



BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE

STATE OF CALIFORNIA

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Application of Southern California Edison Company (U 338-E) for Approval of Large Power Dynamic Pricing Rate.

**Application 24-06-014
(Filed June 26, 2024)**

CONSOLIDATED

Application of Southern California Edison Company (U 338-E) for Approval of Marginal Cost-Based Dynamic Pricing Rates In Compliance With Decision 22-10-022 And Load Management Standards.

**Application 24-12-008
(Filed December 20, 2024)**

**OPENING BRIEF OF THE
CALIFORNIA LARGE ENERGY CONSUMERS ASSOCIATION**

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CALIFORNIA LARGE
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Summary of Recommendations

- Authorization of Large Power Dynamic Rate (LPDR) and Proposed Rates.

The Commission should approve SCE's Proposed Rates, including the LPDR, as they are consistent with marginal cost principles, Commission guidance, and applicable standards. The LPDR provides more accurate and granular price signals that improve reliability, affordability, and emissions outcomes without causing cost shifting. Approval would enable near-term system benefits.

- Participation by Bundled and Unbundled Customers.

The Commission should permit participation in the LPDR by both bundled and unbundled customers. Allowing unbundled customers to access dynamic delivery rates while continuing to procure generation from ESPs or CCAs is consistent with LMS and existing market structures. This approach expands access to hourly price signals while preserving existing contracting options for generation supply.

- Dual Participation with the Base Interruptible Program.

The Commission should allow customers to participate in both the LPDR and BIP, as the two programs serve fundamentally different functions. Dynamic pricing provides voluntary, price-responsive flexibility which helps lower marginal emissions, integrate renewables, and better utilize distribution capacity; while BIP delivers firm, contractually committed load reductions for reliability planning.

- Refinement of Time-Dependent Transmission Cost Allocation.

The Commission should direct SCE to refine and gradually increase the share of transmission costs recovered through time-dependent price signals. While the proposed allocation is a reasonable starting point, further refinement based on updated studies and implementation experience will better align rates with cost causation.

- Reduction of Non-Coincident Demand Charges (NCDs).

The Commission should reduce NCDs for dynamic rate participants to preserve effective hourly price signals. High fixed charges can dampen customer responsiveness by weakening the incentive to shift load in response to dynamic prices. Reallocating appropriate costs to time-varying components on a revenue-neutral basis will improve demand flexibility outcomes consistent with Commission policy.

- Expedited Implementation for Large Customers.

The Commission should prioritize expedited implementation of the LPDR for large customers, who are best positioned to manage operational flexibility and exposure to hourly price signals. The LPDR will be manually billed and does not require the same

extensive billing system upgrades. Large customers are better prepared to manage the risk of dynamic rates and do not require the same education and outreach. Early deployment for this segment will deliver significant system benefits, including reduced peak demand, lower costs, and decreased emissions.

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The California Large Energy Consumers Association ([CLECA](https://www.cleca.org))¹ submits this opening brief pursuant to Rule 13.12 of the California Public Utilities Commission (Commission) Rules of Practice and Procedure, and the schedule set by Administrative Law Judge Brandon Gerstle in the March 25, 2026 *Administrative Law Judge's Ruling Modifying The Proceeding Schedule Including The Addition Of Supplemental Testimony*.

¹ CLECA member companies produce goods essential for daily life, including critical infrastructure, oxygen for hospitals, and food distribution. CLECA members represent the steel, cement, industrial and medical gas, glass, beverage, minerals processing, cold storage, and pipeline transportation industries. Their aggregate electric demand is about 500 Megawatts, which is equivalent to the electricity consumption of approximately 470,000 average California households. CLECA members are large, high load factor and high voltage industrial electric customers in California for whom the price of electricity is essential to their competitiveness and for whom the reliability of electricity service is critically important. For both reasons, CLECA member companies have participated for decades in the Base Interruptible Program (BIP), providing reliability demand response to the grid in times of need. (For more information, please go to [CLECA.org](https://www.cleca.org)).

