

DOCKETED

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Project Title:	2022 Load Management Rulemaking
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CALIFORNIA ENERGY COMMISSION

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Sacramento, California 95814

energy.ca.gov

CEC-057 (Revised 1/21)



NOTICE OF PROPOSED ACTION

Title 20. Public Utilities and Energy
Division 2. State Energy Resources Conservation and Development Commission
Chapter 4. Energy Conservation
Article 5. Load Management Standards
Sections 1621 and 1623

Docket No. 21-OIR-03
Notice Published on December 24, 2021

INTRODUCTION

Notice is hereby given that the California Energy Commission (CEC) proposes to adopt amendments to the Load Management Standards (LMS) contained in the California Code of Regulations (CCR), Title 20, after considering all comments, objections, and recommendations regarding the proposed action.

PUBLIC HEARING

The CEC staff will hold a public hearing on the proposed regulations at the date and time listed below. Interested persons, or their authorized representative, may present oral and written statements, arguments, or contentions relevant to the proposed regulations at the public hearing. *The record for this hearing will be kept open until every person has had an opportunity to provide comment.*

Public Hearing
Tuesday, February 8, 2022
10:00 a.m. (Pacific Time)

BUSINESS MEETING

PLEASE TAKE NOTICE that the CEC will consider and possibly adopt the proposed regulations at a CEC Business Meeting at the date and time listed below. Interested persons, or their authorized representative, may present oral and written statements, arguments, or contentions relevant to the proposed regulations at the Business

Meeting. If the date, time, place, or nature of the proposed adoption changes, the CEC will provide updated information in the rulemaking docket.

California Energy Commission Business Meeting
Wednesday, May 11, 2022
10:00 a.m. (Pacific Time)

The public hearing and business meeting will be held remotely, consistent with Executive Orders N-25-20 and N-29-20 and the recommendations from the California Department of Public Health to encourage physical distancing to slow the spread of COVID-19. Instructions for remote participation are below.

REMOTE ATTENDANCE

The **public hearing** may be accessed by clicking the Zoom link below or visiting [Zoom](#) at <https://join.zoom.us> and entering the ID and password for the workshop listed below. If you experience difficulties joining, you may contact Zoom at (888) 799-9666 ext. 2, or the Public Advisor's Office at publicadvisor@energy.ca.gov or (800) 822-6228.

Zoom Link:

<https://energy.zoom.us/j/92614161543?pwd=azNUWUIKNVh1cHJ6SmY2Z2JiNEFXQT09>

Webinar ID: 926 1416 1543

Passcode: 642199

To participate by telephone dial (213) 338-8477 or 1-888-475-4499 (toll free). When prompted, enter the Webinar ID and password listed above. To comment or ask a question over the telephone, dial *9 to "raise your hand" and *6 to mute/unmute your phone line.

PUBLIC ADVISOR

The CEC's Public Advisor's Office provides the public assistance in participating in CEC proceedings. For information on participation or to request interpreting services or reasonable accommodations, reach out via email at publicadvisor@energy.ca.gov, by phone at (916) 654-4489, or toll free at (800) 822-6228. Requests for interpreting services and reasonable accommodations should be made at least five days in advance. The CEC will work diligently to accommodate all requests.

Zoom: If you experience difficulties with the Zoom platform, please contact the Public Advisor's Office via email or phone.

MEDIA INQUIRIES

Direct media inquiries to the Media and Public Communications Office to (916) 654-4989 or mediaoffice@energy.ca.gov.

PUBLIC COMMENT PERIOD

The public comment period for the LMS regulations will be held from December 24, 2021, through February 7, 2022. Any interested person, or their authorized representative, may submit written comments to the CEC for consideration on or prior to February 7, 2022. The CEC appreciates receiving written comments at the earliest possible date. Comments submitted outside this comment period are considered untimely. CEC may, but is not required to, respond to untimely comments, including those raising significant environmental issues

Written and oral comments, attachments, and associated contact information (including address, phone number, and email address) will become part of the public record of this proceeding with access available via any internet search engine.

