

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

Order Instituting Rulemaking to Advance
Demand Flexibility Through Electric Rates

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

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

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January 4, 2023

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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 reply comments in response to the *Assigned Commissioner’s Phase 1 Scoping Memo and Ruling*, issued at the Commission on November 2, 2022. Based on information presented in the workshop and opening comments by parties, Clean Coalition offers the following suggestions:

- We support amending the guiding rate design principles (“RDP”) based on Clean Coalition recommendations as well as on amendments made in the joint opening comments of 350 Bay Area and The Climate Center.
- Incentivizing changes in customer energy usage patterns requires a transition to greater time-varying rates. Critical peak pricing- that includes an off-peak, mid-peak, on-peak, and super on-peak period- is transparent and understandable to customers, while also sending necessary price signals that encourage energy usage patterns that benefit the broader electric grid.
- Ideally, this rulemaking should ensure that ratepayers can easily access information about energy usage on an appliance-by-appliance basis within their own homes and/or businesses, which is imperative to maximize the value of demand flexibility.
- Given the propensity of extreme weather events and wildfires occurring in California, it is essential to have a hedge against real-time price spikes. This could be achieved by a price ceiling.
- Demand charges should be modified to encourage shifting energy usage to non-peak periods.
- We agree with CAISO that increased data sharing needs to be a priority. For the grid operators, having a better window into behind-the-meter (BTM) energy production/demand will allow the grid to run more efficiently and for individual facilities, sharing lessons learned will help promote streamlined resource deployment.
- We agree with CESA that definitions of cost-shifting and cross-subsidies need to be better defined within the context of this proceeding and broader Commission efforts.¹

¹ CESA Opening Comments at p. 2

- The guiding principles RDP and Demand Flexibility Principles should codify the need to level the playing field for demand-side resources.
- Any fixed charge should be applied evenly throughout residential customers and should be nominal, only high enough to recover the minimum fixed infrastructure costs. Fixed charges should not be applied punitively to customers adopting electrification measures, since doing so would send a negative price signal to ratepayers supporting state electrification goals.

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

A. We support amending the guiding principles proposed by Energy Division staff based on the joint comments of 350 Bay Area and The Climate Center.

RDP#2: The changing nature of the electric grid will require significant investments that are necessary but might not immediately be cost-effective based on existing metrics. Some of these investments will undoubtedly be policy related, while others will reflect the changing climate and physical landscape that grid infrastructure spans. Overall, long-term cost-effectiveness and total benefits must be prioritized over having a slight negative effect on margins. For example, while large utility-scale solar projects might be most cost-effective on a dollar-per-watt basis, local solar provides resilience (when combined with energy storage or as part of a Community Microgrid) and avoids the use of the transmission grid, providing a range of values that benefit both the local community and the broader grid. See the graph at the bottom of these comments, labelled Attachment A. Therefore, the suggested amendment of 350 Bay Area and The Climate Center, to add the phrase, “balanced against other factors/principles including both short term

and long-term effects,”² to the proposed staff guideline is prudent and shifts the focus to a more holistic approach to cost-effectiveness.

RDP#3: Multiple parties, including 350 Bay Area and The Climate Center, Sierra Club, and the Microgrid Resources Coalition all concur that adding language to RDP#3 about avoiding cost-shifts is overly complicated and unnecessary given the existing language of RDP#7.³ Clean Coalition agrees with this sentiment and notes that existing rates are based on averages for customer classes, meaning that some ratepayers are being overcharged while others are being undercharged. On an individual ratepayer basis, this can be viewed as a cost shift, but on the whole rates are based on the cost-of-service. As 350 Bay Area and The Climate Center astutely note, “we are not aware of any adopted standard for evaluation of “cost shift”, and it is unclear whether this applies to costs between individual customers within a customer class or the aggregated customers between different customer classes or tariffs.”⁴ Thus, the fact that a cost shift may exist is not as much of an issue as the effect it has on rates and longer-term benefits in helping the state achieve climate and electrification goals. Adding multiple references to cost shifts and cross subsidies throughout the RDPs puts more attention than is necessary on one aspect of rate design, when affordability, reliability, and broader system benefits are the main issues that need to be addressed. The priority should be fixing existing market distortions that cause inequitable market outcomes to occur, such as the distortion caused by the way that Transmission Access Charges (“TAC”) are assessed at the customer meter rather than the T-D substation.⁵

RDP#4: We support the 350 Bay Area and The Climate Center amendment that includes an explicit focus on GHG reduction and conservation.⁶ The final reformed rate design principles should promote customer choices that benefit the grid, promote affordability, and help achieve state goals. Including “conservation” is a must, considering that demand for electricity is

² 350 Bay Area and The Climate Center Opening Comments at p. 2

³ 350 Bay Area and The Climate Center Opening Comments at p. 3, Sierra Club Opening Comments at p. 2, Microgrid Resources Coalition at p. 4

⁴ Ibid at p. 3

⁵ See Clean Coalition Opening Comments at p. 3, which explain why the TAC market distortion puts demand side resources at a disadvantage as compared to supply side resources.

