

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Advance  
Demand Flexibility Through Electric Rates

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Rulemaking 22-07-005  
(Filed September 27, 2022)

**CLEAN COALITION COMMENTS ON ASSIGNED COMMISSIONER'S PHASE 1  
SCOPING MEMO AND RULING**

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**I. INTRODUCTION**

Pursuant to Rule 6.1 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”) the Clean Coalition respectfully submits these opening comments in response to the *Assigned Commissioner’s Phase 1 Scoping Memo and Ruling*, issued at the Commission on November 2, 2022. We appreciate that the two Phase 1 tracks will be held concurrently, given the importance of these issues, which will provide the foundation for the state to reach its ambitious climate and energy goals on time. Clean Coalition wishes to note:

- Any fixed charge that is implemented should not be discriminatory toward electrification customers. Customers adopting electrification measures are benefitting the state and helping California achieve climate/energy goals; high fixed charges send a negative price signal.
- Demand flexibility is only possible if there is a level playing field between all demand-side resources, which cannot occur until the Transmission Access Charges (TAC) market distortion is fixed.
- Both sets of guidelines should be adopted once there has been input and amendments based on stakeholder input.

**II. DESCRIPTION OF PARTY**

The Clean Coalition is a nonprofit organization whose mission is to accelerate the transition to renewable energy and a modern grid through technical, policy, and project development expertise. The Clean Coalition drives policy innovation to remove barriers to procurement and interconnection of distributed energy resources (“DER”) — such as local renewables, demand response, and energy storage — and we establish market mechanisms that

realize the full potential of integrating these solutions for optimized economic, environmental, and resilience benefits. The Clean Coalition also collaborates with utilities, municipalities, property owners, and other stakeholders to create near-term deployment opportunities that prove the unparalleled benefits of local renewables and other DER.

### III. COMMENTS

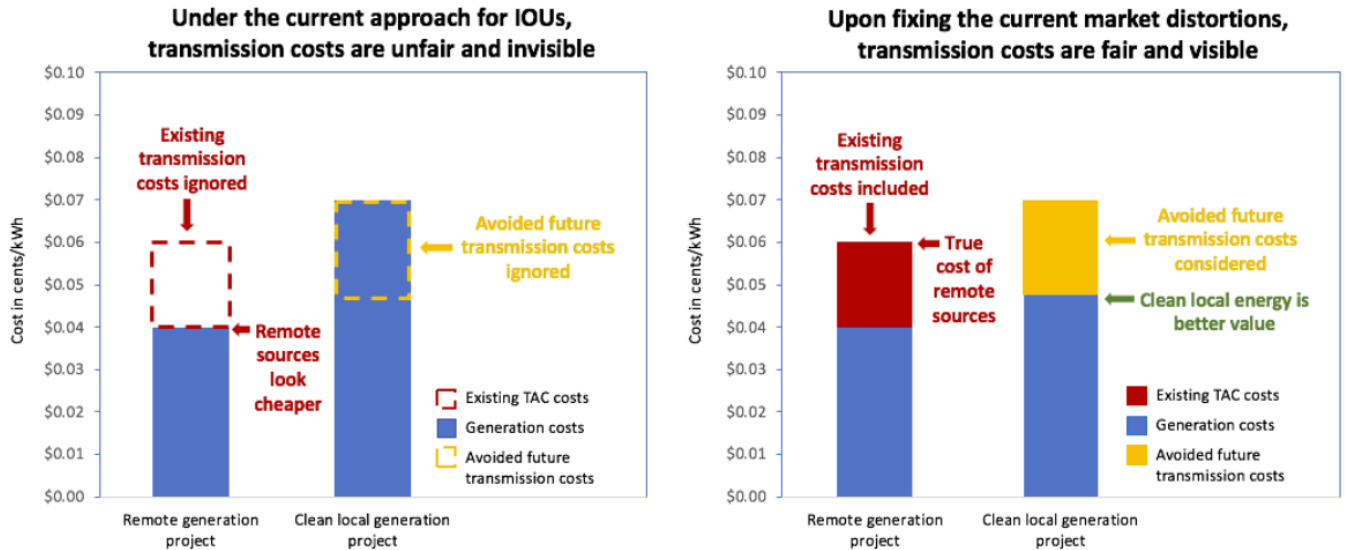
1. *Should the Commission adopt the staff proposal for modifying the electric rate design principles applicable to all electric rates of the large investor-owned electric utilities (see Attachment)? Why or why not?*