The CEC encourages use of its electronic commenting system. Visit the e-commenting page at <https://www.energy.ca.gov/proceedings/energy-commission-proceedings/2020-load-management-rulemaking> which links to the comment page for this docket. Enter your contact information and a comment title describing the subject of your comment(s). Comments may be included in the “Comment Text” box or attached as a downloadable, searchable document consistent with 20 California Code of Regulations Section 1208.1. The maximum files size allowed is 10 MB.

Written comments may also be submitted by email. Include docket number 21-OIR-03 in the subject line and email to docket@energy.ca.gov.

A paper copy may be sent to:

California Energy Commission
Docket Unit
Docket No. 21-OIR-03
715 P Street, MS-4
Sacramento, CA 95814

Pursuant to California Code of Regulations Title 20 section 1104(e), any person may make oral comment on any agenda item at the May 11, 2022, Business Meeting. Please consult the public agenda, which will be posted ten days before the May 11, 2022, Business Meeting, for important details.

STATUTORY AUTHORITY AND REFERENCE

Public Resources Code Sections 25213, 25218(e), and 25403.5 authorize the CEC to adopt rules or regulations, as necessary, to implement, interpret, and make specific Public Resources Code Section 25403.5.

INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW

The Warren-Alquist Act establishes the CEC as California’s primary energy policy and planning agency. Sections 25213, 25218(e) and 25403.5 of the Public Resources

Code mandate and authorize the CEC to adopt rules and regulations, as necessary, to reduce the wasteful, uneconomic, inefficient, or unnecessary consumption of energy and to manage energy loads, or demand, to help maintain electrical grid reliability.

The LMS regulations are designed to help balance the supply and demand of electricity in California. The original LMS regulations were adopted in 1979 (CCR, Title 20, Sections 1621-1625) and required the implementation of marginal cost pricing, industrial time-of-use rates, commercial building audits, and residential load control programs. As a result, California electricity customers have participated in load shifting and demand response in response to electricity pricing and other programs for decades.

Today, existing load management resources are largely met by utility incentive programs that reward customers for reducing peak loads. However, these existing demand response programs are incapable of shifting loads to periods of high renewable energy generation, and thus are inadequate for supporting the carbon-free grid of the future. Since the adoption of the original LMS regulations, technologies and markets have evolved substantially, creating significant opportunities for more advanced load management strategies.

Therefore, the CEC proposes to update the LMS regulations to require the five largest electric utilities in California -- Los Angeles Department of Water and Power, Pacific Gas and Electric, Sacramento Municipal Utility District, San Diego Gas and Electric, Southern California Edison -- and the community choice aggregators (CCAs) located within their service territories to:

Develop retail electricity rates that change at least hourly to reflect locational marginal costs and submit those rates to the utility's governing body for approval.

Update the time-dependent rates in CEC's Market Informed Demand Automation Server (MIDAS) database whenever a rate is approved or modified.

Implement a single statewide standard method for providing automation service providers with access to their customers' rate information.

Develop a list of cost-effective automated price response programs for each sector and integrate information about time-dependent rates and automation technologies into existing customer education and outreach programs.

The proposed regulations will form the foundation for a statewide system of time and location dependent signals that can be used by automation enabled loads to provide voluntary and cost-effective load flexibility on the electric grid.

Difference from existing comparable federal regulations or statute

These proposed regulations do not duplicate or conflict with any federal regulations or statute contained in the Code of Federal Regulations.

Broad objectives of the regulations and the specific benefits anticipated by the proposed amendments

The broad objective of the amended LMS regulations is to carry out the CEC's statutory mandate to establish utility programs that reduce peak electricity demand and help balance the supply and demand of energy in California to ensure grid reliability.

The specific benefits of the proposed LMS regulations would be cost savings to consumers, cost savings to utilities, improved grid reliability, and lower greenhouse gas emissions from energy generation and use. Updated LMS regulations are expected to improve load flexibility by allowing consumers to voluntarily automate flexible loads. The combination of dynamic marginal rates, optimized behind the meter energy storage, and better access to utility load management programs will improve the supply-demand balance. This will reduce both the cost of electricity and greenhouse gas emissions from electricity by shifting use to times when supplies are low or zero carbon and readily available.

