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

Order Instituting Rulemaking to Advance Demand Flexibility Through Electric Rates.	R.22-07-005

CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S COMMENTS ON ORDER INSTITUTING RULEMAKING TO ADVANCE DEMAND FLEXIBILITY THROUGH ELECTRIC RATES

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August 15, 2022

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SUMMARY OF RECOMMENDATIONS

- Ensure that all load-serving entities (LSEs) have timely access to usage data to facilitate the development and implementation of rates to encourage demand flexibility and requiring modifications of the investor-owned utility (IOU) billing systems where necessary to achieve this objective;

- IOU rate designs for transmission and distribution should not adversely interact with generation rates from community choice aggregators (CCAs) to the detriment of demand flexibility;

- The proceeding should emphasize that all customers can address the issues of reliability, affordability, and meeting of policy goals and as such should ensure that the development of rate structures treat customers equitably whether served as bundled or unbundled load; and

- Limit the use of fixed charges to transmission and distribution rates, which are driven primarily by fixed costs.

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The California Community Choice Association[1] (CalCCA) submits these Comments in response to the *Order Instituting Rulemaking to Advance Demand Flexibility Through Electric Rates* (OIR), issued July 22, 2022, pursuant to Rule 6.2 of the California Public Utilities Commission's (Commission's) Rules of Practice and Procedure, and the directives provided by the OIR.

I. INTRODUCTION

CalCCA appreciates the Commission's efforts to enable customers to adapt their energy consumption to support reliability and decarbonization through programs that also maintain affordability. In addition, the Commissions solicitation and identification of innovative approaches to address affordability in the State is commendable. To advance these goals, the Commission should:

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[1] California Community Choice Association represents the interests of 23 community choice electricity providers in California: Apple Valley Choice Energy, Central Coast Community Energy, Clean Energy Alliance, Clean Power Alliance, CleanPowerSF, Desert Community Energy, East Bay Community Energy, Lancaster Choice Energy, Marin Clean Energy, Orange County Power Authority, Peninsula Clean Energy, Pico Rivera Innovative Municipal Energy, Pioneer Community Energy, Pomona Choice Energy, Rancho Mirage Energy Authority, Redwood Coast Energy Authority, San Diego Community Power, San Jacinto Power, San José Clean Energy, Santa Barbara Clean Energy, Silicon Valley Clean Energy, Sonoma Clean Power, and Valley Clean Energy.

- Ensure that all load-serving entities (LSEs) have timely access to usage data to facilitate the development and implementation of rates to encourage demand flexibility and requiring modifications of the investor-owned utility (IOU) billing systems where necessary to achieve this objective;
- IOU rate designs for transmission and distribution should not adversely interact with generation rates from community choice aggregators (CCAs) to the detriment of demand flexibility;
- The proceeding should emphasize that all customers can address the issues of reliability, affordability, and meeting of policy goals and as such should ensure that the development of rate structures treat customers equitably whether served as bundled or unbundled load; and
- Limit the use of fixed charges to transmission and distribution rates, which are driven primarily by fixed costs.

II. ELEMENTS OF THE PROCEEDING CRITICAL TO EFFECTIVE RATE DESIGN AND DEMAND FLEXIBILITY

A. Timely Usage Data Are Necessary for All Providers

Effective operation of demand flexibility tools requires timely access to usage data. While the IOUs presumably have real-time access, CCAs and Energy Service Providers (ESPs) depend on the IOU billing systems to obtain data necessary to compute bills for their customers. Today, however, data accessibility varies by utility and is insufficient to meet CCAs' needs; the Commission should set standards for data quality and accessibility across all IOU territories to help ensure that all providers can offer effective dynamic rate options to their customers.[2] The lack of access to real-time usage data is a barrier to CCAs being able to offer the kinds of expanded demand flexibility tools to customers contemplated by this proceeding. Without addressing this asymmetry in data access, the Commission would inadvertently prevent the majority of customers from being able to contribute to meeting statewide goals.

[2] Rulemaking (R.) 20-11-003, Exhibit CalCCA-2.

