STATE OF CALIFORNIA EDMUND G. BROWN J

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

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TO PARTIES OF RECORD IN RULEMAKING 13-12-011

This is the proposed decision of Commissioner Guzman Aceves. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's June 15, 2017 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

/s/ KAREN V. CLOPTON
Karen V. Clopton, Chief
Administrative Law Judge

KVC:ek4
Attachment

Decision **PROPOSED DECISION OF COMMISSIONER GUZMAN ACEVES**
(Mailed 5/12/2017)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking into Policies to Promote a Partnership Framework between Energy Investor Owned Utilities and the Water Sector to Promote Water-Energy Nexus Programs.	Rulemaking 13-12-011 (Filed December 19, 2013)

DECISION GRANTING SOUTHERN CALIFORNIA EDISON COMPANY'S PETITION FOR MODIFICATION OF DECISION 16-11-021

Summary

This decision grants Southern California Edison Company's (SCE) Petition for Modification of Decision 16-11-021 to eliminate the requirement that SCE implement its approved Energy Matinee Pricing Pilot. The pilot costs are not warranted and are not needed given that its results will come too late to inform upcoming rate design. SCE plans to implement matinee pricing tariffs more broadly in its Rate Design Window proceeding, Application 16-09-003, which will produce similar data concerning the effects and performance of rates designed to shift demand to the mid-day spring period.

1. Background

On December 2, 2015, the assigned Commissioner in this proceeding, the Commission's Water/Energy Nexus Rulemaking proceeding, issued a ruling directing Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric

Company (SDG&E), and Southern California Edison Company (SCE), to submit proposals to pilot energy matinee pricing tariff rate design methods.

The energy matinee pricing tariff pilots were meant to develop and evaluate "[n]ew strategies […] to address the water-energy nexus, incentivize use of low-water-using energy, encourage renewable use, reduce greenhouse gas (GHG) emissions, and discourage energy use in the early evening when demand is high and energy supply uses more water."[1] The program thus sought rate design methods to "encourage a shift in energy use by commercial, industrial, and agricultural users to alternative times of the day when abundant renewable and low-water-using energy is produced at high (and growing) quantities."[2] The optimal time for such shifting comes in the spring for SCE and was termed "matinee pricing" because the hours targeted for increased consumption fall in the late morning and early afternoon.

In January 2016, the parties filed Opening and Reply Comments on the Assigned Commissioner's Ruling. On February 4, 2016, SCE, PG&E, and SDG&E each filed proposals for non-residential, opt-in matinee pricing pilots. The Commission held a workshop on February 24, 2016, and the parties submitted additional comments in April 2016. SCE's pilot proposal aims to shift electricity consumption to matinee hours by adding an approximately 30% discounted rate to its existing Real Time Pricing (RTP) tariff during the targeted periods for nonresidential users. The pilot would be limited to 200 opt-in participants—a sample size that would not allow the data produced to reach statistical significance but would still produce qualitative information in line with the

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[1] D.16-11-021 at 9.

[2] *Id*. at 5.

Commission's stated objectives.[3] The pilot would run for two years from a rollout on March 1, 2018. SCE estimates total costs for the pilot to reach $400,000.[4]

On September 1, 2016, SCE filed its 2016 Rate Design Window (RDW) in Application (A.) 16-09-003. SCE's RDW proposed an RTP rate design that would be available to all nonresidential customers on an opt-in basis that incorporates discounted rates during the matinee period. In addition, SCE's RDW proposals include new standard time-of-use (TOU) periods for nonresidential customers, which also incorporate a super-off-peak period that includes the late morning and early afternoon spring matinee period. SCE proposes that these rate designs take effect October 1, 2018.

On November 10, 2016, the Commission issued Decision (D.) 16-11-021, approving the proposals of SCE and SDG&E, and transferred consideration of PG&E's proposal to its Phase 2 General Rate Case (GRC) proceeding, Application 16-06-013, where broader application of matinee pricing in rate design would be addressed.[5] D.16-11-021 stated the Commission's intention to have the three utilities each implement matinee pricing pilots that test different rate design features so that they could be compared.[6]

Describing the pilots as a "proof of concept," the Commission listed their objectives as demonstrating:

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[3] D.16-11-021 at 31 ("These pilots are not expected to yield statistically significant findings about matinee pricing").

