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## **LADWP Comments on Amendments to the Load Management Tariff Standard**

LADWP Comments on Amendments to the Load Management Tariff Standard

*Additional submitted attachment is included below.*

**BEFORE THE ENERGY COMMISSION  
OF THE STATE OF CALIFORNIA**

In the matter of: ) Docket No. 19-OIR-01  
)  
2020 Load Management Rulemaking ) March 2, 2020 Workshop  
) RE: Load Management Draft Tariff  
\_\_\_\_\_ ) Standard

**COMMENTS FROM THE LOS ANGELES DEPARTMENT OF WATER AND POWER TO THE  
CALIFORNIA ENERGY COMMISSION ON DRAFT AMENDMENTS TO THE LOAD MANAGEMENT  
TARIFF STANDARD**

Simon Zewdu  
Director of Regulatory Compliance and  
Specifications  
Los Angeles Department of Water and Power  
111 North Hope Street, Suite 819  
Los Angeles, CA 90012  
Telephone: (213) 367 – 2525  
Email: [Simon.Zewdu@ladwp.com](mailto:Simon.Zewdu@ladwp.com)

Dated: March 16, 2020

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In the matter of:	)	Docket No. 19-OIR-01
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**INTRODUCTION**

Los Angeles Department of Water and Power (LADWP) appreciates the opportunity to provide comments to the California Energy Commission (Commission) in follow up to the March 2, 2020, Workshop on Draft Amendments to the Load Management Tariff Standard (California Code of Regulations Title 20 § 1623).

The City of Los Angeles (City of LA) is a municipal corporation and charter city organized under the provisions set forth in the California Constitution. LADWP is a proprietary department of the City of LA, pursuant to the Los Angeles City Charter, whose governing structure includes a mayor, a fifteen-member City Council, and a five-member Board of Water and Power Commissioners (Board). LADWP is the third largest electric utility in the state, one of five California Balancing Authorities, and the nation’s largest municipal utility, serving a population of over four million people within a 465 square mile service territory that covers the City of LA and portions of the Owens Valley. LADWP’s mission is to provide clean, reliable water and power in a safe, environmentally responsible, and cost-effective manner.

Regarding § 1623, LADWP remains fully committed to supporting the Commission’s objective to promote California’s leadership toward a 100 percent clean energy future and addressing climate change. In pursuing its renewable objectives, LADWP recognizes the opportunities, as well as the unique challenges, presented by the integration of renewable resources into its grid.

One of the challenges presented entails shifting customer demand away from times of peak load toward times of excess renewable generation. LADWP recognizes that, ideally, the use of time-based price signals could potentially prove to be invaluable in achieving this desired load management, particularly for customers who can automate management of their end-use consumption.

Enabling customers to automate end-use load management would require that LADWP offer a robust load management framework. As a publicly owned utility (POU), LADWP strives to develop its load management framework subject to budgetary constraints, current and future rate-setting policies, and limitations on resources required to develop said framework. In doing so, LADWP must assess the feasibility of implementing desired load management features within specified timeframes.

Considering that, within LADWP's service territory, the Board of Water and Power Commissioners and the Los Angeles City Council are the sole authorities that can set rates by ordinance for electric services in accordance with the Los Angeles City Charter, LADWP respectfully wishes to clarify the extent of the Commission's authority to enforce compliance with §§ 1621-1625. Specifically, these sections should recognize and be interpreted to reflect the Commission's limited authority regarding rates, which authority is to only recommend rates and other price-related practices for consideration by the utilities' rate-approving bodies.

Based on the aforementioned constraints and the various rate mechanisms of the many POUs and investor owned utilities (IOUs) throughout the state, including resource availability to fully implement the Rulemaking, LADWP recommends that the Commission provide the necessary accommodations to make sure that every utility is progressing in the right direction while being less prescriptive in its approach.

