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 July 14, 2022)

OPENING COMMENTS OF THE CALIFORNIA EFFICIENCY + DEMAND MANAGEMENT COUNCIL, CPOWER, AND LEAPFROG POWER, INC. ("JOINT PARTIES") ON THE ORDER INSTITUTING RULEMAKING TO ADVANCE DEMAND FLEXIBILITY THROUGH ELECTRIC RATES

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Joseph Desmond
Executive Director
California Efficiency + Demand Management Council
849 E. Stanley Blvd #294
Livermore, CA 94550
Telephone: (925) 785-2878
E-mail: policy@cedmc.org

Luke Tougas
Consultant for
California Efficiency + Demand Management Council
849 E. Stanley Blvd #294
Livermore, CA 94550
Telephone: (510) 326-1931
E-mail: l.tougas@cleanenergyregresearch.com

Jennifer A. Chamberlin
Executive Director,
Market Development
CPower
2475 Harvard Circle
Walnut Creek, CA 94597
Telephone: 925-433-2165
E-mail: JAC@CPowerEnergyManagement.com

Connor Waldoch
Senior Manager,
Policy & Regulatory Affairs
Leapfrog Power, Inc.
1700 Montgomery Street, Suite 200
San Francisco, CA 94111
Telephone: 630-815-4077
E-mail: marketdev.caiso@leap.ac

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I. INTRODUCTION

The California Efficiency + Demand Management Council (the Council), CPower, and Leapfrog Power, Inc. ("Leap"), (jointly, "the Joint Parties") appreciate this opportunity to submit their Opening Comments on the Order Instituting Rulemaking to Advance Demand Flexibility Through Electric Rates ("OIR"), pursuant to Rule 6.2 of the Rules of Practice and Procedure of the California Public Utilities Commission ("CPUC" or "Commission"), the instructions accompanying the OIR issued July 22, 2022, and the instructions contained in the E-mail from Shane Gutto, dated July 22, 2022.

II. BACKGROUND

The Council is a statewide trade association of non-utility businesses that provide energy efficiency, demand response, and data analytics services and products in California.[1] Our member companies employ many thousands of Californians throughout the state. They include energy efficiency ("EE"), demand response ("DR"), and distributed energy resources ("DER") service providers, implementation and evaluation experts, energy service companies, engineering and architecture firms, contractors, financing experts, workforce training entities, and energy efficient product manufacturers. The Council's mission is to support appropriate EE, DR, and DER policies, programs, and technologies to create sustainable jobs, long-term economic growth, stable and reasonably priced energy infrastructure, and environmental improvement.

[1] Additional information about the Council, including the organization's current membership, Board of Directors, antitrust guidelines and code of ethics for its members, can be found at http://www.cedmc.org. The views expressed by the Council are not necessarily those of its individual members.

Enerwise Global Technologies, LLC, D/B/A CPower ("CPower"), is an energy management company with 25+ years of knowledge and experience in helping customers implement intelligent energy management programs in each of the country's open energy markets. A pioneer of DR, CPower creates optimized energy management strategies that help businesses streamline their energy usage and offset costs through Demand Response participation and reach their sustainability goals. CPower currently aggregates commercial and industrial ("C&I") customers to participate in every major DR program managed by investor-owned utilities ("IOUs") and independent system operators ("ISOs") across the country, including California managing over 5.3 GW of load flexibility. In California, in addition to participation in DR programs offered by the IOUs, CPower is actively engaged in bidding in DR as a supply-side resource into the California Independent System Operator ("CAISO") wholesale market.

Leap is a DR Provider ("DRP") founded in 2017 and headquartered in San Francisco, California. The company provides DR services to residential, commercial, industrial, and agricultural customers throughout the state of California. Through its technology platform, Leap enables DER providers in California to become grid participants, both adding revenue for their customers and integrating additional demand-side resources into California electricity system. Leap believes that demand-side resources integrated into California's wholesale electricity market will play a key role in helping California achieve a resilient and zero carbon future.

