FILED
05/22/24
04:59 PM
R2207005

**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 THE ADMINISTRATIVE LAW JUDGE'S RULING ON TRACK B WORKING GROUP 1 PROPOSALS AND ISSUE 5

Evelyn Kahl,
General Counsel and Director of Policy
Leanne Bober,
Senior Counsel
Eric Little,
Director of Regulatory Affairs

CALIFORNIA COMMUNITY CHOICE ASSOCIATION
1121 L Street, Suite 400
Sacramento, CA 95814
Telephone: (510) 980-9459
E-mail: regulatory@cal-cca.org

May 22, 2024

TABLE OF CONTENTS

SUMMARY OF RECOMMENDATIONS

California Community Choice Association provides the following recommendations in response to the Administrative Law Judge's Ruling on Track B Working Group 1 Proposals and Issue 5:

- Any updates to the marginal generation capacity costs (MGCC) and marginal distribution capacity cost (MDCC) values should provide the same level of intervenor participation as existing mechanisms to ensure transparency;
- Investor-owned utilities (IOU) updating the MGCC to implement community choice aggregator updates to the MGCC in real-time pricing (RTP) billing systems should simultaneously preserve indifference to the extent community choice aggregators must rely on IOUs for implementing RTP rates;
- All customers, rather than exclusively low-income customers, should be included in the scope of customer studies on RTP rates; and
- Load Management Standards cost recovery on behalf of bundled and unbundled customers should be through IOU distribution rates if cost recovery is not available through non-ratepayer or California Energy Commission funds.

**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 THE ADMINISTRATIVE LAW JUDGE'S RULING ON TRACK B WORKING GROUP 1 PROPOSALS AND ISSUE 5

California Community Choice Association[1] (CalCCA) submits these comments pursuant to the *Administrative Law Judge's Ruling on Track B Working Group 1 Proposals and Issue 5*[2] (Ruling), dated April 24, 2024. The Ruling directs Pacific Gas and Electric Company (PG&E) Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E) (collectively, the IOUs), and invites other parties to comment on the questions in Attachment A to the Ruling.

I. INTRODUCTION

The comments below respond to Ruling questions related to several topics under consideration in Track B. First, CalCCA provides feedback on the California Public Utilities Commission's consideration of updates to marginal generation capacity costs (MGCC) and

---

[1] California Community Choice Association represents the interests of 24 community choice electricity providers in California: Apple Valley Choice Energy, Ava Community Energy, Central Coast Community Energy, Clean Energy Alliance, Clean Power Alliance, CleanPowerSF, Desert 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.

[2] *Administrative Law Judge's Ruling on Track B Working Group 1 Proposals and Issue 5*, Rulemaking (R.) 22-07-005 (Apr. 24, 2024): https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M530/K282/530282375.PDF.

marginal distribution capacity costs (MDCC). Specifically, needs for transparency and administrative efficiency must be balanced when contemplating changing the venue for review of ratesetting elements like the MGCC/MDCC. Second, feedback is provided on the scope and funding of low-income customer studies, including the need to address broader questions on RTP rates in addition to the impact on low-income residential customers. Third, CalCCA proposes cost recovery alternatives related to implementation of the California Energy Commission's (CEC) Load Management Standards (LMS).[3]

As set forth in detail below, CalCCA recommends following:

- Any updates to the MGCC and MDCC values should provide the same level of intervenor participation as existing mechanisms to ensure transparency;
- IOUs updating the MGCC to implement community choice aggregator (CCA) updates to the MGCC in real-time pricing (RTP) billing systems should simultaneously preserve indifference to the extent CCAs must rely on investor-owned utilities (IOU) for implementing RTP rates;
- All customers, rather than exclusively low-income customers, should be included in the scope of customer studies on RTP rates; and
- LMS cost recovery on behalf of bundled and unbundled customers should be through IOU distribution rates if cost recovery is not available through non-ratepayer or CEC funds.

II. UPDATES TO MGCC AND MDCC VALUES SHOULD INCLUDE THE SAME LEVEL OF INTERVENOR PARTICIPATION AS EXISTING MECHANISMS TO ENSURE TRANSPARENCY

Updates to MGCC/MDCC should include the same level of intervenor participation as existing mechanisms for updating these values. As PG&E's Advice Letter 7243-E points out, IOUs update MGCC/MDCC values in Phase 2 General Rate Cases (GRC),[4] which occur every four years. These values plug into formulas for determining dynamic prices and can have

[3] 20 CCR §§ 1621-1625.