⁶ 350 Bay Area and The Climate Center Opening Comments at p. 5

expected to rise significantly as electrification measures are deployed, making any, and all energy conservation vital.

RDP#5: As externalities are more completely entrenched in electric rates and the industry transitions to relying on economic analyses that use life cycle costs, modern rate design principles should reflect the full costs to the ratepayers over time. For example, for every dollar spent as an upfront capital expenditure on a transmission project, over the lifetime of the transmission asset, the ratepayers end up footing a bill that is 10x that amount in nominal dollars.⁷ The 350 Bay Area and The Climate Center suggestion to add the phrase “infrastructure-related costs,”⁸ encapsulates this change and guarantees that all costs that impact ratepayers are considered in rate design.

RDP#6: In addition to 350 Bay Area and The Climate Center, Utility Consumers’ Action Network (“UCAN”) opposes the proposed staff change to RDP#6 because it shifts the focus away from transparent and understandable rates, toward having optionality to manage bills. Clean Coalition also opposes this proposed change and wish to note that the two issues are not, and need not be, mutually exclusive. Returning to the example of transmission costs, currently a customer bill shows the percentage of the bill that comes from transmission. However, there is no statement about how that dollar amount is calculated or what the transmission rate actually is for a residential customer on a volumetric basis. The same is true for commercial customers, though the inclusion of demand charges makes it even less clear than for residential customers. Ideally, a customer should be able to understand how transmission costs are calculated **and** have the option to manage their bill to reduce those costs. Therefore, we support the UCAN proposed amendment, “Rates should be stable, understandable, and provide options for customers to manage their bills.”⁹

RDP#9: Clean Coalition supports the amendment by 350 Bay Area and The Climate Center that the reliability should be considered **in addition to** other state policy goals. As stated in our opening comments, one of these additions should be “and local resilience.”¹⁰ As the Commission has demonstrated with the passage of electrification rates, using price signals to change

⁷ <https://clean-coalition.org/news/local-solar-is-the-best-solution-for-reducing-peak-transmission-usage-and-electricity-costs-for-ratepayers/>

⁸ 350 Bay Area and The Climate Center Opening Comments at p. 6

⁹ UCAN Opening Comments at p. 7

¹⁰ Clean Coalition Opening Comments at p. 3

consumer consumption patterns is key to promoting decarbonization as well as maintaining reliability. Rates of the future will have necessary tradeoffs, particularly because electrification, which is necessary to achieve state goals, will drive up electric demand. Rate design should explicitly acknowledge the need for these tradeoffs.

B. Greater time-varying rates can unlock demand flexibility and encourage energy usage patterns that are beneficial to the grid.

Typical ratepayers desire a way to save money on their monthly utility bills while maintaining as normal of a schedule as possible. Disruptions to normal habits and significant time/monetary requirements to transition to a new system are most likely to turn ratepayers off to new pricing schemes than the status quo, particularly if difference in savings is only marginal at best. It will be more effective to rely on greater time-varying rates, which are self-explanatory and can be easily correlated to the needs of the broader grid. Therefore, the Clean Coalition proposes a Critical Peak Pricing scheme with an off-peak, mid-peak, on-peak, and super on-peak periods. This will align customer interests with the broader grid and will require a slight change in energy consumption patterns that can be relied on throughout the year, rather than putting in the effort to consider energy on a real time basis.

C. Clean Coalition supports' CAISO's request that this proceeding be coordinated with the new data access proceeding.

Unlocking demand flexibility will require new levels of data sharing, particularly as the number of third-party aggregators increase. One of the necessary outcomes of this proceeding will be a guiding framework on data sharing that can be implemented alongside any rate design. The grid operators will require a greater window into BTM loads to ensure the grid continues functions with a high level of reliability and that markets are available to manage newly flexible loads.¹¹ In addition, from a ratepayer perspective, greater sharing will allow for more efficient deployments of distributed energy resources and speed up the pace of electrification. In addition to CAISO's comments on data sharing, we propose that data sharing be shifted from an opt-out system, rather than an opt-in system, so that data sharing becomes the default — to the benefit of businesses, residential ratepayers, and the broader grid. Moreover, we request that the 15/15 rule be reconsidered to promote increased data sharing, so long as it does not create security risks.

