

**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)

**REPLY COMMENTS OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION ON
ALTERNATE PROPOSED DECISION**

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June 16, 2015

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The California Independent System Operator Corporation (ISO) urges the California Public Utilities Commission (CPUC) to adopt a time of use structure for residential rates that is straightforward, supports grid reliability, and incentivizes economically rationale decision-making.¹ In comments, certain parties argue that a three-tiered rate proposal contemplated by the Alternate Proposed Decision balances and upholds multiple rate design principles such as conservation and energy efficiency.² These parties ignore that the rate design principles adopted by the CPUC in Decision 14-06-029 (restated in the Alternate Proposed Decision on page 28) include more than just conservation and energy efficiency. The Alternate Proposed Decision does not adequately advance the CPUC-espoused principles that rates should reflect marginal cost and encourage economically efficient decision-making. Contrary to these important principles, the Alternate Proposed Decision proposes to adopt an excess consumption surcharge that would dampen the economic signal to use energy when there is either over-supply or a surplus energy on the electricity grid. For instance, obscuring the economic signal by increasing charges during periods of oversupply fails to send the right “grid conditions” signal that supports

¹ The ISO submits these comments pursuant to Article 14.3 of the CPUC’s Rules of Practice and Procedure.

² See e.g., Comments of the Greenlining Institute at 2.

the changing needs of the grid and helps California meet its energy policy and greenhouse gas reduction goals.

Other parties' argue that the Alternate Proposed Decision can induce meaningful load shifting.³ However, customers need clear price signals to implement load-shifting measures that reduce usage at times of tight-supply and shift that usage to times of ample supply with lower greenhouse gas emissions. When marginal prices are very low or negative, load needs to receive appropriate economic signals to understand when to help by shifting energy usage in order to avoid the need to curtail non-emitting resources that support California's greenhouse gas reduction goals. For these reasons, the ISO strongly encourages the CPUC to adopt the more simplified time of use rate structures in the Proposed Decision of Administrative Law Judges McKinney and Halligan.

Respectfully submitted,
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³ See e.g., Comments of TURN at 6.