I. INTRODUCTION

On June 26, 2024, Southern California Edison (SCE) filed Application (A.) 24-06-014 seeking approval of the Large Power Dynamic Pricing Rate (LPDR) with the California Public Utilities Commission (Commission or CPUC).² The LPDR would serve high-demand, non-residential customers eligible for service on SCE's TOU-8 rate, served at 50 kV or above (Large Power Customers), with a program cap of 500 megawatts (MW).³ The proposed LPDR has three components:

- a subscription component, based on the tariff that otherwise would apply to the customer (Otherwise Applicable Tariff or OAT);
- a dynamic component, based on day-ahead hourly market prices and load forecasts, governed by contracts between SCE and individual customers; and
- a non-bypassable charge (NBC) component.⁴

On December 20, 2024, SCE filed A.24-12-008 seeking approval of the Marginal Cost-Based Dynamic Pricing Rates (Standard Dynamic Rates, or SDR).⁵ The proposed SDR would be available to residential and non-residential customers who are currently enrolled in a TOU rate plan incorporating the current TOU periods.⁶ Similar to the proposed LPDR, the SDR have three components:

- a subscription component, based on customers' OAT;

² Assigned Commissioner's Amended Scoping Memo and Ruling Extending Statutory Deadline, A.24-06-014 et al. at 1.

³ *Id.*

⁴ *Id.* at 2.

⁵ *Id.* at 3.

⁶ *Id.* at 3.

- a dynamic component, based on day-ahead hourly market prices and load forecasts—applicable only to the portion of the customer’s consumption that is deemed flexible; and
- other components, including NBCs and Facilities’ Related Demand charges.

On February 20, 2025, the Administrative Law Judge (ALJ) issued a ruling consolidating A.24-06-014 and A.24-12-008 and vacating the schedule announced in the Initial Scoping Memo to consider SCE’s proposed LPDR and SDR (collectively Proposed Rates) together.⁷

II. THE COMMISSION SHOULD AUTHORIZE SCE’S LARGE POWER DYNAMIC PRICING RATE

The Commission should authorize the Proposed Rates, including the LPDR, and expand dynamic rates to all customer classes, given the significant system-wide reliability, affordability, and decarbonization benefits of demand-responsive pricing. This brief, however, focuses primarily on the proposed LPDR, where large customers are particularly well-positioned to respond to dynamic price signals and where expedited implementation can achieve system benefits and inform broader adoption. As discussed in greater detail below, the Commission should authorize SCE’s LPDR for the following reasons:

- SCE’s LPDR aligns with the Commission’s policy objectives
- SCE’s LPDR is consistent with applicable guidelines and standards
- SCE’s LPDR is just and reasonable
- SCE’s LPDR is distinct from the Standard Dynamic Rate (SDR)

⁷ *Id.* at 3.

A. SCE'S LPDR ALIGNS WITH THE COMMISSION'S OBJECTIVES

As the Commission stated in its Order Instituting Rulemaking in R.22-07-005, dynamic rates promote demand flexibility, providing system-wide benefits and advancing critical state policy objectives:

The purpose of this proceeding is to enable widespread demand flexibility through electric rates. This rulemaking will establish policies and modify electric rates to advance the following objectives: (a) enhance the reliability of California's electric system; (b) make electric bills more affordable and equitable; (c) reduce the curtailment of renewable energy and greenhouse gas emissions associated with meeting the state's future system load; (d) enable widespread electrification of buildings and transportation to meet the state's climate goals; (e) reduce long-term system costs through more efficient pricing of electricity; and (f) enable participation in demand flexibility by both bundled and unbundled customers.⁸

Thus, the Commission has recognized that demand flexibility enables customers to respond to price signals by managing their loads strategically. Reducing consumption during high-cost hours, when generation, transmission, or distribution systems are constrained, lowers costs for all customers, reduces reliance on higher-marginal-cost or higher-emitting generation, and preserves the availability of use-limited storage resources.⁹ Shifting load to lower-cost periods also alleviates renewable energy curtailment, improves utilization of utility assets, and lowers marginal emissions.¹⁰

SCE's proposed LPDR directly advances the achievement of the Commission's objectives stated above. The proposed LPDR enhances reliability by encouraging both bundled and

⁸ Order Instituting Rulemaking to Advance Demand Flexibility Through Electric Rates (July 22, 2022), R.22-07-005 at 6-7.

