



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

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Order Instituting Rulemaking to Advance  
Demand Flexibility Through Electric Rates.

R.22-07-005

**CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S REPLY  
COMMENTS ON ADMINISTRATIVE LAW JUDGE'S RULING ON  
TRACK B STAFF PROPOSAL TO EXPAND EXISTING PILOTS**

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## SUMMARY OF RECOMMENDATIONS

California Community Choice Association (CalCCA) recommends that the California Public Utilities Commission (Commission):

- Reject Southern California Edison Company’s proposal to initially limit community choice aggregation (CCA) participation in Expanded Pilot #3 to only one CCA;
- Reject the recommendation from Pacific Gas and Electric Company (PG&E), Polaris Energy Services, Gridtractor Inc., and GridX, Inc. (collectively, PG&E parties) to recover generation revenue shortfall costs through the latest vintage of the Power Charge Indifference Amount.
- Approve the PG&E parties’ proposal to allow mid-course updates in expanded pilots;
- Approve Valley Clean Energy Alliance’s and Central Coast Community Energy’s proposed budget categories, including allocations for automation technology incentives and annual customer settlements; and
- Address data access barriers as identified by CalCCA in Track B, Working Group 2 and as supported by The Public Advocates Office at the California Public Utilities Commission and Small Business Utility Advocates to further enhance CCA participation in the Expanded Pilots.

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California Community Choice Association<sup>1</sup> (CalCCA) submits these reply comments in response to party comments on: (1) *Administrative Law Judge's Ruling on Track B Staff Proposal to Expand Existing Pilots*<sup>2</sup> (Ruling), dated August 15, 2023, requesting party comments on the Track B staff proposal to expand existing pilots to support near-term summer reliability, (2) *Procedural Email Granting Extension for Track B Ruling Comments*, dated August 24, 2023, granting the extension of deadlines for comments (to September 18, 2023) and reply comments (to October 6, 2023) on the Ruling, and (3) *Procedural Email Granting Extension for Track B Ruling Comments*, dated September 13, 2023, granting a second extension of the deadlines for filing comments (to September 25, 2023) and reply comments (to October 9, 2023).

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<sup>1</sup> California Community Choice Association represents the interests of 24 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, Energy For Palmdale's Independent Choice, Lancaster 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.

<sup>2</sup> Rulemaking (R.) 22-07-005, *Administrative Law Judge's Ruling on Track B Staff Proposal to Expand Existing Pilots* (Aug. 15, 2023):  
<https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M517/K407/517407755.PDF>.

## I. INTRODUCTION

CalCCA appreciates the opportunity to respond to party Opening Comments on the Staff Proposal on Existing Dynamic Rate Pilot Expansion (Staff Proposal), attached to the Ruling.<sup>3</sup> As set forth in CalCCA's Opening Comments, community choice aggregators (CCAs) recognize the significant opportunities provided in the Staff Proposal for load-serving entities (LSE), including CCAs, to further evaluate through the expanded pilots how dynamic pricing can positively impact the grid. CalCCA seeks to ensure the expanded pilots are designed to encourage robust CCA participation. Accordingly, in response to party Opening Comments, CalCCA recommends that the Commission:

- Reject Southern California Edison Company's (SCE) proposal to initially limit CCA participation in Expanded Pilot #3 to only one CCA;
- Reject the proposal of Pacific Gas and Electric Company (PG&E), Polaris Energy Services, Gridtractor Inc., and GridX, Inc. (collectively, PG&E parties) to recover generation revenue shortfall costs through the latest vintage of the Power Charge Indifference Amount (PCIA);
- Approve the proposal of the PG&E Parties to allow mid-course corrections and updates in the expanded pilots;
- Approve the proposed budget categories of Valley Clean Energy Alliance (VCE) and Central Coast Community Energy's (3CE) proposed budget categories, including allocations for automation technology incentives and annual customer settlements; and
- Address data access barriers as identified by CalCCA in Track B, Working Group (WG) 2, as recommended by The Public Advocates Office at the California Public Utilities Commission (Cal Advocates) and the Small Business Utility Advocates (SBUA), to further enhance CCA participation in the expanded pilots.

