors. Compliance with this paragraph fulfills the requirements of paragraph (2).

(c) Public Information. Electricity providers shall ensure that information regarding existing and future rates is accessible to the public and their devices.

(1) Data and Methods. Prior to the fifth business day of each month, retail electricity providers shall submit to the CEC, for aggregation and publication, a current database of prices and calculations for all approved rates.

(2) Communications. Electricity providers shall publish all non-tiered, time-dependent rates using the January 2020 version of OpenADR 2.0b (IEC 62746-10-1 ED1), unless the CEC adopts by rule a later version.

(3) Public Campaign. Within 30 days of adopting a real-time tariff, electricityproviders shall launch a public information campaign to inform customers why real-time rates are needed, and how participants on real-time tariffs can save money.

Lessons learned from marketing residential TOU rates should be incorporated in determining how such a campaign should be run. A great deal of research was conducted as part of the development and implementation of the residential TOU program. Also, what is to be the source of funding for the public information campaign?

(d) Compliance. Review and approval of submitted tariffs and data shall be carried out in accordance with the provisions of § 1621(d). The electricity provider shall implement its tariffs within 30 days of approval by the CEC and the provider's rate-approving body.

Paul Nelson
Barkovich & Yap, Inc.
Consultants to the California Large Energy Consumers Association
PO Box 11031
Oakland, CA 94611
(213) 444-9349
paul@barkovichandyap.com