The Commission should focus directly on billing systems necessary to enable demand flexibility for all LSEs. The focus should not solely be on enabling IOU demand flexibility; equal focus must place on enabling billing systems that allow full participation in demand flexibility programs and rates for CCA and ESP customers is necessary.

While some feasibility obstacles are visible at the outset, including those identified in these comments, nevertheless the Commission should explore the innovative approach contemplated in this proceeding to provide all Californians with opportunities with compensation for supporting overall system reliability.

B. IOU Transmission and Distribution Rate Design Should Not Adversely Impact Generation Rates of CCAs to the Detriment of Demand Flexibility

Demand Flexibility will only be effective for customers if the entire electricity bill impact is consistent. Rate design that provides contrary incentives will mute the intent and result in customers not reacting in a manner consistent with the reliability, policy, or affordability goals intended. This is particularly important in the interaction of the transmission and distribution rate incentives and the generation rate incentives since in many cases, the design and implementation of these rates are by different entities. Through this proceeding, the Commission should be mindful of the interaction of the various rate components and how the objectives of the IOUs, CCAs, and the state are accomplished effective with customer billing incentives.

C. Equitable Outcomes for Both Bundled and Unbundled Customers Should Be a Guiding Principle Throughout This Proceeding

The Commission's consideration for how demand flexibility can better support equitable and affordable rates for all Californians is a benefit to all Californians. The Commission should emphasize equitable outcomes for all customers, both bundled and unbundled alike. This focus on equitable outcomes for all should be a guiding principle throughout this proceeding and in the consideration of adopting any new rates or programs.

In particular, the Commission should focus on ensuring: 1) all customers have access to, *and are able to,* participate in demand flexibility rates and programs; 2) rate affordability and minimizing bill impacts for all customers resulting from any adopted rates or programs; 3) customers who enroll in opt-in demand flexibility rates and programs are *actually* modifying their load in response to rate signals, thus generating system benefits and minimizing cost shifts between customers; and 4) demand flexibility programs and rates adopted through this proceeding do not unreasonably exclude customers from participating in existing or future demand flexibility or load modifying rates and programs offered by IOUs or CCAs.

D. Fixed Charges Should Be Limited to Transmission and Distribution Rate Components

This proceeding's consideration of reforming fixed charges, including consideration of utilizing income-differentiated fixed charges to recover fixed costs and prevent cost shifts in an equitable way, is a reasonable consideration. However, as a general matter, fixed charge rate design should apply primarily to transmission and distribution services. Utility fixed charges are typically designed to recover fixed costs. Fixed costs—depreciation, taxes, return, and fixed operations and maintenance—predominate transmission and distribution (T&D) revenue requirements but represent only a small proportion of generation costs. The relative proportion of fixed costs for these services stems from the nature of the assets used to provide the service. A utility constructs, owns, and operates its physical T&D system to serve customers, primarily incurring fixed costs that do not vary with customer usage. In contrast, a utility does not construct, own, and operate all the generating capacity; increasingly, the IOUs are contracting for rather than building generation, and those costs typically vary with the IOU's load. Moreover, gas-fired generation costs vary directly with the fuel used.

Beyond the theoretical basis for limiting fixed charges, extending fixed charges to generation creates unnecessary complexity in non-bypassable surcharge rate design. All IOU-owned generation, which largely drives generation fixed costs, is included in the Cost Allocation Mechanism (CAM) or the Power Charge Indifference Adjustment (PCIA) portfolio. The costs of those portfolios are recovered through separate surcharges. Including generation fixed costs in a fixed charge thus would require redesigning bundled generation charges, the CAM charge, and the PCIA charge. Transmission and distribution rates provide ample opportunity for fixed charge rate design while generation rates do not. The Commission should steer in this direction at the outset of the proceeding to limit unnecessary complexity and controversy.

III. CONCLUSION

For all the foregoing reasons, CalCCA requests that the Assigned Commissioner and Administrative Law Judge adopt a scope for this rulemaking that includes all of the issues identified herein.

Respectfully submitted,

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CALIFORNIA COMMUNITY CHOICE ASSOCIATION

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