[4] *See Pacific Gas and Electric Company Advice 7243-E* (Apr. 19, 2024), at 1 (providing citation to Decision (D.) 21-11-016 establishing requirements to provide marginal cost estimates in Phase 2 of the GRC): https://www.pge.com/tariffs/assets/pdf/adviceletter/ELEC_7243-E.pdf.

nontrivial impacts on the prices to which customers on RTP rates respond through load shifting.[5] The Ruling contemplates whether annual updates to marginal capacity costs are better suited to give customers on RTP rates more accurate and compelling price signals and in what format IOUs should request approval.

Regardless of the format the Commission chooses, the Commission should prioritize transparency and administrative efficiency. For example, three existing processes exist that can provide a better opportunity for party intervention than advice letters while not developing an entirely new process. *First*, the Commission can modify the GRC process to allow for a special track that reviews annual updates to the MGCC/MDCC for RTP rates. *Second*, the Commission can integrate review of MGCC/MDCC values into the annual Energy Resource Recovery Account Forecast process. *Third*, the Commission can utilize the IOU Rate Design Window as a means for reviewing updates to marginal capacity cost values. The Commission should consider these alternatives in the context of the uncertainty regarding the ultimate scope of adoption of RTP rates. In any event, modifications to elements of RTP rates like MGCC and MDCC should not differ from other aspects of ratesetting which currently have opportunities for significant party analysis and intervention. Overall, the highest priorities for such processes should remain transparency and efficiency.

III. TO THE EXTENT CCAS MUST RELY ON IOUS FOR IMPLEMENTING RTP RATES, IOU UPDATES TO THE MGCC MUST ALSO IMPLEMENT CCA UPDATES TO THE MGCC IN RTP BILLING SYSTEMS TO PRESERVE INDIFFERENCE

For the duration of the expanded RTP pilots authorized in this proceeding, the Commission should require IOUs to implement CCA updates to MGCC values at the same time

---

[5] *See id.,* at 2 (summarizing impact of increased marginal costs on real-time price signals for customers on dynamic rates).

as IOUs' updates to preserve customer indifference. The expanded RTP pilots will be administered and implemented by the IOUs, requiring the CCAs to rely on IOUs to provide participating CCA customers any price signals based on CCA dynamic rates. IOUs have worked with CCAs to integrate CCA values into formulas that generate dynamic prices. One of these values is the MGCC. Regardless of the format the Commission adopts for updating MGCC values, the IOUs should work with CCAs to provide the opportunity to recalculate CCA MGCC values before the IOUs push their own updates into RTP billing systems. Otherwise, bundled and unbundled customers will be exposed to RTP prices with different levels of accuracy solely because the CCAs do not have direct control over IOU billing systems. For this reason, to the extent CCAs must rely on IOUs to implement RTP rates, the Commission should require IOUs to implement MGCC updates for IOUs and CCAs in RTP billing systems at the same time.

IV. THE SCOPE OF CUSTOMER STUDIES FOR RTP RATES SHOULD INCLUDE UNDERSTANDING BENEFITS TO ALL CUSTOMERS, INCLUDING LOW INCOME CUSTOMERS, IN ADDITION TO BENEFITS TO THE GRID

The Ruling asks whether the Commission should direct IOUs to study the needs of residential, low-income customers with respect to responding to RTP rates.[6] Any customer studies for RTP rates should not be limited to only low-income customers – all customers will pay for such customer studies and much is still needed to be learned about how all customer classes may respond to RTP rates versus simpler time-varying rates like time-of-use rates. Therefore, in addition to low-income customers, the Commission should require customer studies to include data from all customers, as well as studying overall RTP benefits to the grid.[7]

---

[6] *See* Ruling, Attachment A, at 6 (questions for party comment 9 – 11).

[7] In addition, any study (especially those funded through IOU distribution rates) should incorporate data on both bundled and unbundled customers to ensure a robust data set.

Appendix A contains a list of questions the Commission should scope into studies related to RTP rates and residential customers.

V. LMS COST RECOVERY ON BEHALF OF BUNDLED AND UNBUNDLED CUSTOMERS SHOULD BE THROUGH IOU DISTRIBUTION RATES IF COST RECOVERY IS NOT AVAILABLE THROUGH NON-RATEPAYER OR CEC FUNDS

Ruling Questions 12 and 13 direct the IOUs to respond to questions on cost recovery authorization and processes for LMS requirements. The LMS requirements apply to the IOUs, to Large CCAs, and to Large Publicly Owned Utilities (POU), with some of the "tools and services" necessary to implement the LMS required to be jointly created by these load-serving entities (LSE). While the Market Informed Demand Automation Server (MIDAS) has been funded by the CEC, all parties have advocated for improvements needed to ensure its efficacy. The LMS also requires the LSEs to jointly develop a Single Statewide Tool (SST) to allow customers to access their dynamic rates under the LMS, either directly or through third party automated service providers (ASP). While non-ratepayer or CEC agency funding is the preferred method for all LMS requirements (including MIDAS upgrades and the SST), to the extent such funding is not available CalCCA recommends that the Commission order cost recovery through IOU distribution rates on behalf of bundled and unbundled customers to prevent cost-shifts.