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<sup>3</sup> All references herein to party Opening Comments are to the Opening Comments filed in this Rulemaking (R.) 22-07-005, on or about September 25, 2023, unless otherwise specified.

## **II. THE COMMISSION SHOULD REJECT SCE’S PROPOSAL TO LIMIT CCA PARTICIPATION FOR THE INITIAL PILOT EXTENSION**

The Commission should reject SCE’s proposal to only allow one CCA to participate in the initial extension of Expanded Pilot #3.<sup>4</sup> SCE justifies its recommendation by stating that:

[d]ue to the nature of the Pilot, unbundled customers will require a different dynamic pricing tariff design, with new processes that will need to be developed and coordinated with the CCAs for Pilot price determination and compilation, ex-post validation, unbundled customer shadow billing, and customer incentive payments.”<sup>5</sup>

SCE further states that beginning with one CCA will allow SCE to develop new processes in “an accelerated manner.”<sup>6</sup>

Limiting CCA participation will foster competitive inequities among the excluded CCAs, versus SCE and the included CCA. First, SCE and the included CCA will have potentially cost-saving customer offerings not available to customers of the excluded CCAs. Second, the excluded CCAs will be precluded “from gaining the crucial institutional knowledge helpful to effectively offer rates compliant with CEC LMS by the 2027 deadline” as recognized in the Staff Proposal.<sup>7</sup>

Allowing all CCAs in SCE’s service area to participate maximizes the number of LSEs that can gain experience with dynamic rates ahead of the CEC LMS requirements in 2027, and the number of customers that can more immediately begin to load shift and benefit from pilot participation.

Therefore, the Commission should reject SCE’s proposal to only allow one CCA to participate in its Expanded Pilot, even initially.

## **III. THE COMMISSION SHOULD REJECT THE PG&E PARTIES’ PROPOSAL TO RECOVER GENERATION RATE REVENUE SHORTFALL THROUGH THE LATEST PCIA VINTAGE YEAR**

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<sup>4</sup> See SCE Opening Comments, at 7-8.

<sup>5</sup> *Ibid.*

<sup>6</sup> *Ibid.*

<sup>7</sup> Staff Proposal, at 9.

The Commission should reject the PG&E Parties' proposal to recover Expanded Pilot generation rate shadow billing credits through the last PCIA vintage year of the Portfolio Allocation Balancing Account (PABA). The PG&E Parties argue that recovering generation rate shadow billing credits through the latest vintage of the PCIA is preferable because it would recover costs from as many customers as possible to keep rates low and less volatile than doing so through the Energy Resource Recovery Account (ERRA).<sup>8</sup> Since the Expanded Pilots benefit the grid for all customers, PG&E should recover both distribution and generation revenue shortfalls from the Expanded Pilots through the Distribution Revenue Adjustment Mechanism. These Expanded Pilots represent costs that benefit the grid for all customers, much like resources that recover costs through the Cost Allocation Mechanism, which recovers generation costs through distribution rates for investor-owned utility generation procurement on behalf of all benefitting customers. This approach would avoid dealing with PCIA vintage issues and is more administratively efficient because PG&E would track all costs via one balancing account rather than two. Moreover, collecting these costs through distribution rates would completely avoid determination of which vintage is the most accurate for cost causation and collection purposes.

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<sup>8</sup> See PG&E Parties Attachment to Opening Comments, at 27 (“PG&E believes that recovery through the last PCIA vintage year of PABA for PG&E generation rate shadow billing credits is the most appropriate method of recovery for the generation component because it will recover the revenue shortfall from those customers i.e., bundled and departed load customers who left bundled service from the preceding six month period, who received the benefit of the pilot. For example, if the 2024 revenue shortfall was recovered through PABA, then the 2024 PCIA vintage year would be used. If instead, PG&E recovered the generation portion of the revenue shortfall through its Energy Resource Recovery Account (ERRA), the annual true-up would be recorded to the following year’s PCIA vintage year i.e., for the 2024 revenue shortfall the 2025 PCIA vintage year would be used. As a result, the revenue shortfall would not be recovered from any departed load customer from the preceding six-month period i.e., July through December 2024 (assuming a calendar year true up), and consequently there would be fewer customers from which the revenue shortfall could be recovered. As it is unknown how material the amount of the revenue shortfall will be, it would be in the best interests of customers to recover from as many customers as possible to keep rates low and less volatile.”).