⁹ *Testimony of Sam Harper on Behalf of the California Large Energy Consumers Association*, A.24-06-014 et al. (Jan. 16, 2026)(CLECA Ex-01) at 2-3.

¹⁰ CLECA Ex-01 at 3.

unbundled large loads to shift demand away from constrained hours. As discussed above, reductions in peak demand lower the risk of emergency events and preserve the availability of use-limited storage resources while retaining existing resource adequacy demand response programs.

Furthermore, the LPDR improves affordability for both participants and non-participants. By sending price signals that shift consumption toward lower-cost periods and away from system peaks, the proposed rate improves utilization of existing utility assets and reduces the need for costly long-term system upgrades.¹¹

These price signals and accompanying load shifts also translate into greenhouse gas (GHG) emission reductions. By encouraging large loads to shift consumption to periods of abundant renewable generation, the proposed LPDR reduces renewable curtailment, allowing clean generation that would otherwise be wasted to displace fossil-fueled output.¹²

Finally, the proposed LPDR reduces long-term system costs through more efficient pricing of electricity. As load continues to increase on SCE's system due to economic growth, electrification, and decarbonization policies, the Commission has directed utilities to procure additional generation capacity to meet increasing demand, placing upward pressure on capacity costs.¹³ By pricing electricity in closer alignment with marginal cost, the LPDR encourages both new and existing loads to design their operations for greater flexibility and to maximize

¹¹ CLECA-01 at 3.

¹² CLECA-01 at 3; PSG-01 at 2 ("Large Power Rate will encourage PSG and other large power customers to respond to dynamic price signals and incentivize adoption of clean technologies that maximize efficient energy usage in large industry processes.").

¹³ CLECA-01 at 6.

consumption during hours when energy infrastructure is unconstrained.¹⁴ This load flexibility directly mitigates the capacity and infrastructure pressures, and because flexibility does not face the permitting and interconnection-queue delays of new resource development, it can be deployed faster than supply-side solutions to meet growing demand.¹⁵

Enabling large customers to better manage bill impacts also supports customer retention and the state's continued policy goals to mitigate emissions leakage.¹⁶ Large industrial customers face electricity costs as a material component of their operating expenses and are well positioned to evaluate and manage the risks associated with exposure to hourly price signals.¹⁷ Providing these customers with the ability to manage costs through dynamic pricing supports customer retention, particularly given the large and growing differential between California electricity rates and those in neighboring states.¹⁸ Retaining large industrial load in California advances the state's policy goals to mitigate emissions leakage while preserving the economic and system benefits associated with industrial customer participation.¹⁹

¹⁴ CLECA-01 at 6; PST-01 at 2 ("Finally, [LPDR] would contribute to the achievement of California's energy and climate goals relating to grid efficiency, decarbonization, load management, reliability, and affordability by better aligning energy demand with supply.").

¹⁵ CLECA-01 at 6.

¹⁶ AB 1207 (Irwin). Ch. 117, Statutes of 2025 at 8; see CLECA-02 at 18-19 ("Dynamic pricing advances California's climate goals by reducing emissions leakage: it gives industrial EITE customers, who may face electricity rates over 2.5 times the national average, a practical way to manage costs and still operate competitively compared to other regions with higher-emitting grids... the Commission should recognize that approving the LPDR and preserving these core features advances a central element of California's climate strategy: avoiding emissions leakage by keeping EITE operations i-state and on a decarbonization pathway.").

¹⁷ CLECA-01 at 3 and 5.

¹⁸ CLECA-01 at 6.

