

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



FILED

Order Instituting Rulemaking to Advance
Demand Flexibility Through Electric Rates.

Rulemaking 22-07-005
(Filed July 14, 2022)

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**OPENING COMMENTS OF THE UTILITY CONSUMERS' ACTION NETWORK TO
ORDER INSTITUTING RULEMAKING TO ADVANCE DEMAND FLEXIBILITY
THROUGH ELECTRIC RATES**



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Table of Contents

I. INTRODUCTION1

II. DISCUSSION.....2

 A. The OIR Could Determine More Efficient and Less Costly Ways to Meet California’s Clean Energy and Air Goals2

 B. The OIR Should Update Rate Design Principles to Reflect that Electricity Should be Available When People Need It the Most3

 C. The OIR Could Help Advance Environmental and Social Justice (ESJ) Action Plan Goals
 4

 D. The OIR Should Scope Data Access into this Rulemaking.....5

III. CONCLUSION5

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I. INTRODUCTION

Pursuant to the Order Instituting Rulemaking to Advance Demand Flexibility Through Electric Rates (the “Rulemaking” or “OIR”) issued on July 14, 2022, the Utility Consumers’ Action Network (“UCAN”)¹ respectfully submits these Opening Comments. This Rulemaking was opened in response to the Energy Division’s White Paper and Staff Proposal (“ED White Paper”) titled “Advanced Strategies for Demand Flexibility Management and Customer DER Compensation” published June 22, 2022.² At this time, UCAN offers high level comments with the intention of fully participating in this proceeding to help establish demand flexibility policies and modify electric rates to achieve the OIR’s stated objectives.

¹ UCAN is a 501(c)(3) non-profit public benefit corporation dedicated to protecting and representing the interests of residential and small business customers in the San Diego Gas & Electric service territory. Approximately 98% of UCAN’s members are residential customers. UCAN has been active in Commission proceedings since 1983 and strives to meet the Commission’s goals for rates that are equitable and affordable for all ratepayers.

²<https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/demand-response/demand-response-workshops/advanced-der---demand-flexibility-management/ed-white-paper---advanced-strategies-for-demand-flexibility-management.pdf>, (ED White Paper) “Accordingly, ED Staff recommends that the CPUC initiate a Rulemaking, as referenced in the DER Action Plan 2.0 as Track 1, to take up this paper’s proposal.” at p. 2 and see fn. 2.

II. DISCUSSION

A. The OIR Could Determine More Efficient and Less Costly Ways to Meet California's Clean Energy and Air Goals

UCAN is cited in the ED White Paper for our comments supporting the opening of an OIR to explore the UNIDE proposal (now the CalFUSE proposal) because the proposal “would result in reduced T&D investment, and thus more affordable electricity rates.”³ UCAN also noted that “more demand flexibility should help reduce system and generation capacity costs.”⁴ As an organization dedicated to helping ratepayers receive electric service that is reasonable and affordable, UCAN is increasingly concerned about high rates in the San Diego Gas & Electric (“SDG&E”) service territory.

While UCAN supports California's clean energy and air goals, UCAN is also very concerned about the cost pressures that have created affordability issues for California ratepayers and especially those in SDG&E service territory. While the transition from tiered rates to the current TOU rate structure was supposed to better align rates with costs and enable customers to better manage their usage and bills,⁵ there is growing evidence that TOU rates are not providing the correct type of incentives for customer engagement and efficient load shifting that could help drive down costs and customer bills.

For example, at a workshop held by Energy Division on July 21, 2022, to further explain and discuss its White Paper, ED Staff pointed to recent research cited in the White Paper showing inefficiencies with TOU rates. Specifically, TOU rates are not providing proper

³ ED White Paper, Section 8.2, “Stakeholder Comments to May 25, 2021 Advanced DER and Demand Flexibility Management Workshop,” p. 114.