#### **IV. THE COMMISSION SHOULD ADOPT THE PG&E PARTIES' RECOMMENDATION TO ALLOW MID-COURSE ADJUSTMENTS IN THE EXPANDED PILOTS**

The Commission should adopt the PG&E Parties' recommendation to allow for mid-course adjustments in all three expanded dynamic rate pilots. The PG&E Parties discuss the importance of incorporating learnings from the early years of the pilot into later years.<sup>9</sup> The PG&E Parties draw a distinction between pilot rate design components, which the Commission has made clear should not change during these pilot expansions, and the formula and details in existing pilots.<sup>10</sup> This distinction is key because the PG&E/VCE AgFIT pilot has been implemented for only a unique customer type with a limited set of customers. The proposed expansion beyond agricultural customers to residential, commercial, and industrial customers without flexibility to modify the formulas and application of the rate design components would harm the pilot. Different customer groups have diverse needs and pilot administrators must be able to address that customer diversity.

Two examples of mid-course changes from the PG&E/VCE AgFIT pilot that have already occurred were provided: (1) an update to the distribution and generation price formulae, and (2) an update from a two-part subscription design to a one-part subscription design.<sup>11</sup> Both of these mid-

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<sup>9</sup> See PG&E Parties Attachment Opening Comments at 22 (“PG&E interprets the Phase 1 scope to mean that all components must be in place, but not that formulae and other specific details in existing pilots are locked in stone. Rather, PG&E believes that the Rate Design for expanded pilots needs to allow for flexibility to allow learnings to be incorporated in the later years of the Pilots, as has been the case for the current AgFIT Pilot.”).

<sup>10</sup> See (R.22-07-005) *Procedural Email Granting Second Extension for Expanding Pilots Comments* (Sept. 13, 2023) (“Parties should also note that the relevant issue in scope for Phase 1 is whether to “expand any of the existing dynamic rates pilots as a near-term solution to benefit system reliability.” Examples of expanding an existing pilot include modifying eligibility or increasing the number of participants in a pilot. However, Phase 1 of this proceeding is not considering changes to the rate design of existing dynamic rate pilots or new pilot designs.”)

<sup>11</sup> See PG&E Parties' Attachment to Opening Comments at 22 (“Specifically, the AgFIT generation and distribution price formulae were modified from phase 1 (AgFIT.1) to phase 2 (AgFIT.2), with AgFIT.1 using a scaling multiplier to boost hourly price differentials beyond marginal cost, while AgFIT.2 uses only marginal costs and therefore is much less “spikey,”) and 12 (With a two-part subscription, the customer’s “subscription” load assumed in the absence of RTP (in this case, last year’s load) is charged the (TOU)



course adjustments provided benefits to the customer without changing the fundamental aspects of the pilot being tested. The price calculation updates provided prices for participating customers that are less volatile or “spikey,” and the change to the subscription design prevented high bills resulting from extended high real-time prices.<sup>12</sup> The PG&E parties also correctly point out that the CCAs will need flexibility with generation price formulae because CCA generation costs and prices are not under CPUC jurisdiction.<sup>13</sup>

The above examples demonstrate how pilot administrators can learn as they implement pilots and how mid-course corrections can benefit customers. However, pilot administrators should present any mid-course corrections to stakeholders in detail before Commission approval and subsequent implementation. For example, changes to the subscription calculation and implementation, or details for the matter in which the transactive feature should be applied to different customers segments are complex matters, necessitating stakeholder understanding and review prior to implementation. Therefore, the advice letter process proposed by the PG&E Parties will provide an opportunity for the Commission to review and approve any proposed updates to pilots.<sup>14</sup>

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Otherwise Applicable Tariff, and only the difference between actual load and the subscription amount in any hour is charged the RTP price. With one-part subscription, the RTP price itself is adjusted up or down (the same in each hour of a day, so as to maintain the original RTP hourly shape and differentials) so that the RTP price averages out to the same as the TOU price over some period (in this case, over the next seven days’ forecast). Both one-part and two-part subscriptions are designed to recover costs in excess of the marginal costs recovered from RTP prices and also reduce the risk to customers of high bills resulting from extended high RTP prices, while maintaining the RTP price incentive to shift load from high-priced hours to lower-priced hours.”).