III. SUMMARY OF THE JOINT PARTIES' RECOMMENDATIONS

The Joint Parties make the following recommended additions to the preliminary scope:

- The Joint Parties generally agree with the preliminary scope for the initial phase of this proceeding and makes recommendations on a staged deployment.
- The Commission should maintain its adherence to key rate design principles as it moves forward in this proceeding.
- A prominent role for third parties is critical to the success of the goals of this proceeding.
- Market-integrated DR and DER should continue to play a major role in meeting reliability needs.
- Quick access to high quality meter data and rates is essential to this proceeding's success.
- The Commission should apply lessons learned to the greatest extent possible.

- Consistency and coordination are needed between the Commission and California Energy Commission ("CEC").

IV. THE JOINT PARTIES' COMMENTS

A. The Joint Parties strongly support this rulemaking and urge the Commission to move forward expeditiously.

The OIR states that the rulemaking will:

> "establish policies and modify electric rates to advance the following objectives: (a) enhance the reliability of California's electric system; (b) make electric bills more affordable and equitable; (c) reduce the curtailment of renewable energy and greenhouse gas emissions associated with meeting the state's future system load; (d) enable widespread electrification of buildings and transportation to meet the state's climate goals; (e) reduce long-term system costs through more efficient pricing of electricity; and (f) enable participation in demand flexibility by both bundled and unbundled customers."[2]

The Joint Parties strongly support these objectives. It is appealing to imagine a future in which system load curves are flatter, the statewide resource mix is cleaner, and rates reflect lower long-term system costs. The Commission should be clear in acknowledging that what it envisions represents one of the most fundamental redesigns to the traditional electricity system ever attempted since retail competition was adopted. This complex effort will require a great deal of time, resources, and commitment. With this said, broad-based deployment of dynamic electricity rates and demand charge reform are ripe for consideration. There have been multiple failed efforts by parties over the past several years to address these issues, including for example, Petition ("P.") 18-11-004 which was supported by a broad range of parties. The Joint Parties urge the Commission to move forward on these issues and provide some initial recommendations.

First, where practical, the Commission should seek to create concurrent tracks whereby discrete issues can be addressed in parallel. The complexity of these initial scoping issues is so great that the time needed to address them may very well exceed the statutory allowable time limit. Though the Commission has the prerogative to extend a proceeding beyond this time limit, it should seek to conclude this initial phase on a timely basis because additional phases of

[2] OIR, at pp. 6-7.

this proceeding will be necessary to address other elements of the overall objectives, especially with regard to those pertaining to implementation.

Second, the Commission should, to the greatest extent possible, structure the implementation of this proceeding such that each new element can stand on its own. The complexity of some issues being examined in this proceeding will likely necessitate extended time to develop and implement but this should not delay the deployment of incremental improvements when possible. Therefore, the Commission should seek to organize each element of this proceeding in a way that will allow them to be implemented and provide benefits on their own, in addition to serving as pieces of a larger whole.

Third, with regard to the granularity of dynamic rates, the Commission should focus on rate elements that customers are capable of responding to. For example, borrowing from the July 21, 2022 comments of Polaris Energy Services in the CEC's 2022 Load Management rulemaking (21-OIR-03):

> The greatest risk to the success of dynamic rates is conflating price signals that customers can respond to and cost reallocation that they cannot respond to.
>
> a. For the most part, customers can respond to signals to shift from one time of day to another and, to some extent, from some days of the week to others.
> b. They cannot, by and large, shift load from one month to another.
> c. They cannot, with rare exceptions, shift load from one geographic location to another.
> d. Therefore, allocating costs that are currently socialized across seasons and
> geographies more granularly will not drive a shift response. It will drive frustration, recalcitrance and avoidance by those impacted negatively.
> e. The dynamic rates, therefore, should be designed to introduce variability–price signals–that energy users can respond to, primarily across hours of the day and days of the week, without a wholesale reallocation of costs that are currently averaged across large swaths of the economy.[3]

B. The Commission should maintain its adherence to fundamental rate design principles as it moves forward in this proceeding.

