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Polaris Energy Services Comments

Additional submitted attachment is included below.



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Docket No. 21-OIR-03, "2022 Load Management Rulemaking"

Comments from Polaris Energy Services on Proposed Regulatory Language

Polaris Energy Services provides demand flexibility services to utilities, CCAs and agricultural energy users in California. Polaris is an aggregator of demand response capacity and a pioneer in the use of dynamic pricing to achieve demand flexibility. The company demonstrated the ability to shift agricultural irrigation load in its EPIC project, from 2017 - 2020, and led development of Valley Clean Energy's agricultural demand flexibility pilot, based on UNIDE (CalFUSE) concepts starting in 2022 for a three year duration as directed by the CPUC.

From this experience, Polaris has a unique and granular perspective on how dynamic pricing can impact customer behavior and the pitfalls to avoid. We seek to highlight those here to inform the standards.

- A. Polaris supports the LMS and agrees that better, easier access to customer information and dynamic prices will help drive energy consumption to lower-cost, lower-carbon times.
- B. We are wary of "death by pilots" but it seems that this proposal goes to the opposite extreme, offering dynamic rates to everyone everywhere without the focus and support needed to ensure success..."build it and they will come."
 - a. LSE's could 'check the box' to comply by publishing rates without commensurate marketing and implementation support.
 - b. The mandate drives a "numbers of tariffs" published metric rather than a result metric like "load shifted."
 - c. Without some attributes of pilots, including funding for partners to implement them and flexibility in tariff design, it is likely that there will be low uptake of the offerings.
 - d. Taking an 80/20 approach, focusing on the most promising sources of load shift with the resources and flexibility offered by pilots or some other experimental structure has the greatest potential for success.
- C. The greatest risk to the success of dynamic rates is conflating price signals that customers can respond to and cost reallocation that they cannot respond to.
 - a. For the most part, customers can respond to signals to shift from one time of day to another and, to some extent, from some days of the week to others.
 - b. They cannot, by and large, shift load from one month to another.
 - c. They cannot, with rare exceptions, shift load from one geographic location to another.



- d. Therefore, allocating costs that are currently socialized across seasons and geographies more granularly will not drive a shift response. It will drive frustration, recalcitrance and avoidance by those impacted negatively.
 - i. Example: the higher cost of delivering electricity in the summer months is currently socialized across a six-month season. Allocating those costs more precisely throughout the season may be a better reflection of cost causation but will do nothing to affect behavior. Customers with higher usage during the higher-priced months will simply be charged more.
 - ii. Example: the cost of delivering electricity to different locations is currently socialized across all ratepayers in a utility service territory. Allocating those costs more precisely to each location may be a better reflection of cost causation but it will do nothing to affect behavior.
 - e. The dynamic rates, therefore, should be designed to introduce variability–price signals–that energy users can respond to, primarily across hours of the day and days of the week, without a wholesale reallocation of costs that are currently averaged across large swaths of the economy.
- D. The issue of the timeframe of price publication should be addressed. There are thousands of megawatts in California that have flexibility on a weekly planning basis but do not in real-time or day-ahead time frames.
- E. The decision should give weight to the sectors and end uses with the greatest potential for load shift and ensure that they are prioritized. So, for example, IOU dynamic pricing pilot plans that begin with residential users and do not include agricultural pumping would be inverse to LBNL's findings on load shift potential.
- F. The decision should incorporate research findings that show that strong, simple price signals are one leg of a three-legged stool that also include automation and clear customer benefits with a necessary catalyst of close customer engagement to recruit, enable and support customers who adopt dynamic rates.