[4] SCE Petition for Modification at 4, fn.13.

[5] D.16-11-021 at 21.

[6] *Id*. at 16-17; 20.

1) That the rates can be and are used by customers;
2) Those customers believe they can change their energy demand to respond to the matinee period, as measured through surveys and focus groups; and
3) Which customers might have particular interest or ability to respond to particular time-varying rate designs.[7]

On March 2, 2017, SCE filed a Petition for Modification of D.16-11-021 asking to be relieved of the obligation to implement its approved matinee pricing pilot because it believes the pilot to be redundant in light of its RDW proposal to implement opt-in matinee pricing tariffs that would be available to all nonresidential customers.

Responses to the Petition for Modification were filed on April 3, 2017 by PG&E, SDG&E, the Consumer Federation of California (CFC), and the Solar Energy Industries Association (SEIA). SCE filed its Reply on April 13, 2017.

2. Issues Before the Commission

The sole issue before the Commission is whether to grant SCE's Petition for Modification of D.16-11-021 and relieve it of the obligation to implement its approved matinee pricing pilot.

As described in its Petition for Modification, SCE argues that the pilot has become moot because its RDW proposals would implement for all nonresidential customers the same types of rates that were to be tested on a statistically insignificant group of customers in the pilot.[8] SCE further notes that if its RDW proposals are approved alongside the pilot, customers will be left with confusing rate options that conflict with each other because the RDW proposal and the pilot

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[7] *Id*. at 19.

[8] SCE Petition for Modification at 4.

use different pricing methods. The RDW proposal is superior, SCE claims, because its RTP tariff "uses forecasted energy price profiles that are better reflective of expected future low matinee prices," while the pilot uses historical California Independent System Operator (CAISO) data that SCE believes will not best match future conditions.[9] SCE avows a commitment to the underlying policy goals of the original plan for matinee pricing pilots, and argues that implementing a matinee pricing tariff sooner for all customers would better serve to address the timing imbalance of energy supply and demand that threatens to result in the curtailment of renewables.[10] Waiting two years for the minimally useful data of the pilot, SCE argues, is simply not necessary and would result in a waste of funds and a potentially harmful delay before matinee pricing would actually be used to encourage customers to shift demand to the matinee period.

PG&E and SDG&E support SCE's Petition for Modification and believe that SCE's arguments apply to all of the matinee pricing pilots so they intend to similarly make proposals for broader implementation of matinee pricing and for the cancellation of their pilots as well.[11] CFC supports SCE's Petition on the condition that SCE provide data reports to Energy Division and stakeholders so that its matinee pricing methods can be evaluated against other options.[12]

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[9] *Id*., Appendix A, Declaration of Robert A. Thomas, A-2.

[10] *Id*. at 1-2.

[11] PG&E Response at 3-5; SDG&E Response at 1-2.

[12] CFC Response at 4. SCE believes the reports it already routinely files with Energy Division satisfy this condition. SCE Reply at 7.

SEIA opposes SCE's Petition for Modification and urges the Commission to maintain the course set in D.16-11-021. SEIA argues that the Commission had a specific data-gathering purpose for the pilots that was explicitly meant to occur before a broad rollout, and that implementing matinee pricing tariffs without first evaluating the pilot data "risks implementing a pricing signal which does not change customers' consumption of electricity in a manner beneficial to the electric grid."[13] In essence, SEIA does not believe there is sufficient information, data, or evidence to conclude that matinee pricing will serve its intended purpose and that the pilots are the best way to obtain the necessary information for adequate evaluation.

3. Discussion and Analysis

For the reasons outlined below, we find that the potential benefits of SCE's matinee pricing pilot are not warranted, and that SCE's Petition for Modification of D.16-11-021 should be granted, relieving SCE of its obligation to implement its approved pilot.

3.1. Timing

SCE filed its pilot proposal on February 4, 2016 and its RDW proposal on September 1, 2016. As highlighted by SCE, the rate design in the RDW is of higher quality than the pilot by virtue of the passage of time. The pilot proposal is now out of date and does not conform to the Commission's best understanding of and latest policies on TOU pricing, such as the use of forward-looking pricing data.[14]

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[13] SCE Response at 3.

[14] SCE Reply at 3.