A great deal of work has been done by the Commission and other bodies over the years to develop design principles for time-of-use and dynamic rates. As the Commission moves forward

[3] Comments from Polaris Energy Services on Proposed Regulatory Language, July 19, 2022, 21-OIR-03, at p. 4.

with the rate design aspect of this proceeding, the Joint Parties respectfully recommend that it consider them as a starting point when developing updated principles. The Joint Parties were pleased to see reference to the principles approved in D.14-06-029 in the OIR:

- Low-income and medical baseline customers should have access to enough electricity to ensure basic needs (such as health and comfort) are met at an affordable cost.
- Rates should be based on marginal cost.
- Rates should be based on cost-causation principles.
- Rates should encourage conservation and energy efficiency.
- Rates should encourage reduction of both coincident and non-coincident peak demand.
- Rates should be stable and understandable and provide customer choice.
- Rates should generally avoid cross-subsidies, unless the cross-subsidies appropriately support explicit state policy goals.
- Incentives should be explicit and transparent.
- Rates should encourage economically efficient decision-making.
- Transitions to new rate structures should emphasize customer education and outreach that enhances customer understanding and acceptance of new rates and minimizes and appropriately considers the bill impacts associated with such transitions.

As the OIR implies, some of these will need to be revised, but the Joint Parties respectfully urge the Commission to ensure that any new dynamic rates be sufficiently understandable, fair, stable, and feasible to actually attract adoption by eligible customers.

C. A prominent role for third parties is critical to the success of the goals of this proceeding.

For this proceeding to succeed, widescale customer participation in the resulting dynamic rate framework is critical. Both IOUs and third parties have a role to play in educating and enrolling customers. As with DR programs, customers may exhibit a preference to work with IOUs or third parties based on their value proposition relative to other options and terms. Using the Demand Response Auction Mechanism Pilot ("DRAM") as an example, large numbers of customers that had never participated in a DR program were enrolled by DR providers.[4] When presented with options, customers will gravitate to those programs that satisfy their goals and

[4] Demand Response Auction Mechanism Evaluation, May 23, 2022, at pp. 39-40.

risk tolerance for price volatility. Even with existing IOU residential DR programs, the DRAM demonstrates third parties enrolled large quantities of new customers that otherwise did not participate in certain IOU offerings. This is strong evidence that customer choice can deliver higher overall participation in program delivery.

D. Market-integrated DR should continue to play a prominent role in meeting reliability needs.

As supportive as it is of this OIR, the Joint Parties would like to stress the importance of retaining the market-integrated DR model. It is critical that customers have choices in how they contribute to broader load shift; for some, market-integrated DR is and will continue to be the best fit, whereas for others, load-modifying demand flexibility that would be developed through these dynamic rates will be a better fit. Once the Commission addresses the preliminary issues in this rulemaking, it should clearly specify 1) that market-integrated DR meeting the Commission's minimum requirements as Resource Adequacy ("RA") resources will continue to qualify for RA value, and 2) flexible demand driven by these dynamic rates should be directly reflected in IOU and load-serving entity ("LSE") RA requirements.

E. Timely access to high quality meter data and rates is essential to this proceeding's success.

In spite of the great effort that will be required to address the preliminary issues in this proceeding and develop more specific rate designs, the potential benefits will not be realized if the needed underlying infrastructure is not in place. As early in this proceeding as is practical, the Commission should begin the process of determining high level use cases to inform the IT functionality that will be needed to calculate customer rates, provide the necessary access to customer meter data and customer rates by non-IOU entities, etc. To the extent that there is an opportunity to get a head start on at least planning for this work, the Commission should seek it out to reduce the timeline as much as possible.

