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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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.	Rulemaking 12-06-013 (Filed June 21, 2012)

ASSIGNED COMMISSIONER'S AND ADMINISTRATIVE LAW JUDGE'S RULING REQUIRING UTILITIES TO PREPARE A MENU OF CONVENTIONAL AND EXPERIMENTAL OPT-IN TIME-OF-USE PILOT RATE DESIGNS

Summary

This Joint Assigned Commissioner's and Administrative Law Judge's Ruling (ACR or Ruling) directs each of Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), and Southern California Edison Company (SCE) to prepare a menu of a minimum of three opt-in time-of-use (TOU) rate designs for piloting beginning in 2016. At least one of the opt-in TOU pilot rates for each utility must be a TOU option with a more complex combination of seasons and time periods than traditional TOU rates that better matches system needs, and must begin no later than October 1, 2016. The design of all opt-in pilots must be prepared in 2015 and submitted for Commission review and approval as part of the Tier 3 advice letters required to be filed by D.15-07-001 on January 1, 2016.

1. Background

On July 3, 2015, the Commission adopted Decision (D.) 15-07-001 (Decision), which ordered the implementation of Phase 1 of Rulemaking (R.) 12-06-013 (RROIR). The Decision lays out several important steps that the IOUs must take between now and January 1, 2018 in order to prepare for the beginning of default time-of-use (TOU) residential rates in 2019.[1] Ordering Paragraph 19 of the Decision states:

> "[t]he assigned Commissioner and assigned Administrative Law Judge are authorized to take all procedural steps to promote the objectives in this decision and to provide clarification and direction as required to assure the effective, fair and efficient implementation of this decision in this proceeding, including the authority to dispose of requests to modify the deadlines in this decision."

We are exercising this authority in this Ruling to ensure that an adequate range of TOU rate designs is evaluated in order to better inform default TOU implementation.

On January 1, 2018, the IOUs are required to file Rate Design Window (RDW) applications that will set forth their plans to implement default residential TOU rates on January 1, 2019.[2] In order to prepare for this milestone, the Decision finds that "it is imperative that the IOUs promptly take the next steps to propose default TOU rates and to develop benchmarks and prepare

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[1] Decision on Residential Rate Reform for Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E) and Transition to Time-of-Use Rates, July 3, 2015, (D.15-07-001) at 5.

[2] *Id.* at 173.

evidence to properly evaluate the proposals,"[3] noting that "the utilities must be held to a strict timeline for evaluating default TOU."[4]

This timeline has already begun, and the first step on this path is to develop a suite of strategic TOU pilots in 2015 for implementation in 2016.[5] As noted in the Decision, there are several empirical questions that exist with respect to TOU rates and customer impacts and responses, and the pilots should aim to help answer those questions prior to the introduction of default TOU rates in 2019.[6] We were also clear that the IOUs must "[o]ffer a menu of different residential rates designed to appeal to a variety of residential customers, with different time periods and rate differentials."[7] Therefore, it is necessary to develop and evaluate a variety of TOU rate designs that may either be used as a model for a default TOU rate in 2019, and/or as viable forward-looking pricing options that accommodate the changing conditions of the grid, fulfill California's long term energy policy objectives, and appeal to a variety of residential customers.

2. Current status of TOU opt-in pilot design

In order to "develop study parameters and [TOU] pilot design," the IOUs and Energy Division have convened a TOU Working Group (WG), as envisioned

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[3] *Id.* at 170-171.

[4] *Id.* at 173.

[5] *Id.* at 166, 299, 303-304.

[6] *Id.* at 163 – 165.

[7] *Id.* at 176.

by the Decision.[8] The TOU WG held its first workshop on August 25, 2015, and is scheduled to meet again on September 24, 2015.

The TOU WG is considering potential rate designs for the opt-in TOU pilots, including TOU rates that are accompanied by enabling technologies. Accordingly, the agenda for the September 24, 2015 TOU WG meeting will include a discussion on forward-looking TOU pilot design options and enabling technologies,[9] including but not limited to "smart home" technology rates which can incorporate greater time variance and more dynamic pricing structures. In order to account for operational issues that may arise with the implementation of a more complex TOU design, the IOUs may implement a menu of TOU rate designs with two TOU rate designs beginning no later than June 1, 2016, and a third opt-in pilot TOU rate design no later than October 1, 2016.

IT IS RULED that:

1. Southern California Edison Company, Pacific Gas and Electric Company, and San Diego Gas & Electric Company shall each prepare a menu of at least three opt-in time-of-use (TOU) rate designs for piloting beginning in 2016.
2. The menu of options must include at least one TOU rate design with a more complex combination of seasons and time periods than traditional TOU rates that better matches system needs, which may incorporate more dynamic pricing features and enabling technologies, and this pilot must begin no later than October 1, 2016.
3. All other opt-in TOU pilots must begin no later than June 1, 2016.

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[8] *Id*. at 166.

[9] Enabling technologies include, but are not limited to, programmable communicating thermostats, software packages and apps to control energy use.

4. The design of all opt-in pilots must be prepared in 2015 and submitted for Commission review and approval as part of the Tier 3 advice letters required by D.15-07-001 to be filed on January 1, 2016.

Dated September 24, 2015, at San Francisco, California.

/s/ MICHAEL PICKER	/s/ JULIE M. HALLIGAN
Michael Picker	Julie M. Halligan
Assigned Commissioner	Administrative Law Judge