

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Application of Pacific Gas and Electric  
Company for Approval of its 2015 Rate Design  
Window Proposals.

Application 14-11-014  
(Filed November 25, 2014)

**COMMENTS OF THE CALIFORNIA INDEPENDENT SYSTEM  
OPERATOR CORPORATION ON THE SETTLEMENT AGREEMENT ON  
RESIDENTIAL RATE DESIGN TIME-OF-USE ISSUES IN PG&E'S 2015 RATE  
DESIGN WINDOW PROCEEDING**

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**I. INTRODUCTION**

Pursuant to Rule 12.2 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure, the California Independent System Operator Corporation (CAISO) hereby submits these comments on the Settlement Agreement on Residential Time-Of-Use Rate Issues in PG&E's 2015 Rate Design Window Proceeding (A.14-11-014) (Settlement Agreement). The CAISO supports the Settlement Agreement as a reasonable first step in better aligning time-of-use rates with grid reliability needs.

**II. COMMENTS**

The CAISO has conducted an independent analysis of grid needs based on projected net load distributions in 2021.<sup>1</sup> This analysis identified peak grid conditions during the timeframe from 4:00 p.m. to 9:00 p.m. throughout the year, with extreme peak conditions during the same time periods in July and August.

The Settlement Agreement adopts a 4:00 p.m. to 9:00 p.m. peak time-of-use period for new Schedule E-TOU-B rates consistent with the CAISO's analysis. Further, the new Schedule E-TOU-A rates better align with the peak time-of-use periods identified by the CAISO, and

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<sup>1</sup> The CAISO's analysis was presented into the record in this proceeding as workpaper to Exhibit PGE-7. Also available on the CAISO website at [http://www.caiso.com/Documents/CaliforniaISO\\_Time\\_UsePeriodAnalysis.pdf](http://www.caiso.com/Documents/CaliforniaISO_Time_UsePeriodAnalysis.pdf).

gradually move toward a peak-time-of-use period between 4:00 p.m. and 9:00 p.m. As a whole, the time-of-use periods in the proposed rate schedules appropriately reflect the changing needs of the grid to meet net peak loads.

These new time-of-use periods will positively affect the net load curve by reducing demand when net loads are expected to be highest.<sup>2</sup> Importantly, the new time-of-use periods under the Schedule E-TOU-A and Schedule E-TOU-B will mitigate the risk of exacerbating overgeneration.<sup>3</sup>

On the other hand, rate schedules E-6 and E-7 are currently poorly aligned with overgeneration concerns because they incentivize customers to conserve energy during the late morning and early afternoon hours. The CAISO has specifically identified the late morning and early afternoon hours as periods where there is a risk of overgeneration. The new rate schedules E-TOU-A and E-TOU-B as outlined in the Settlement Agreement properly readjust the time-of-use peak periods to periods when net loads are expected to be highest.

The Settlement Agreement also properly limits future participation in rate schedules that no longer align with grid needs. Specifically, the Settlement Agreement takes a measured approach by closing Schedule E-6 to new customers and gradually transitioning existing Schedule E-6 and E-7 customers to the new rate schedules. This will avoid customer rate shock and confusion while gradually aligning incentives with grid needs.

### **III. CONCLUSION**

The Settlement Agreement is an important first step toward time-of-use rates that reflect grid needs. The CAISO understands that the Commission is considering the implementing a

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<sup>2</sup> Id. at slide 12. The CAISO's analysis identified 4:00 p.m. to 9:00 p.m. as either "peak" or "super peak" time-of-use periods in all months.

<sup>3</sup> Id. The CAISO's time-of-use periods identified 10:00 a.m. to 4:00 pm as either "off peak" or "super off peak" in all months except during weekdays in July and August.

more holistic rulemaking proceeding to consider time-of-use rate periods across utilities and customer classes. The CAISO supports this effort, but in the meantime, urges the Commission to approve this Settlement Agreement and expedite the move to effective time-of-use rates.

Respectfully submitted,  
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