## SPECIFIC COMMENTS

### I. CLARIFYING THE EXTENT OF THE COMMISSION'S AUTHORITY TO ENFORCE COMPLIANCE WITH § 1623

Historically, POU's have offered rates subject to the approval of their respective local governances, whereas IOU rates have been approved by the California Public Utilities Commission (CPUC). The language of the amendments to sections in this Rulemaking should recognize the limited role of the Commission in the rate-making process to avoid encroaching on longstanding rate-making processes, thereby avoiding conflicts among approving bodies and preventing confusion among load-serving entities. Specifically, the amendments should reflect that the Commission is free to make rate *recommendations* to POU's and IOU's, but rate design decisions are the purview of the CPUC for the IOU's, and the purview of the local governing boards for POU's. Along these lines, LADWP concurs with the *Comments of the California Municipal Utilities Association on Draft Tariff Standard Amendments*, which California Municipal Utilities Association (CMUA) intends to file on March 16, 2020, in this Rulemaking.

Further, LADWP recommends allowance for some level of accommodation in the Rulemaking and implementing a collaborative load management development project to allow for utilities to tailor solutions according to their varying levels of load-management readiness and budgetary and rate-making constraints.

### II. EXISTING CHALLENGES IN IMPLEMENTING REAL-TIME TARIFFS

The draft language should also be revised to allow for more flexibility in feasible milestones in light of LADWP's existing challenges in implementing real-time tariffs. It is highly likely that other utilities in the State have similar challenges that would affect their attainment of the suggested milestones.

#### A. INFRASTRUCTURE CHALLENGES

To enable real-time load management as proposed in the Draft Tariff Standard (Standard) requires subject utilities to provide end users with a supportive framework:

- Advanced Metering Infrastructure (AMI) meters, or "smart meters", which serve as the user-side endpoint of the interface between utilities and end users;
- Communications networks that enable two-way communications between AMI meters and utility computer networks; and
- System architecture and field devices to provide increased granular visibility into the electrical distribution system.

### **1. ADVANCED METERING INFRASTRUCTURE (AMI) DEPLOYMENT**

LADWP has completed a pilot project that has led to the deployment of some AMI meters within its service territory. To date, approximately only 3.3 percent of LADWP's 1.5 million residential and business customers have smart meters. Challenges with the pilot project include the present and foreseeable future inability to fully integrate the deployed AMI meters into LADWP's billing system, which is an essential step for any rate structure, including real-time rates. The scale of AMI meter deployment and billing system upgrades required to fully implement real-time price signaling for all LADWP customers, or even specific sectors, would require a significant extension to the timeframes currently proposed in the Standard.

### **2. COMMUNICATIONS NETWORK EXPANSION**

The real-time granularity as proposed in the Standard would consume significantly more bandwidth than LADWP's current time-of-use (TOU) program. LADWP has recently initiated a pilot project just to build the foundational infrastructure to support a limited number of endpoints. This project is still in its infancy and would be a prerequisite to offering next-generation, future real-time rates as part of a long-term project.

### **3. DISTRIBUTION SYSTEM TECHNOLOGY**

The proposed Standard language of offering real-time rates at the ZIP code or secondary transformer level presents challenges for factoring location into price signal calculation. To have distribution granularity would require LADWP to invest heavily in infrastructure upgrades, including intelligent field devices, control systems, communication systems, modeling tools, and the construction of an advanced distribution control center, which it currently does not have.

In particular, LADWP does not currently have sufficient distribution granularity for the level proposed in the Standard, and, as a result, the time required to extend this visibility would extend significantly beyond the timeframe proposed in the Standard.

### **B. CUSTOMER ADOPTION**

The lack of a significant number of automated end devices available to respond to real-time pricing signals drastically limits the amount of load shifting benefit that can be gained. LADWP currently has limited participation in its Demand Response (DR) program and has only recently initiated its residential DR program. Due to LADWP not having enough data on the performance of the program, the magnitude of successful load shifting in LADWP's service territory is still unknown.

