

**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)

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

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Table of Contents

I. Introduction	1
II. Discussion.....	1
A. Implementing an Excess Consumption Surcharge Is Not Consistent with Changing Grid Needs.	2
B. The Alternate Proposed Decision’s Implementation of an Excess Consumption Surcharge on TOU Rates Creates Unnecessary Customer Confusion.....	3
III. Conclusion.....	3

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I. Introduction

Pursuant to Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission), the California Independent System Operator Corporation (CAISO) files these comments regarding the proposed *Decision on Residential Rate Reform for Pacific Gas & Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company and Transition to Time-of-Use Rates(Alternate Proposed Decision)*. The CAISO recommends that the Commission reject the time-of-use (TOU) rate structures in the Alternate Proposed Decision and adopt the more simplified TOU rate structures in the Proposed Decision issued April 21, 2015 (Proposed Decision).

II. Discussion

The Alternative Proposed Decision recognizes that “current tiered TOU rate options present customers with a complex and confusing rate schedule that differs by both tier and by TOU, resulting in a plethora of different rates.”¹ The CAISO agrees with this observation and notes that complex and confusing rates are a significant impediment to implementing TOU rates

¹ Alternate Proposed Decision, p. 125.

that effectively address system needs. In comparison to the Alternate Proposed Decision, the CAISO believes that the clearer and simpler TOU rate structures in the Proposed Decision are better and will more effectively motivate customers to adjust their energy consumption to lower cost periods and increase utilization of existing infrastructure.

A. Implementing an Excess Consumption Surcharge Is Not Consistent with Changing Grid Needs.

Both the Proposed Decision and the Alternate Proposed Decision recognize that California's electricity needs are changing. These changes are having, and will continue to have, significant grid impacts that extend beyond merely having sufficient capacity to serve peak demand. Changes are needed to mitigate over-generation and ensure that sufficient flexible and fast ramping capacity is available. These more recently identified needs are largely based on increased deployment of solar and renewable resources. The CAISO believes TOU and other dynamic rate structures that help flatten the load curve will play an important role in California's ability to create a reliable, low-carbon grid. The CAISO believes the Alternate Proposed Decision's excess consumption surcharge would increase rates during periods of oversupply and therefore fail to send clear price signals that support the changing needs of the grid and help California meet its energy policy and greenhouse gas reduction goals.

The basis for the concern regarding the excess consumption surcharge is the CAISO's recent analysis to identify system needs and proposed TOU periods that mitigate those needs.² The results of the CAISO's analysis identify both peak periods when supplies are constrained and "super off peak" periods in which oversupply is anticipated. The summary results of the CAISO's recommended TOU periods are presented in Attachment A. For the purpose of these comments, the CAISO focuses on the anticipated periods of oversupply and the potential impact

² http://www.caiso.com/Documents/CaliforniaISO_Time_UsePeriodAnalysis.pdf.

the excess consumption surcharge will have on the ability to incentivize consumption through “super off peak” rates.

The CAISO’s analysis indicates that periods of oversupply will occur throughout the year (except July and August).³ In this context, the CAISO proposes the adoption of “super off-peak” TOU periods in which customers are charged low rates to help reduce oversupply. During these oversupply periods, the Commission should incentivize customers to increase usage both to mitigate over-generation reliability concerns and to consume the clean energy produced from renewable resources during that period. Unfortunately, requiring an excess consumption surcharge for TOU rates will limit the Commission’s ability to send accurate price signals to incentivize customers to consume the oversupply of clean, renewable energy when needed.

B. The Alternate Proposed Decision’s Implementation of an Excess Consumption Surcharge on TOU Rates Creates Unnecessary Customer Confusion.

As recognized by the Alternate Proposed Decision, effective TOU rates should communicate a clear “price signal in order to allow customers to make energy decisions that align with grid needs.”⁴ Yet, the TOU rate structure in the Alternate Proposed Decision requires the implementation of both a baseline credit and an excess consumption surcharge adjustment to most future TOU rate schedules, which will lead to profusion of prices, thereby confusing customers and leading to ineffective TOU rate schedules.

III. Conclusion

The CAISO strongly supports the Commission’s efforts to develop effective TOU rate schedules that will address grid needs both now and into the future. The CAISO recommends

³ See Attachment A, which proposes “super off peak” rates from 10:00 a.m. to 4:00 p.m. on weekends for ten months of the year. The CAISO’s analysis also proposes the adoption of “super off peak” rates from 10:00 a.m. to 4:00 p.m. on weekdays in April and May.

⁴ Alternate Proposed Decision, p. 122, 134.

that the Commission reject the TOU rate structures in the Alternate Proposed Decision and adopt the more simplified TOU rate structures in the Proposed Decision. Specifically, the CAISO recommends that the Commission should not impose an excess consumption surcharge on TOU rate schedules. This will both simplify TOU rate schedules and allow TOU rates to be a more effective tool to address over-generation and increase the utilization of clean, renewable resources.

Respectfully submitted

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ATTACHMENT A

Attachment A CAISO Proposed TOU Periods

WEEKDAYS



WEEKENDS