The Commission should adopt an amended version of the Staff Proposal on rate design principles based on input from stakeholders in the proceeding. For example, Principle 6 should include the phrase, “to maximize one of a number of goals (economic optimization, promoting maximum system reliability, maximum GHG reduction, or some balance between those).” While affordability is a key facet for all ratepayers, some might have an interest in promoting state goals, particularly if there is a long-term benefit, while others might value maximum bill savings as the primary criteria for a dynamic rate. Any website or tool that is designed should provide customers an easy way to set their generation profile based on their values.

Principle 9 should include the words, “and local resilience” at the end of the principle to ensure that the Commission focuses on demonstrating the value to the grid that demand flexibility can provide in normal grid conditions (reliability) and in the event of a grid interruption (resilience).

Clean Coalition firmly believes, given the Commission’s focus on being technology agnostic, that a guiding needs to be added **to codify the need to ensure a level playing field for demand-side resources**. Consider the existing market distortion caused by the way historical transmission costs are assessed to ratepayers. Transmission Access Charges (TAC) are charged by the IOUs to recover the cost of historical transmission infrastructure, are assessed to IOU customers at the customer meter. As a result, all energy imported by a customer is also assessed 2 cents/kWh TAC. This creates a market distortion because all electrons are charged for use of the transmission system, regardless of whether the energy is exported by a NEM customer and used

by another customer on the same distribution feeder or if it is energy that has traveled all the way across the state. The figure below shows how the not considering the cost to transmit remote generation makes it appear cheaper than distributed. However, when TAC is properly assessed, and DER are properly compensated for the value of avoided future transmission, local generation is more cost-effective than remote generation.



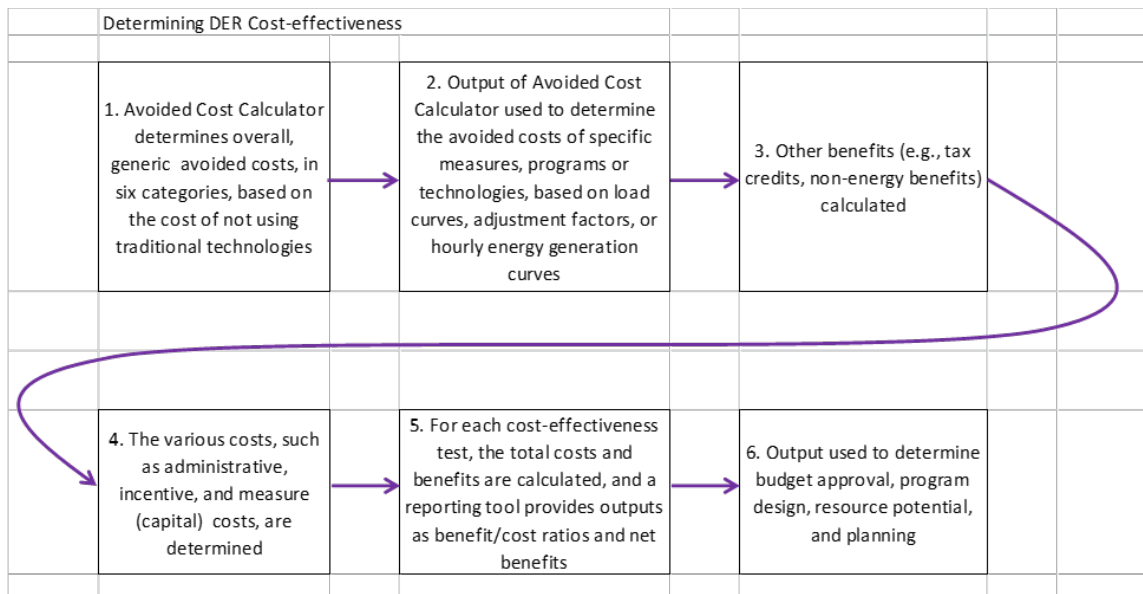
Existing transmission costs, assessed as TAC and currently averaging 2¢/kWh, should be added to the cost of remote generation that requires use of the transmission grid to get energy from where it is generated to where it is used, which is almost always on the distribution grid where people live and work. Future transmission investments, currently averaging 2.5¢/kWh in the evenings, can be avoided via dispatchable local generation, and that value should reduce the evaluated cost of local generation. When correctly considering ratepayer impacts of transmission costs, dispatchable local generation provides an average of 4.5¢/kWh of better value to ratepayers than is currently assumed in the majority of instances.