Determination of inconsistency or incompatibility with existing state regulations

The CEC has conducted a search for any other regulations in this area and has concluded that these are the only regulations concerning load management rate structures. Therefore, the CEC has determined that the proposed regulations are neither inconsistent nor incompatible with existing state regulations.

DOCUMENTS INCORPORATED BY REFERENCE

The CEC does not propose to incorporate by reference any documents.

MANDATED BY FEDERAL LAW OR REGULATIONS

None.

OTHER STATUTORY REQUIREMENTS

None.

FISCAL IMPACTS

The CEC has made the following initial determinations:

- The mandate on local agencies and school districts: No
- The cost to any local agency or school district requiring reimbursement pursuant to Government Code Section 17500 et seq.: No
- Cost or savings to any state agency: Yes
- Non-discretionary cost or savings imposed upon local agencies: Yes
- Cost or savings in federal funding to the state: No

SIGNIFICANT EFFECT ON HOUSING COSTS

None.

SIGNIFICANT STATEWIDE ADVERSE ECONOMIC IMPACT DIRECTLY AFFECTING BUSINESS, INCLUDING ABILITY OF CALIFORNIA BUSINESSES TO COMPETE WITH BUSINESSES IN OTHER STATES

The CEC has made an initial determination that the proposed regulations are unlikely to have a statewide adverse economic impact directly affecting business, including the ability of California businesses to compete with businesses in other states.

The CEC proposes to update the LMS regulations to require the five largest electric utilities in California -- Los Angeles Department of Water and Power, Pacific Gas and Electric, Sacramento Municipal Utility District, San Diego Gas and Electric, Southern California Edison -- and the community choice aggregators (CCAs) located within their service territories:

- Develop retail electricity rates that change at least hourly to reflect locational marginal costs and submit those rates to the utility's governing body for approval.
- Update the time-dependent rates in CEC's MIDAS database whenever a rate is approved or modified.
- Implement a single statewide standard method for providing automation service providers with access to their customers' rate information.
- Develop a list of cost-effective automated price response programs for each sector and integrate information about time-dependent rates and automation technologies into existing customer education and outreach programs.

The proposed regulations will form the foundation for a statewide system of time and location dependent signals that can be used by automation enabled loads to provide voluntary and cost-effective load flexibility on the electric grid.

The proposed regulations do not create the need for a new good or service. Instead, they require the improvement of existing goods in the market. The economic impact on utilities is expected to be small compared to the total sales of these entities, and insufficient to have an adverse economic impact affecting business. While the standards impose new compliance costs on the utilities, the CEC assumes the utilities will pass these costs through to their customers. However, the savings from lower utility bills are anticipated to exceed the increased costs, resulting in overall economic savings.

THE ECONOMIC IMPACT ANALYSIS/ASSESSMENT

The CEC concludes that the proposal: (1) may create jobs within California, (2) is unlikely to eliminate jobs within California, (3) is unlikely to create new businesses in California, (4) is unlikely to eliminate existing businesses within California, and (5) may result in the expansion of businesses currently doing business within the state.

Benefit of the Proposed Action: The proposed regulation will benefit the health and welfare of California residents and the state's environment through cost savings to consumers, cost savings to utilities, grid reliability, and lower greenhouse gas

emissions from reduced energy generation and use. Updated LMS regulations are expected to improve load flexibility by allowing consumers to voluntarily automate flexible loads. The combination of dynamic marginal rates, optimized behind the meter energy storage, and better access to utility load management programs will improve the supply-demand balance. This will reduce both the cost of electricity and greenhouse gas emissions from electricity by shifting use to times when supplies are low or zero carbon and readily available.

COST IMPACTS ON REPRESENTATIVE PERSON OR BUSINESS

The CEC is not aware of any significant cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action.

Individuals may, but are not required, to participate in a program provided by their utility.

The CEC proposes to update the LMS regulations to require the five largest electric utilities in California -- Los Angeles Department of Water and Power, Pacific Gas and Electric, Sacramento Municipal Utility District, San Diego Gas and Electric, Southern California Edison -- and the community choice aggregators (CCAs) located within their service territories:

- Develop retail electricity rates that change at least hourly to reflect locational marginal costs and submit those rates to the utility's governing body for approval.
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The proposed regulations do not create the need for a new good or service. Instead, they require the improvement of existing goods in the market. The economic impact on utilities is expected to be small compared to the total sales of these entities, and insufficient to have an adverse economic impact affecting business.

