

California Energy Commission  
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Re: Docket No. 13-IEP-1C  
1516 Ninth Street  
Sacramento, CA 95814-5512

California Energy Commission

**DOCKETED**

**13-IEP-1C**

TN 72070

OCT. 14 2013

October 14, 2013

Re: Electricity and Natural Gas Demand Forecast

The California Large Energy Consumers Association (CLECA) herein provides its comments on the Electricity and Natural Gas Demand Forecasts 2014-2024 and beyond. Our comments are directed toward the forecasting process and possible improvements in the future to reflect the impact of changing state policy in the area of rate design.

The California Public Utilities Commission (CPUC) uses the IEPR demand forecast as the starting point for its assessment of need for new resources in the Long Term Procurement Planning (LTPP) dockets. Thus it is important that the IEPR demand forecast reflect the consequences of state policy initiatives. There has been substantial discussion of how that forecast reflects energy efficiency and demand response policies. However, there is another policy direction that has so far been reflected only in a minor way, i.e. the impact of rate design changes.

The current IEPR demand forecast does take into account price elasticity and more recently has incorporated some estimate of demand reductions due to dynamic pricing. However, the extent of the recent changes adopted by the CPUC in rate design policy, which are only now being fully implemented for non-residential customers, is not captured. The CPUC has been implementing a policy of default TOU rates for non-residential customers for the last several years. By next year, virtually all non-residential IOU customers will be on TOU rates. Through a combination of TOU rates and dynamic pricing, the CPUC's intent is to provide pricing signals to these customers to encourage shifting load both away from peak periods and away from dynamic pricing "event" periods.<sup>1</sup> Reliability contingency events can readily be times when such price signals are sent.

The CPUC has also undertaken a proceeding (R. 12-06-013) to consider changes in residential rate design to provide similar pricing signals to residential customers. Although significant statutory constraints and restrictions affect residential rate design, new law, as a result of the passage of AB 327, will give the Commission more leeway to make changes here as well. This includes the introduction of residential TOU rates starting in 2018, one of the years of interest in the CPUC's LTPP proceedings. Since residential load represents roughly 40% of peak demand, changes in residential load shape in response to pricing changes will likely be material.

Furthermore, the new demand response rulemaking adopted on September 19 (R.13-

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<sup>1</sup> See, e.g., D. 10-02-032 and D. 11-11-008 for PG&E and D.13-03-031 for SCE.

09-011) explicitly discusses the potential impact of transitioning so many small and medium business customers to new, mandatory, TOU rates and then to default CPP rates. That rulemaking states:

In separate decisions, the Commission has directed that PG&E, SDG&E and SCE transition all small and medium sized commercial customers (small commercial customers, or small businesses) to a new mandatory TOU rate. The Commission has also directed that after a period of adjustment on TOU that the utilities transition the same customers to a CPP rate, which the customer can choose to opt off of to return to the TOU rate. These rate transitions began in 2012 and will continue through 2016, and they will impact roughly 860,000 small and medium commercial accounts.<sup>2</sup>

The CPUC expects some load shape impact from these new rates, which is why it is proposing a pilot to study them. Furthermore, there is evidence that small commercial customers do respond to such rates, despite the long-held belief that they are the least responsive to pricing signals; the SMUD small commercial Summer Solutions Study results warrant consideration here, particularly given the strong responses that are facilitated by technologies such as programmable communicating thermostats.<sup>3</sup> Similar SMUD studies of residential customers show very significant load responses to TOU and dynamic pricing.<sup>4</sup> There is also ample evidence, incorporated into comments in the residential rate design proceeding (R.12-06-013), that residential customers respond to TOU and dynamic rates. The response to these rate design changes should be explicitly considered in the development of the IEPR demand forecast. This will then enable the CPUC to reflect these modified loads in the determination of need in its procurement planning.

The CEC should recommend that the CPUC direct the utilities to perform statistically valid studies of the impact on loads of changing rate designs adopted pursuant to CPUC orders and make the data available to the CEC. Similar studies should be requested from POU, like SMUD, which are making their own major changes in rate design policy. The CEC should then incorporate these results in its future demand forecasts. The forecasts can then inform the procurement planning of the CPUC and other local regulatory authorities.

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<sup>2</sup> R. 13-09-011, Attachment A, p. 12.

<sup>3</sup> Small Business Demand Response with Communicating Thermostats, Herter et al. LBNL-2743E, September 2009.

<sup>4</sup> SMUD's Residential Summer Solutions Study, 2011-2012, Herter Energy Research Solutions, August 2013.