The solution to the TAC market distortion is considering Transmission Energy Downflow (TED) — the way that energy flows down from the transmission system to the T-D system interface and then onto the distribution system. Thus, by properly assessing TAC at the transmission-distribution substation rather than at the customer meter — the true cost of bulk power projects will be revealed. In comparison, DER, which are clean and multi-functional resources, will provide much better value. It is worth noting that this change is not a novel approach that is untried; the municipal utilities currently meter TAC at the T-D substation, demonstrating the viability of the solution. In order to guarantee that customers are compensated properly for demand flexibility, the TAC market distortion needs to be fixed. The Clean Coalition previously co-led (with CAISO) a stakeholder proceeding to educate all involved parties on the TAC cost-shift and secured CAISO agreement that this massive cost shift is real and should be addressed. In the findings of the stakeholder initiative, CAISO stated that the CPUC needed to make the

first move, by adjusting retail rate tariffs to align with CAISO’s fix to meter & assess TAC correctly at the T-D substations for IOUs

2. *Should the Commission adopt the staff proposal for new demand flexibility design principles applicable to all demand flexibility rates of large investor-owned electric utilities (see Attachment)? Why or why not?*

Similar to the answer to question number one, the Clean Coalition supports the adoption of the Staff Proposal with engagement from stakeholder about any necessary amendments. For example, the principles should guarantee that the local resources are compensated for non-energy benefits, as is required by the Commission’s process for determining cost-effectiveness for DER programs.



*CPUC Process for Determining DER-program Cost-Effectiveness<sup>1</sup>*

As a result, the phrase, “and the precise cost of delivering energy,” should be added to the end of design principle 2.

3. *How should the Commission support the implementation of the amendments to the California Energy Commission’s Load Management Standards?*

No answer at this time.

<sup>1</sup> <https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/demand-side-management/energy-efficiency/idsm>

4. *Should the Commission expand any of the existing dynamic rate pilots as a near-term solution to benefit system reliability?*

The Clean Coalition supports expanding the TeMix pilot that is being carried out with SCE.

5. *Beyond the six-element California Flexible Unified Signal for Energy (CalFUSE) policy roadmap proposed by Energy Division staff, what alternate proposals for hourly, marginal cost-based rates should the Commission consider to enable widespread adoption of demand flexibility and support the implementation of the amendments to the California Energy Commission's Load Management Standards?*

Existing rates, even the electrification rates, do not vary enough between peak and non-peak times. The Clean Coalition supports designing new rates that have greater time-varying periods, including the addition of peak, super peak, and super off-peak times.

#### **IV. CONCLUSION**

The Clean Coalition respectfully submits these comments and requests that the Commission.

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