¹⁹ *Id.*

B. SCE'S LPDR IS CONSISTENT WITH APPLICABLE GUIDELINES AND STANDARDS

1. Commission Rate Design Principles

In D.23-04-040, the Commission adopted updated rate design principles and dynamic pricing principles. There, the Commission stated that “dynamic prices should, to the extent feasible, accurately incorporate the marginal costs of energy, generation capacity, distribution capacity, and transmission capacity based on grid conditions.”²⁰

The Commission continued iterating its rate dynamic pricing principles in D.25-08-049, where it noted that “[p]ursuant to CCR Section 1623 (a), Large IOUs must submit marginal cost-based rates to the Commission for approval that include marginal generation, distribution, and transmission rates that vary on a time interval of no longer than one hour.”²¹ This reflects a continued commitment to the accurate incorporation of marginal generation costs.

In addressing Marginal Distribution Capacity Cost (MDCC), the Commission explicitly rejected a standardized methodology to automatically increase MDCC over time, noting that “[a]s raised by EPUC and CLECA, only changes in demand-related revenue requirements should be used to justify updates to MDCCs.”²² Again, the Commission decided against formulas that would detach marginal costs from real grid conditions. Finally, the Commission found it reasonable to “include an hourly transmission capacity price component in [Demand Flexibility] Rate Proposals” that would be incorporated “either in supplemental testimony in existing

²⁰ D.23-04-040 at 3.

²¹ D.25-08-049 at 66.

²² D.25-08-049 at 87.

applications, or in any new applications.”²³ In each category, the Commission adopted guidelines²⁴ to anchor marginal costs paid with the actual marginal cost to perform.

SCE’s proposed LPDR is grounded in marginal cost principles, as it reflects hourly CAISO day-ahead market prices, marginal generation, and distribution capacity costs, and allocated transmission costs consistent with SCE’s existing rate design practices.²⁵ The CAISO day-ahead price is a widely accepted proxy for the marginal energy cost of serving load, reflecting the marginal cost of generation and GHG emissions, and incorporates transmission losses and congestion.²⁶

Additionally, marginal distribution demand costs are consistent with the costs used to develop rates under the current cost allocation and rate design framework adopted in SCE’s General Rate Case (GRC) Phase 2 proceedings.²⁷ Although transmission marginal costs are not yet available on an hourly basis, SCE proposes to use the same transmission capacity costs currently allocated to customer classes as the basis for the hourly allocation of transmission costs in the dynamic rate.²⁸

SCE’s proposal to rely on CAISO day-ahead hourly prices, combined with hourly system conditions to allocate generation, capacity, distribution, and transmission costs across hours, is consistent with existing guidance and aligns with the Commission’s rate design objectives.²⁹

²³ D.25-08-049 at 67.

²⁴ See D.25-08-049, Section 4, addressing marginal cost capacity for generation, distribution, and transmission; see also D.25-08-049 at I, providing guidance for utilities in crafting marginal costs; see generally D.25-08-049 at 86 (“Marginal Cost Updates”).

²⁵ CLECA-01 at 7.

²⁶ CLECA-01 at 7; see D.25-08-049 at 23-24.

²⁷ SCE-01 at 20-21.

²⁸ SCE-01 at 17-19.

²⁹ PSG-01 at (“These prices are based on CAISO Day Ahead prices and hourly marginal costs based on applicable class revenue requirements ... The Large Power Rate preserves the current method of

2. California Energy Commission (CEC) Load Management Standards (LMS)

Although not explicitly designed to comply with the CEC's LMS, SCE's proposed LPDR aligns with the intent of the LMS. Section 1623(a)(1) of the LMS states:

Total marginal cost shall be calculated as the sum of the marginal energy cost, the marginal capacity cost (generation, transmission, and distribution), and any other appropriate time and location dependent marginal costs, including the locational marginal cost of associated greenhouse gas emissions, on a time interval of no more than one hour.³⁰

SCE's proposed LPDR incorporates each of the marginal cost components, such as generation energy, generation capacity, transmission capacity, and distribution capacity, required by the LMS.³¹ The LPDR also reasonably accounts for jurisdictional boundaries and the sequencing of implementation.³²