As an initial matter, it is reasonable that tools and services created for the benefit of all California customers/residents and third parties be funded through non-ratepayer funds. The majority of customers will have access (either directly or through third-parties such as ASPs authorized on their behalf) to and the ability to benefit from the LMS statewide tools. Even for those customers not directly utilizing the LMS tool and services, if the LMS is successful it should result in grid benefits that benefit all Californians. Therefore, funding through non-ratepayer funds is appropriate.

Second, if non-ratepayer funds are not generally available, the CEC should explore accessing funds to develop and maintain the tools and services necessary to implement the LMS. For instance, MIDAS was developed and funded by the CEC, but needs improvements and upgrades if it is to serve as a repository for hourly rates and eventually interact with the Commission's price machine or the SST. CEC staff, however, have communicated to parties informally that there is currently no internal funding available to make such improvements. Further, parties are currently struggling to identify plausible ways for over 20 LSEs to jointly fund the SST. CalCCA is not aware of any precedent for IOUs, CCAs, and POUs to jointly fund, develop, and maintain such a tool. To the extent possible, the CEC should access funds to complete the MIDAS improvements, and to fund the SST, as both will presumably benefit all Californians.

If non-ratepayer funds and/or CEC funding are not available however, the Commission should order equitable recovery of costs of the tools and services, as well as other categories of administrative and technology costs, between bundled and unbundled customers. Furthermore, in the event CEC or other non-ratepayer funds <u>are</u> made available for either the SST or MIDAS, there will likely still be categories of administrative and technology costs that need to be recovered equitably between bundled and unbundled customers. In either event, the Commission should order the recovery of IOU and CCA costs on behalf of all customers (bundled and unbundled) on a load share basis through IOU distribution rates (Large POUs will separately recover their own load share of the costs). Individual CCA costs, such as for administrative and/or technology costs, can be proposed through annual budget Advice Letters. Once approved, such costs can be included in the IOUs' budget forecasts.

For the SST, once it is established, a mechanism/structure should be created for third parties (such as ASPs) to pay to utilize the SST. The CEC can then allocate revenues from such third-party use back to the IOUs for all bundled and unbundled customers (on behalf of themselves and the CCAs) and Large POUs.

In any event if non-ratepayer or CEC funding is not available, the Commission must prevent cost shifts between bundled and unbundled customers, preferably by ordering cost recovery on behalf of IOUs and CCAs through distribution rates. If the Commission does not allow CCA cost recovery through distribution rates, any IOU costs must be recovered through generation rates to prevent cost shifts from bundled to unbundled customers (who would otherwise be paying such costs twice through distribution rates and the CCA generation rates).

VI. CALCCA RESPONSES TO ATTACHMENT A OF THE RULING

1.2 MGCC Questions for Party Comments:

Should the CPUC require annual updates to the MGCC for hourly marginal cost based rates for all large IOUs? Why or why not?

See Section II., above.

If so, what methodology should the CPUC authorize for the annual updates? For example, should the same approach as proposed by PG&E in AL 7243-E be used?

See Section II., above.

1. **How would an annual adjustment of the MGCC for hourly marginal cost-based rates align with the CPUC's updated Rate Design Principles and new Demand Flexibility Design Principles? For example, would an annual update encourage customer behaviors that improve electric system reliability in an economically efficient manner?**

See Section II., above.

2. **If the Commission adopts annual updates, what process should facilitate an annual adjustment of the MGCC for hourly marginal cost-based rates? For example, should the IOUs be required to file an**

Advice Letter to update the MGCC for hourly marginal cost-based rates? Should this process be incorporated into the IOUs' annual consolidated filings or another process?

See Section II., above.

2.4 MDCC Questions for Party Comments:

3. **Should the CPUC require annual updates to the revenue recovery target for the MDCC for hourly marginal cost-based rates in order to improve the accuracy and effectiveness of the distribution price signal and reflect cost-causation for all IOUs?**

See Section II., above.

a. **If the CPUC authorizes annual updates, what methodology should the CPUC authorize for the annual updates? For example, should the CPUC require that the same approach as proposed by PG&E in AL 7243-E be used?**

See Section II., above.

b. **Would an annual adjustment of the revenue recovery target for the MDCC be aligned with the CPUC's updated Rate Design Principles and new Demand Flexibility Design Principles?**

CalCCA has no comment at this time.