### **C. CUSTOMER IMPACT**

The financial impacts to customers in LADWP's service territory from being placed onto real-time rates are not yet known. Feasibility studies are necessary to assess the financial impact to customers' bills and to quantify the potential decrease in peak load in LADWP's service territory as a result of real-time rates. Furthermore, the impacts to low-usage, low-income, and Lifeline customers, in particular, need to be identified to ensure that LADWP can continue to provide fair and reasonable rates to all its customers. For example, significant infrastructure costs would be incurred to institute real-time rates, and those costs must be carefully assigned in the rate-design process.

### **D. POU BUSINESS MODEL**

Vertically integrated POUs, such as LADWP, own nearly all of their generation capacity, by design. LADWP's cost of service includes all pre-planned and established generation, and LADWP's rates and financial planning are designed to match these generation costs. Real-time pricing cannot match the LADWP's cost of generation exactly all the time, so there will be cost differences. An issue that arises is determining how these cost differences will be accounted for, and by whom. To resolve this, years ago, IOUs went through the transition to recover all of their generation costs, stranded costs over a period of ten years, and then implemented real-time pricing (direct access). For LADWP to allow its customers to participate in the real-time pricing market would require fee assessment onto all customers, which can be positive or negative depending on the costs, to rebalance the cost of service.

In summary, the Standard's proposed language could require LADWP to switch its business model dramatically, possibly with unintended consequences for customers. For example, allowing individual customers to effectively participate in the real-time pricing market shifts significant risk onto them, many of whom are already economically vulnerable. In fact, residential customers, particularly low-income customers, could potentially be most impacted since they may not have the necessary information, required equipment, or funding to benefit from the real-time energy market, and might, in effect, simply be penalized by it. In addition, LADWP's service territory is highly urbanized with a high percentage of renters who may not have access to automated end devices that can respond to real-time rates. Alternatively, LADWP as a whole could continue at this time to participate in the real-time market and pass the savings to all customers entirely, not individually. For this reason, LADWP again recommends that the amendments reflect that the Commission is merely making rate *recommendations* to POUs and IOUs, allowing LADWP to study the impacts of real-time pricing, as needed.



### **III. SUMMARY**

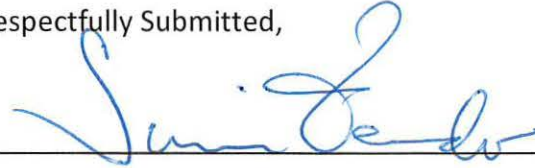
LADWP has various ongoing initiatives to transform its power system to incorporate clean energy resources, including the major redesign and overhaul of its vast transmission system to ensure the reliable delivery of power to its customers. For example, LADWP's LA100 study aims to identify a range of options to attaining 100% renewable energy, while its Clean Grid LA project gathers the output of the study as well as stakeholder input to develop a plan for implementation. These initiatives aim at charting the path towards a 100% clean energy future while considering the unique aspects of LADWP's service territory and geographic location. Therefore, LADWP recommends the Standard be less prescriptive and more flexible to accommodate the unique circumstances, limitations, and challenges faced by each utility.

### **CONCLUSION**

LADWP is grateful for the opportunity to participate in the rulemaking process and looks forward to continue working with California Energy Commission to help shape effective regulations that will benefit the health, safety, and security of all California residents. If you have any questions, please contact me at (213) 367-2525, or Mr. Scott Hirashima at (213) 367-0852.

Dated: March 16, 2020

Respectfully Submitted,



By: Simon Zewdu  
Director of Regulatory Compliance and  
Specifications  
Los Angeles Department of Water and Power  
111 North Hope Street, Suite 819  
Los Angeles, CA 90012  
Telephone: (213) 367 – 2525  
Email: [Simon.Zewdu@ladwp.com](mailto:Simon.Zewdu@ladwp.com)