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California Public
Utilities Commission

CEC Load Management Workshop
January 17, 2024

Update on the Demand Flexibility Rulemaking and the Road to Compliance with the Load Management Standards

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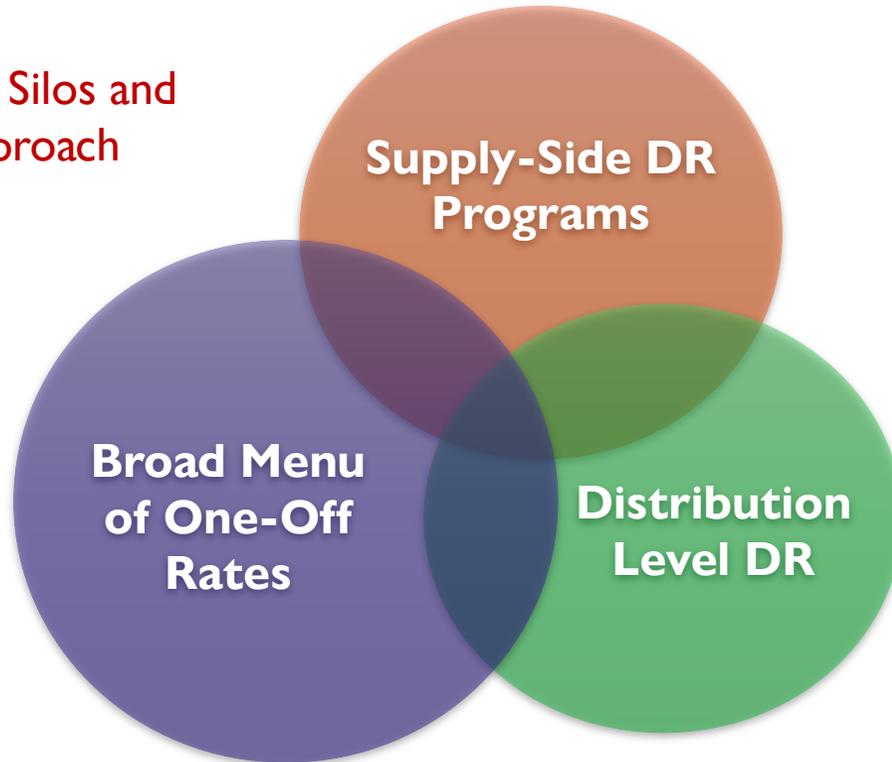
STATUS UPDATE: DEMAND FLEXIBILITY RULEMAKING

- BRIEF PROCEEDING OVERVIEW AND OBJECTIVES
- CURRENT STATUS OF RULEMAKING
- TRACK A MILESTONES
- TRACK B MILESTONES
- SUMMARY OF REMAINDER OF SCOPE AND OBJECTIVES

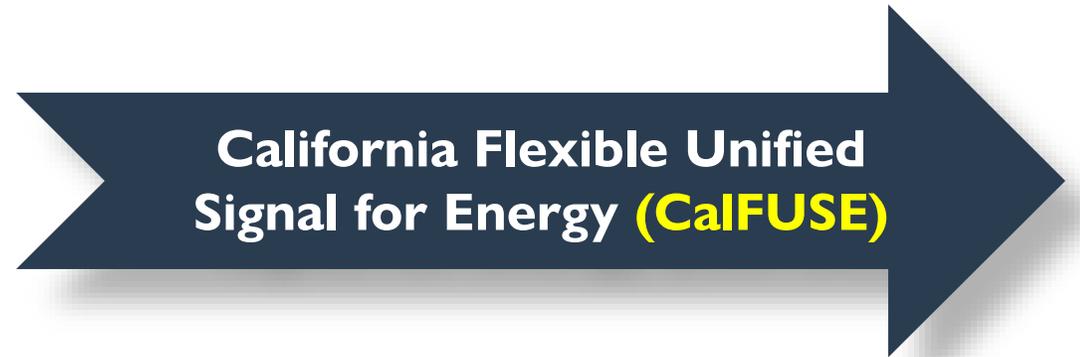


CalFUSE Framework: Optimizing DERs, Maximizing Economics of Electrification, and Meeting the CEC's Load Management Standards

Status Quo: Silos and Piecemeal Approach



Innovation: Integrated Price Signal to Incentivize Electrification, Optimize DERs and VPPs, Reduce Cost of Service, meet LMS Standards



- Complex, inefficient, expensive, confusing
- Difficult to scale, limited adoption, obsolescence
- High cost of controls and automation
- Experimental one-off tariff and program designs

- ➔ Reduced complexity, single point of focus
- ➔ Highly scalable integrated program + tech growth
- ➔ Lower cost of controls, automation, infrastructure
- ➔ Widespread advanced TOU and dynamic pricing

Broad Conceptual Elements of the CalFUSE Framework

Price Presentation

- **Universal Standardized Pricing Access** (TOU to RTP)
- **Interconnection with MIDAS** backbone + “price machine” systems
- **Digitization** of other open source grid systems to promote pricing ubiquity

System Wide Rate Reform

- **Real Time Energy Prices** (marginal energy cost)
- **Real Time Capacity Prices** (scarcity price functions)
- **Location-based Distribution Pricing** (nodal / p-node)
- **Bidirectionality of Pricing** (fair compensation for DER exports)
- **Rate Case Reform** (capacity efficiency adjustments, rate design evolution, equity)

Hedging Options and Protections

- **Subscription Options** → “Pay for Your Load Shape”
- **Transactive Energy Options** (week ahead, “buy / sell” contracts)
- **Third Party Energy Management Services** (EMS + ASP marketplace)

Strategies for Meeting LMS Standards and California's Future Grid Challenges

1. Consolidate the Multiplicity of Time-Variant Rates

- Too many one-off special purpose rates: TOU, CPP, EV, Option R/S, Self Gen Incentive Program GHG signals, etc.
- Retail market complexity warrants scalable rate solutions.