The Commission's primary goal with matinee pricing is to address the growing imbalance in the timing of energy demand, by shifting demand to hours when consumption has typically fallen but renewables are at the height of their productivity. The Commission's development of additional TOU guidelines after the pilot proposals reflects the urgency of the problem. The pilot's small scale will prevent it from having a significant impact on the timing of aggregate electricity demand even if it prompts significant behavioral changes in participants. Pilot data will not be available to inform broader rate design until late 2019 and the implementation of that rate design would likely not occur before 2021. The RDW proposal, on the other hand, will implement matinee pricing tariff options for all nonresidential customers in the fall of 2018. In addition, the Commission is evaluating new models of demand response to aid in renewable integration in Rulemaking 13-09-011. As noted by CAISO, the problem of load imbalance is rapidly worsening and requires a response sooner rather than later.[15]

As such, we find it unnecessary to conduct a pilot to study shifting customer demand when SCE's RDW proposal to implement options for matinee pricing tariffs could provide similar data along the same timeline.

3.2. Data Sufficiency

In addition to the timing considerations above, we find some merit in SCE's argument that the potential benefits of the pilot are not enough to justify its estimated cost. While SEIA has alleged that there is insufficient data on how

[15] *Id*. (citing Comments of Cogentrix Energy Power Management LLC on Final Phase 3 Proposals filed on February 24, 2017 in R.14-10-010 at 2.)

consumers will react to matinee pricing,[16] we agree with SCE's contention that "the information that *is* available is sufficient to obviate the need to spend time and money studying the pilot proposal."[17] The pilot sample size of 200 will not produce statistically significant results and thus will not provide the kind of data that might greatly improve rate design. Taken together with the value of timely action, we find that the pilot data does not clearly offer potential benefits to justify its $400,000 estimated cost.

Although we do not have specific data on the results of matinee pricing options, we do have enough data to take action with reasonable confidence of the intended effects of matinee pricing. D.16-11-021 stated the objective of the pilots as gathering data to enable the comparison of different rate design approaches.[18] This objective, however, is not frustrated by broad implementation. Indeed, implementing matinee pricing for the entire nonresidential customer population will allow for reliable testing and comparison of different rate design approaches. The robust data from broad implementation will lead to better future rate design incorporating matinee pricing on a faster timeline than the pilot, and will better serve the Commission's ultimate goal in D.16-11-021: addressing the imbalance of electricity supply and demand during matinee hours in order to prevent the curtailment of renewables.

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[16] SEIA Response at 3.

[17] SCE Reply at 4.

[18] D.16-11-021 at 20.

4. Categorization and Need for Hearing

Pursuant to Resolution ALJ-301, this proceeding is categorized as quasi-legislative. The Assigned Commissioner's Scoping Memo and Ruling determined that no hearings were necessary.

5. Comments on Proposed Decision

The proposed decision of Administrative Law Judge Cooke in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on ___________, and reply comments were filed on _________________.

6. Assignment of Proceeding

Martha Guzman Aceves is the assigned Commissioner and Michelle Cooke is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. Increased renewable generating capacity has resulted in an imbalance in the timing of demand that risks the curtailment of renewables when demand is low but renewable production is high.
2. Data from SCE's proposed pilot is expected to be available in late 2019 while SCE is expected to implement matinee pricing in the form of mandatory TOU periods and an opt-in RTP tariff that incorporates discounted rates during the matinee period for all nonresidential customers in early 2019.
3. Data from SCE's pilot will lack statistical significance.
4. The anticipated cost of SCE's pilot is $400,000.

Conclusions of Law

1. The timing of and expected data from SCE's pilot does not justify its $400,000 anticipated cost.

2. SCE's pilot is not necessary for the design of matinee pricing tariffs.
3. SCE's Petition for Modification of D.16-11-021 should be granted.

The evaluation and design of matinee pricing tariffs should continue in SCE's RDW proceeding, A.16-09-003, without the need for a pilot.

O R D E R

IT IS ORDERED that:

1. Southern California Edison Company's Petition for Modification of Decision 16-11-021 is granted.

2. Issues surrounding implementation of matinee pricing tariffs will be explored within Application 16-09-003 underway for Southern California Edison Company, not as a pilot program.

This order is effective today.

Dated ____________________________, at Sacramento, California.