4. **If the Commission requires annual updates to the MDCC for hourly marginal cost based rates, what process should facilitate the annual updates? For example, should the IOUs be required to file an annual Advice Letter? Should this process be incorporated into the IOUs' annual consolidated filings or another process?**

See Section II., above.

5. **Should the CPUC require using multipliers (either EPMC or another similar scalar) to the MDCC for hourly marginal cost-based rates? Would it be reasonable for this multiplier to apply to both imports and exports?**

CalCCA has no comment at this time.

6. ***(For the IOUs only) What is the cost, scope and timeline for each IOU to implement a CEC-LMS complaint hourly marginal cost-based with the following geographic granularity for the hourly distribution prices:***

a. An approach similar to what is being implemented in PG&E's upcoming VGI pilot, where the hourly distribution prices will be based on grouping circuits of similar load profiles into clusters.

CalCCA has no comment at this time.

b. An approach where the hourly distribution prices are based on the local substation load for all circuits downstream of each substation.

CalCCA has no comment at this time.

3. Compliance with CEC LMS Deadlines for Marginal Cost Hourly Rates

7. When and in what procedural venue does each IOU propose to submit its application for marginal cost-based rates? (Each IOU should provide a separate response to this question.)

CalCCA has no comment at this time.

4. Study for Low Income Customers

8. Should the Commission direct the IOUs to conduct a new study or modify a planned study to better understand:

a. The needs of low-income residential customers with respect to responding to dynamic rates and whether and how residents of disadvantaged communities can benefit from dynamic rates in certain climate zones (e.g. by providing inexpensive tools for automating air conditioning), and

See Section IV., above and scope questions in Appendix A.

b. How low-income residential customers would respond to dynamic rates and/or more cost-reflective TOU rates?

See Section IV., above and scope questions in Appendix A.

9. Will current or upcoming studies conducted on low-income customers or customers in disadvantaged communities (e.g., Community Based Organizations Arrearages Case Management Pilot study authorized in D.24-02-046 in the residential energy disconnections proceeding, Rulemaking 18-07-005) make it unnecessary to direct a new study in this proceeding?

CalCCA has no comment at this time.

10. If the CPUC decides to direct the IOUs to conduct a new study:

a. What should be the scope of that study?

See Appendix A attached hereto for list of questions to include in scope.

b. Should the Commission direct an IOU to conduct an RFP for an independent consultant to conduct the study? If so, what should be the criteria for selecting the consultant?

CalCCA has no comment at this time.

c. How should stakeholders be involved in developing the study?

CalCCA has no comment at this time.

d. When should the study be completed?

Studies should complete before CEC LMS deadlines require implementation of RTP rates in 2027 so that both IOUs and CCAs can integrate any findings into their RTP rate offerings.

e. What process should be used to recover the costs of the study?

See Section IV., above.

f. Should a budget be authorized for the study, and if so, what budget should be authorized?

CalCCA has no comment on budget size at this time.

5. Implementation of CEC LMS Requirements

11. What implementation costs need to be authorized by the Commission before the end of 2024 in order to comply with the CEC LMS requirements?

See Section V., above.

12. Please propose the process details regarding the revenue/cost tracking account for these implementation costs (i.e., memorandum account or balancing account). Please also address whether a new or an existing account should be used for these costs.

CalCCA has no comment at this time.

VII. CONCLUSION

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

Respectfully submitted,

Evelyn Kahl,
General Counsel and Director of Policy
CALIFORNIA COMMUNITY CHOICE ASSOCIATION

May 22, 2024

APPENDIX A
TO
CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S COMMENTS ON THE ADMINISTRATIVE LAW JUDGE'S RULING ON TRACK B WORKING GROUP 1 PROPOSALS AND ISSUE 5

Questions to Guide Commission Customer Studies on Real Time Pricing Rates Including, but Not Limited to:

1. How can low-income and Disadvantaged Communities' customers achieve private energy and non-energy benefits on real time pricing (RTP) rates?

2. Is there a level of electrification technology adoption (e.g., automation) necessary to achieve private energy benefits for low-income customers?

3. Do low-income customers lack access to the technology (smart devices, internet, etc.) necessary to benefit from RTP rates?

4. Are there gaps in access to that technology between low-income customers and higher-income customers?

5. Do RTP rates have effects that reduce rates for all customers, not just those on RTP rates?

6. What is a realistic level of customer participation in RTP rates to expect?

7. What is a realistic level of residential load shifting to expect from RTP rates?

8. Do low-income customers experience lower levels of load elasticity than higher income customers?

9. What impact would increased price volatility from RTP rates have on low-income customer affordability (e.g., bill size month to month)?

10. What consumer protections could be considered to reduce low-income customer affordability risk under RTP rates?

11. How does RTP affect investments of customers who have participated in energy efficiency programs?