



May 6, 2022

The Honorable Phil Ting
Chair, Assembly Budget Committee
1021 O. Street, Suite 8230
Sacramento, CA 95814

The Honorable Nancy Skinner
Chair, Senate Budget Committee
1021 O. Street, Suite 8630
Sacramento, CA 95814

The Honorable Richard Bloom
Chair, Assembly Budget Subcommittee #3
1021 O. Street, Suite 4001
Sacramento, CA 95814

The Honorable Bob Wieckowski
Chair, Senate Budget Subcommittee #2
1021 O. Street, Suite 6530
Sacramento, CA 95814

RE: Demand Response Incentives for Low-to-Moderate Income Consumers

Dear Chairs Ting, Skinner, Bloom and Wieckowski:

We write to request a one-time \$25 million appropriation in the 2022 Budget Act (Act) for the development of a statewide program to incentivize low-to-moderate consumers to participate in market-integrated demand response programs. The Act would direct the California Public Utilities Commission (CPUC) to offer incentives to the first 200,000 customers on a first-come, first-served basis, open equally to market-integrated demand response programs administered by investor-owned utilities (IOU) and third-party demand response providers.

Following the model of the smart thermostat \$75 rebate incentive program established by the CPUC in its recent Emergency Reliability Proceeding (R. 20-11-003), the incentive will be provided to California Alternate Rates for Energy/Family Electric Rate Assistance (CARE/FERA) customers who 1) complete sign-up for a market-integrated demand response program; and 2) participate by reducing energy use in at least one demand response event.

Each customer would be offered an incentive of up to \$90/year. This incentive is to be allocated as follows: \$10/month from April-September; and \$5/month from October-March. Each qualifying customer will be eligible for the incentive for up to one year – for a total of \$90 per customer. The incentive may be delivered by the demand response provider as a direct payout of cash, through a gift card, or through a bill credit.

Residential customers in California pay among the highest rates in the United States for electricity – nearly twice the national average.¹ Further, California's transition to a clean energy future has put a disproportionate burden on low-to-moderate income consumers. This burden is likely to become worse as California's three large IOUs spend more than \$11 billion on wildfire prevention.²

¹ Designing Electricity Rates for an Equitable Energy Transition. Energy Institute at Haas, UC Berkeley. <https://www.next10.org/sites/default/files/2021-02/Next10-electricity-rates-v2.pdf>

To compound matters, California's electrical grid has faced numerous threats to its reliability in recent years. The August 2020 heat wave caused rolling power outages on August 14 and 15. In 2021, the State avoided outages, but issued eight Flex Alerts, more than in any year since 2006.³ In addition, the California Energy Commission Preliminary Stack Analysis for 2022 identified the risk of potential energy shortfalls in the summer of 2022.⁴

At the same time, innovative market-integrated demand response programs, which are an essential means of reducing grid stress at peak times, incentivize consumers to save energy and money on their utility bills. These programs notify consumers that they should save energy at peak demand times by lowering energy consumption in their homes, and reward them when they do so. By reducing demand at peak times, these programs help prevent grid outages and reduce the need for expensive, highly polluting "peaker" power plants. A major problem facing the state, however, is that many consumers are not aware of the existence of these programs.

The State's transition to a sustainable energy future should not come disproportionately at the expense of our low-to-moderate consumers (LMI). This budget allocation will ensure that LMI consumers can participate in new clean technology programs, rather than be victims of it.

If you have any questions on our position please contact Silvio Ferrari (silvio@axiomadvors.com) on behalf of OhmConnect or Tiffany Phan (phan@npalobby.com) on behalf of California Efficiency + Demand Management Council.

Sincerely,



Cliff Staton
Head of Government Affairs and Community Relations
Ohm Connect



Greg Wikler
Executive Director
California Efficiency + Demand Management Council

² Designing Electricity Rates for an Equitable Energy Transition. <https://www.next10.org/sites/default/files/2021-02/Next10-electricity-rates-v2.pdf>

³ <http://www.aiso.com/Documents/AWE-Grid-History-Report-1998-Present.pdf>

⁴ <https://www.energy.ca.gov/filebrowser/download/3655>