F. The Commission should apply lessons learned and relevant studies to the greatest extent possible.

A great deal of experience has been gained, and research performed, about real-time prices and load shifting products that could inform this proceeding. Most recently, invaluable implementation experience has been gained by IOUs and CCAs through their current dynamic rate pilots that should be utilized to ensure that the implementation of large-scale dynamic rate

deployment is successful. In its July 21, 2022 comments in CEC 21-OIR-03, Valley Clean Energy ("VCE") provides some useful insights:

> Rates are just one of several critical components. It is early in our process but based on the pilot design concept and earlier CEC EPIC funded research by our pilot partner Polaris, VCE observes that rates must be matched with adequate customer support and automation to gain meaningful participation. Our customer recruitment field work to date has provided early validation of this observation. Well designed and targeted rates alone are not likely to achieve the reliability and climate goals that the Rulemaking is designed to address. Without a strategy to meet the customer (or their devices) "where they are at" the participation in our pilot would have been limited or non-existent. We encourage the Commission to give careful thought to this design issue and incorporate the support, resources, and flexibility LSE's will need for successful design and implementation.[5]

The IOUs undoubtedly have equally useful information to share on rate design and implementation. Recent examples include Southern California Edison Company's ("SCE") Dynamic Rates Pilot, the work underway on Marginal Generation Capacity Costs in Pacific Gas and Electric Company's ("PG&E") General Rate Case ("GRC") Phase II proceeding, and San Diego Gas & Electric Company's ("SDG&E") Commercial Electric Vehicle Dynamic Rate. The Commission should consider convening a workshop early in this proceeding for IOUs and CCAs that are in various stages of designing and deploying marginal cost and dynamic rates to share their initial observations and lessons learned. This would benefit parties with perhaps less experience and knowledge by providing an initial grounding before getting into the more policy-related discussions that this phase of the proceeding will address.

In addition, Lawrence Berkeley National Laboratory ("LBNL") has performed four DR potential studies that highlight the benefits of load shifting. These studies can help inform load shifting product design to ensure that dynamic rate designs developed through this proceeding provide the maximum reliability value to the grid.

G. Consistency and coordination are needed between the CPUC and CEC.

The Commission and the CEC should be coordinating with respect to this proceeding and the CEC's Load Management Standards ("LMS") rulemaking. It appears that the CEC's proposed LMS would require applicable IOUs and LSEs to develop marginal-cost rates within a timeline that may not be compatible with the scope and timeline of this proceeding. The timeline

[5] Comments from Valley Clean Energy on Proposed Regulatory Language, July 21, 2022, 21-OIR-03, at p. 3.

for this proceeding and the revised Load Management Standards should be coordinated to be complement one another rather than be contradictory. Otherwise, IOUs and LSEs will be caught in the middle and subjected to potentially contradictory compliance requirements.

IV. SCHEDULE

The Joint Parties have no comments on the preliminary schedule.

V. COMMENTS ON CATEGORY, NEED FOR HEARING, AND SCHEDULE

The Joint Parties do not object to the preliminary determinations regarding category, need for hearing and schedule.

VI. CONFIRMATION OF PARTY STATUS

Pursuant to OIR Section 8 at page 12: "Respondents to this OIR automatically become parties to the proceeding (*see* Rule 1.4(d) and will be immediately placed on the official service list." By filing these responsive comments, therefore, the Council, CPower, and Leap request "party status" and inclusion on the service list of R.22-07-005 as parties as follows:

Joseph Desmond
Executive Director
California Efficiency + Demand Management Council
849 E. Stanley Blvd #294
Livermore, CA 94550
Telephone: 925-785-2878
E-mail: policy@cedmc.org

Jennifer A. Chamberlin
Executive Director,
Market Development
CPower
2475 Harvard Circle
Walnut Creek, CA 94597
Telephone: 925-433-2165
E-mail: JAC@CPowerEnergyManagement.com

Connor Waldoch
Senior Manager,
Policy & Regulatory Affairs
Leapfrog Power, Inc.
1700 Montgomery Street, Suite 200
San Francisco, CA 94111
Telephone: 630-815-4077
E-mail: marketdev.caiso@leap.ac

VII. CONCLUSION

The Joint Parties appreciate the Commission's consideration and the opportunity to provide Opening Comments on the OIR.

Dated: August 15, 2022

Respectfully submitted,

/s/ JOSEPH DESMOND

JOSEPH DESMOND
On behalf of the Joint Parties (California Efficiency + Demand Management Council, CPower, and Leapfrog Power, Inc.)
849 E. Stanley Blvd #294
Livermore, CA 94550
Telephone: 925-785-2878
E-mail: policy@cedmc.org