⁴ *Ibid.*

⁵ See R.12-06-013 Order Instituting Rulemaking on the Commission's Own Motion to Conduct a Comprehensive Examination of Investor Owned Electric Utilities' Residential Rate Structures, the Transition to Time Varying and Dynamic Rates, and Other Statutory Obligations, issued June 28, 2012, p. 2.

economic incentives for customers to align their energy consumption with the dynamic conditions of the electricity system:

“ ‘An analysis of 2019 SDG&E prices conducted by Joint Advanced Rate Parties (JARP) and Enel X NA shows that 57% of the highest-priced intervals for wholesale energy prices fell outside of the TOU on-peak period’ ...Ultimately, TOU rates typically feature two or three period rate designs, which are ostensibly too blunt of a pricing instrument to maximize voluntary customer engagement in opportunistic (price responsive) load shift.”⁶

With the Energy Division’s CalFUSE proposal (California Flexible Unified Signal for Energy)⁷ this OIR can explore ways to better align rates with costs and provide customers flexibility to shift loads that align with times when energy is clean, cheap and abundant. As noted above, this type of demand flexibility for customers could help reduce system and generation capacity costs. Consequently, UCAN believes this OIR could determine more efficient and less costly ways to meet California’s clean energy and air goals.

B. The OIR Should Update Rate Design Principles to Reflect that Electricity Should be Available When People Need It the Most

The OIR states that “This Rulemaking will update the Commission’s rate design principles (RDPs) and guidance for advancing demand flexibility.”⁸ The ED White Paper includes a section reviewing the history of the Commission’s rate design principles and the goals behind them.⁹ UCAN was a participant in R.12-06-013 where the CPUC adapted an update to its rate design principles. UCAN supports the OIR’s goals to update the rate design principles to better align with California’s changing energy landscape (abundant clean energy during the day; growth of distributed energy resources (DERs) and energy management systems (EMSs) and the

⁶ ED White Paper, p. 30 and see fn. 61.

⁷ ED White Paper, p. 3.

⁸ OIR, p. 2.

⁹ ED White Paper, p. 6.

possibility of a price signal that can help shift load for maximum usage efficiency) and believes this is a very timely and necessary goal.

Most importantly, UCAN sees the need to ensure that not only should there be a rate design principle that people need enough electricity to ensure basic needs (such as health and comfort) at an affordable cost (see RDP #1),¹⁰ they need this electricity *at the right time*. With current TOU rates, UCAN hears from members who cannot use their air conditioners at the hottest time of the day because of the high cost of electricity from 4 – 9 pm. This is on top of the high cost to run cooking appliances at the dinner hour or lights for homework time. Supplying affordable electricity when people need it the most should be a top rate design principle for the Commission. UCAN believes that the CalFUSE proposal combined with all current and future energy management technologies could help make this principle a reality.

C. The OIR Could Help Advance Environmental and Social Justice (ESJ) Action Plan Goals

The OIR states “...this proceeding will consider how demand flexibility policies, rates, tools, and programs can better support equitable and affordable rates for all Californians and advance the Commission’s Environmental and Social Justice Action Plan.” UCAN supports this statement and believes that the CalFUSE proposal could lead to lower system costs and therefore benefits for all ratepayers. As noted in the Energy Division slide presentation at the July 21, 2022, workshop, there is a growing body of evidence showing this to be true.¹¹ The research shows that early adopters actually drive technology costs down thus enabling wider adoption of these technologies as well as a reducing the cost of service for everyone. UCAN believes this

¹⁰ *Ibid.*

¹¹ [Presentation by Energy Division Staff on Demand Flexibility Management \(CalFUSE\) whitepaper/proposal](#) see slides 55-58 showing Equity Considerations in the CalFUSE proposal and Benefits of a Transactive System including analysis of Simulation of Transactive System for ERCOT Grid.

could be the path to more equitable and affordable rates for all Californians and a path to advance the Commission’s ESJ Action Plan.

D. The OIR Should Scope Data Access into this Rulemaking

As noted by UCAN in the ED White Paper, “Access to data is key to developing advanced rate designs, and therefore, data access should be scoped into the Rulemaking.”¹² Access to data is key to a modernized electricity system. At a recent Data Portals Improvement workshop in the Grid Modernization/High DER Future proceeding, much of the afternoon discussion turned to the need to fix inaccurate and untimely utility data.¹³ One participant noted that in no other industry would it be acceptable to have such bad data. UCAN urges the Commission to make this issue a top priority in this proceeding.

III. CONCLUSION

UCAN is very excited about this Rulemaking and looks forward to fully participating to help develop a modernized electrical system with affordable and equitable rates for all ratepayers that help achieve California’s clean energy and air goals.

Respectfully submitted,
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¹² ED White Paper, p. 114.

¹³ Energy Division July 26, 2022 Data Portals Improvement Workshop for R.21-06-017 OIR to Modernize the Electric Grid for a High Distributed Energy Resources Future, Track 2.