<sup>12</sup> *Ibid.*

<sup>13</sup> *See id.* at 23 (“Flexibility regarding the generation price formulae is clearly necessary, because for CCAs the generation cost and prices are the responsibility of the CCA, and the Commission does not have jurisdiction.”).

<sup>14</sup> *See id.* at 22 (“PG&E would include its initial rate design details in a Tier 1 advice letter after the Commission approves its proposal and envisions filing additional Tier 1 advice letters subsequently if changes in the details of the approved rate design would be beneficial in the future.”).

**V. THE COMMISSION SHOULD APPROVE BUDGET CATEGORIES SUBMITTED BY VCE AND 3CE INCLUDING BUDGET ALLOCATIONS FOR TECHNOLOGY INCENTIVES AND ANNUAL SETTLEMENTS**

The Commission should approve the budget categories submitted by VCE and 3CE, including allocations for technology incentives and load shift settlement payments for participating customers.<sup>15</sup> In response to the Ruling, VCE submitted proposed budgets for implementing Expanded Pilots #1 and #2, and 3CE submitted a proposed budget for implementing Expanded Pilot #1.<sup>16</sup> The proposed budget categories include: (1) administrative costs, (2) billing, marketing, education, and outreach, (3) automation technology incentives, and (4) annual settlement payments to customers for the difference between the dynamic rate and the OAT.<sup>17</sup> CalCCA appreciates and supports the inclusion of the latter two incentive categories for CCAs participating in expanded pilots. The Staff Proposal did not include a discussion of these budget categories specifically, but they represent critical functions of the expanded pilots for both CCAs and for participating customers. Customers must not only have an incentive to participate in the fundamental load shifting aspects of the program through savings via a dynamic rate and subscription, but the pilots must incentivize customers to participate despite technological barriers such as automation technology not already installed. Incorporating these costs into the planning for the expanded dynamic rate pilots is critical to maximizing customer participation and gathering the data and experience the pilots will provide to CCAs.

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<sup>15</sup> See VCE Opening Comments, at 25-26; 3CE Opening Comments, at 3-4.

<sup>16</sup> See *id.*, at 25-26 (Tables 1 and 2 - proposed budgets for implementation of Expanded Pilots #1 and #2); see also 3CE Opening Comments, at 3-4 (Table 1 - proposed budget for implementation of Expanded Pilot #1).

<sup>17</sup> See *id.*, at 25-26 (Tables 1 and 2 - proposed budgets for implementation of Expanded Pilots #1 and #2).

**VI. THE COMMISSION SHOULD ADDRESS CCA DATA ACCESS ISSUES IDENTIFIED BY CALCCA AND RECOGNIZED BY CAL ADVOCATES AND SBUA TO ENSURE ROBUST CCA PARTICIPATION IN EXPANDED PILOTS**

The Commission should address data access issues identified by CalCCA in Track B, WG 2, and recognized by Cal Advocates and SBUA to ensure robust CCA participation in expanded pilots. CalCCA appreciates Cal Advocates and SBUA echoing CalCCA's identification of the data access needs of the CCAs in their Opening Comments.<sup>18</sup> Indeed, CCAs face data-related challenges that will prevent unhindered participation in expanded dynamic rate pilots. The parties in the Demand Flexibility proceeding are currently discussing these data needs through the Track B, WG 2 process. CalCCA encourages the Commission to require the investor-owned utilities to continue to work with the CCAs to ensure the data needs for CCAs to offer dynamic rates both in the expanded pilots and in the future are addressed.

**VII. CONCLUSION**

For all the foregoing reasons, CalCCA respectfully requests consideration of the recommendations herein and looks forward to an ongoing dialogue with the Commission and stakeholders.

Respectfully submitted,



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CALIFORNIA COMMUNITY CHOICE  
ASSOCIATION

October 9, 2023

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<sup>18</sup> See Cal Advocates Opening Comments, at 13-14 (responding to Question 3c of the Ruling which asks what changes are necessary to enable CCA customers to participate in Expanded Pilot #3); SBUA Opening Comments, at 7 (responding to Question 3c of the Ruling on what changes are necessary to enable CCA participation in Expanded Pilot #3).