¹¹ CAISO Opening Comments at p. 1-2

IV. CONCLUSION

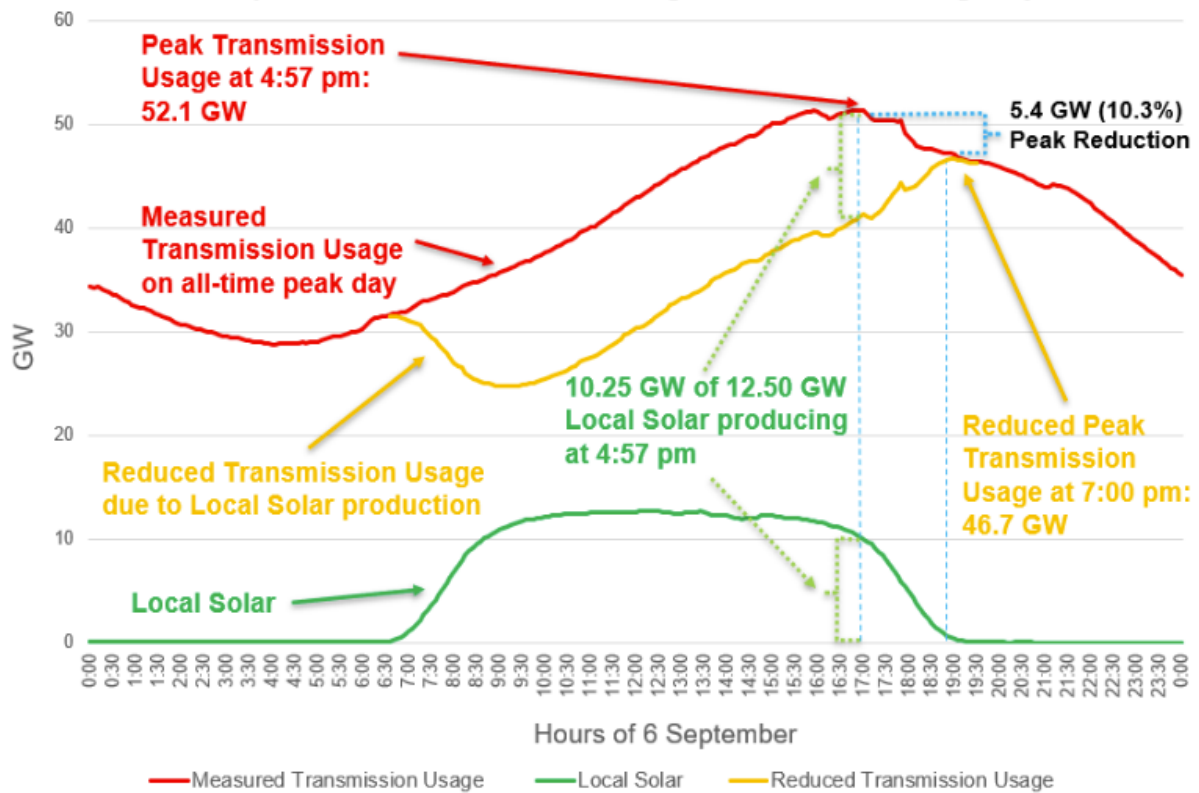
The Clean Coalition respectfully submits these reply comments and requests that the Commission incorporate these changes into the Scoping Memo and rate design principles.

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Attachment A

**Reduction of Peak Transmission Usage from Local Solar
on 6 September 2022, CAISO's all-time highest transmission usage day**



Local solar is the most effective way to reduce peak transmission usage, and in eliminating transmission costs as the biggest factor increasing electricity prices. This graphic shows that if the 12.5 GW of transmission-interconnected solar recorded by CAISO on 6 September 2022 had come from local solar, the peak transmission usage on that all-time historic-peak day would have been reduced by over 10%. Hence, local solar would have had a nearly 5 times greater impact in reducing peak transmission usage than the record-setting 1.2 GW of Demand Response on that day. Given that peak transmission usage is the primary cause of new transmission investments, local solar is poised to save ratepayers hundreds of billions of dollars in avoided transmission costs. Importantly, the benefits of local solar increase exponentially when paired with local energy storage, including via export capabilities coming to Electric Vehicles (EVs).

¹ <https://clean-coalition.org/news/local-solar-is-the-best-solution-for-reducing-peak-transmission-usage-and-electricity-costs-for-ratepayers/>