While the standards impose new compliance costs on the utilities, the CEC assumes the utilities will pass these costs through to the ratepayer. However, the savings from lower utility bills are anticipated to exceed the increased costs, resulting in overall economic savings.

BUSINESS REPORT

The regulations impose a new reporting requirement for the utilities affected by these regulations.

The CEC developed the MIDAS database where utilities will be required to upload and maintain the accuracy of existing and future time-varying rates. The web-based service provides access to time-dependent rates in a standard machine-readable format. This allows device manufacturers and California customers to automatically access customer rate information for use in automating price responsive load shifting.

It is necessary for the health, safety, or welfare of the people of the state the regulation, that requires a report, apply to businesses.

SMALL BUSINESS

The proposed regulations may affect small business. However, the CEC is not aware of any significant costs impacts that a small business would incur in reasonable compliance with the proposed action.

CONSIDERATION OF ALTERNATIVES

In accordance with Government Code Section 11346.5, subdivision (a)(13), the CEC must determine that no reasonable alternative considered by the agency, or that has otherwise been identified and brought to the attention of the agency, would be more effective in carrying out the purpose for which the action is proposed, would be as effective and less burdensome to affected private persons than the proposed action, or would be more cost-effective to affected private persons and equally effective in implementing the statutory policy or other provision of law.

The CEC invites interested persons to present statements or arguments concerning alternatives to the proposed regulations at the scheduled hearing or during the written comment period.

CONTACT PERSON

General questions regarding procedural and administrative issues should be addressed to:

Corrine Fishman, Regulations Manager
Efficiency Division
715 P Street
Sacramento, CA 95814
(916) 805-7452
Corrine.Fishman@energy.ca.gov

Specific questions regarding the substantive and/or technical aspects of the proposed changes should be addressed to:

Gabriel D. Taylor, P.E.
Senior Engineer and Project Manager
Efficiency Division
715 P Street
Sacramento, CA 95814
(916) 903-4659
Gabriel.Taylor@energy.ca.gov

COPIES OF THE INITIAL STATEMENT OF REASONS, THE EXPRESS TERMS, AND RULEMAKING FILE

The CEC will have the entire rulemaking file available for inspection and copying throughout the rulemaking process at its office at the above address. As of the date this notice is published in the Notice Register, the rulemaking file consists of this notice, the express terms, the Initial Statement of Reasons (ISOR), and any documents relied upon. Copies may be obtained by contacting Corrine Fishman above or accessed through the CEC website at <https://www.energy.ca.gov/proceedings/energy-commission-proceedings/2020-load-management-rulemaking>

AVAILABILITY OF CHANGES TO ORIGINAL PROPOSAL FOR AT LEAST 15 DAYS PRIOR TO AGENCY ADOPTION/REPEAL/AMENDMENT OF RESULTING REGULATIONS

Participants should be aware that any of the proposed regulations could be changed as a result of public comment, staff recommendation, or recommendations from Commissioners. Moreover, changes to the proposed regulations not indicated in the express terms could be considered if they improve the clarity or effectiveness of the regulations. If the CEC considers changes to the proposed regulations pursuant to Government Code Section 11346.8, a full copy of the text will be available for review at least 15 days prior to the date on which the CEC adopts or amends the resulting regulations.

COPY OF THE FINAL STATEMENT OF REASONS

At the conclusion of the rulemaking, persons may obtain a copy of the Final Statement of Reasons (FSOR), once it has been prepared, by visiting the CEC website at <https://www.energy.ca.gov/proceedings/energy-commission-proceedings/2020-load-management-rulemaking> or contacting the contact person listed above.

AVAILABILITY OF DOCUMENTS ON THE INTERNET

The CEC maintains a website in order to facilitate public access to documents prepared and considered as part of this rulemaking proceeding. Documents prepared for this rulemaking have been posted on the CEC's website at <https://www.energy.ca.gov/proceedings/energy-commission-proceedings/2020-load-management-rulemaking>.