2. Create Widespread Hourly Rates to Improve Capacity Utilization and Lower Long Run Marginal Costs

- Customers from commercial to residential are leaving *prosumer surplus* on the table due to inefficient pricing.

3. Caveats

- **Load shapes, demand elasticities and geography matter:** “peakier” (low load factor) residential customer performance varies.
- **Manage Expectations:** Not all customers are good candidates.
- **Equity:** Participation + level playing field for fixed cost recovery.



Key Provisions of AB 205 for Income Graduated Fixed Charges

- Removes the prior cap of \$10/month on fixed charges in default residential rates
- Allows CPUC to authorize fixed charges in residential rates such that:
 - Fixed charges are income-graduated (IGFC) with a minimum of three income thresholds.
 - Resulting bills for low-income ratepayers in each baseline territory must be lower without any changes in usage.
- Allows recovery of public purpose program non-bypassable charges through fixed charge.
- Adjusts definition of CARE effective discount such that CARE-exempt charges are incremental to discount.
- **Must authorize an income-graduated fixed charge (IGFC) for default residential rates by July 2024.**

Income Tiers Proposed

- **Staff recommended three income tiers:**
 1. CARE-eligible
 2. FERA-eligible (plus customers who live in deed-restricted affordable housing)
 3. Non-CARE/FERA-eligible customers
- Aligned with existing programs/definitions, allowing quick implementation. Supported by SEIA, CEDMC, Clean Coalition, UCAN, CforAT, 350 Bay Area, TURN, and NRDC.
- **Main alternative three tiers proposed by Joint IOUs, SMJUs, and Cal Advocates:**
 - CARE <100% FPL, CARE/FERA >100% FPL, and Non-CARE/FERA
 - Not preferred because it may result in bill increases for CARE/FERA customers who make >100% FPL (disproportionately CARE/FERA customers in higher cost of living areas)
 - IOUs do not have sufficient income data to correctly default all CARE customers, particularly PG&E

Income-Graduated Fixed Charge Procedural Schedule

- **Demand Flexibility Proceeding (R.22-07-005), Track 1-A Milestones:**

- April 7, 2023 – Opening Testimony on Income Graduated Fixed Charge Proposals
- June 2, 2023 – Reply Testimony
- June 19, 2023 – Ruling on IGFC Implementation Pathway
- July 31, 2023 – Opening Comments on Implementation Pathway Ruling
- August 11, 2023 – Joint Case Management Statement
- August 21, 2023 – Reply Comments on Implementation Pathway Ruling
- October 6, 2023 – Opening Briefs
- November 3, 2023 – Reply Briefs
- December 18, 2023 – Ruling on Implementation Budget and Timing
- **January 24, 2024 – Opening Comments on Implementation Budget and Timing**
- **March/April 2024 – Proposed Decision**
- **April/May 2024 – Final Decision**

Track B Events and Milestones

- **Proposed decision on electric rate design principles and demand flexibility design principles:** March 2023
- **Workshop on expanding existing pilots:** Quarter 2 of 2023
- **Post-workshop ruling requesting comments on expanding pilots:** Quarter 2 of 2023
- **Working Group 1 and 2 proposals and reports filed by SCE:** October 2, 2023
- **Workshop on Working Group proposals, including needs of low-income and disadvantaged communities:** October 2023
- **Comments on Working Group 1 and 2 proposals:** October 30, 2023
- **Reply comments on Working Group 1 and 2 proposals:** November 22, 2023
- **Proposed decision on remaining issues: Q2/Q3 2024 (delay from scoping ruling)**

Next Steps in Demand Flexibility OIR and CalFUSE Framework Development

Demand Flexibility Rulemaking (R.22-07-005), Phase I A and B (through mid-2024)

- (1) **Track A:** *Income Graduated Fixed Charge proposals evaluation.*
- (2) **Track B:** *Working Group 1 / Guidance on demand flexibility design, dynamic rate pilot expansion.*
- (3) *Working Group 2 / Guidance on digital supporting systems proposals – through Q2 2024.*

Demand Flexibility Rulemaking, Phase II (through 2025)

- (1) *Development of rate designs to promote demand flexibility.*
- (2) *Systems and processes development for accessing advanced price signals, evaluation of potential ratesetting related reforms – through Q4 2025.*
- (3) *Working Group process for IGFC and next generation income verification process implementation.*

Implementation of Demand Flexibility Framework (2026-27)

- Implementation of:*
- (1) *Optional and opt-out demand flexible rates (CalFUSE).*
 - (2) *Systems and processes to support widespread CalFUSE price signal availability.*
 - (3) *Ratesetting reforms necessary to track and implement efficiencies, equity and electrification.*