With respect to marginal energy cost, SCE's proposal directly incorporates, and thereby fully operationalizes, the CAISO day-ahead hourly price at SCE's Default Load Aggregation Point (DLAP). These prices inherently reflect time-varying system conditions, congestion, and GHG compliance costs of the marginal generating resource setting the market price.³³ The CAISO DLAP price for SCE reflects the marginal energy cost relevant to customers located in SCE's service territory.³⁴ The proposed LPDR, therefore, not only reasonably implements but also

collecting non-bypassable and departing load charges. Thus, the Large Power Rate recovers reasonable costs by maintaining the same aggregate revenue requirement at the class level, reflects public policy associated costs, and exposes participating customers to more accurate and granular price signals for rate design purposes.”).

³⁰ Cal. Code Regs., Tit. 20, § 1623(a)(1).

³¹ SCE-01 at 12-14.

³² *Id.*

³³ SCE-04 at 7; CLECA-01 at 9.

³⁴ CLECA-01 at 9.

supports the LMS objective of accurately representing locational marginal costs and associated GHG emissions on an hourly basis.

SCE's proposed LPDR dynamically allocates capacity costs across hours based on relative system scarcity while maintaining class-level revenue neutrality, consistent with LMS principles and the Commission's demand flexibility policies.³⁵ For marginal generation and distribution capacity costs, SCE's proposal relies on long-run marginal cost methodologies adopted in its Commission-approved 2021 GRC Phase 2 proceedings. These costs are applied through sigmoidal pricing functions calibrated to system load conditions.³⁶

For marginal transmission capacity costs, SCE proposes an hourly Marginal Transmission Capacity Cost (MTCC) framework, supported by a transmission cost study that employs multiple analytical approaches to align cost allocation with time-varying system conditions.³⁷ Consistent with SCE's approved LMS Compliance Plan, the MTCC framework is intended to precede a subsequent Single-Issue Section 205 filing with the Federal Energy Regulatory Commission (FERC) to implement hourly marginal transmission pricing.³⁸

Altogether, SCE's proposed LPDR is an analytically grounded application of LMS principles in a rate tailored to large customers. Consistent with D.25-08-049 and D. 23-04-040, SCE's proposal incorporates hourly marginal energy costs, dynamically allocates generation and distribution capacity costs, and establishes a sound framework for implementation.³⁹

³⁵ SCE-04 at 8-11.

³⁶ CLECA-01 at 9.

³⁷ SCE-04 at 12-14.

³⁸ CLECA-01 at 10.

³⁹ PSG-01 at 13 ("The Large Power Rate's rate design components build on [D.25-08-049] guidance on marginal and non-marginal costs in Demand Flexibility ... D.25-08-049 requires large [IOUs] who elect to include export compensation in a DF rate proposal to use asymmetric pricing based on unscaled

C. SCE'S LPDR IS JUST AND REASONABLE

SCE's proposed LPDR is just and reasonable because it reasonably reflects the marginal costs of energy, generation capacity, transmission, and distribution, while reflecting revenue neutrality by class. Additionally, LPDR creates more accurate and granular price signals than any rate available today. At the same time, the proposed LPDR will not cause cost shifting and ensures that non-participating customers are not harmed by its implementation.

1. LPDR'S Flexible Design Reasonably Encourages Participation

The proposed LPDR offers tailored individual contracts to encourage enrollment and maximize operational flexibility.

The flexibility to establish the appropriate subscription level for each customer is an important element of the proposed LPDR. Large customers substantially differ in their operations and risk management approaches.⁴⁰ SCE's proposed tariff would establish a subscription level by time-of-use period based on agreement between the enrolled customer and SCE.⁴¹ Allowing a customer with limited flexibility to select a higher subscription level that exposes only a reserved portion of their load to volatile dynamic prices is important to encourage enrollment.⁴² On the other hand, allowing a customer with a more flexible load to select a lower subscription level with greater exposure to volatile dynamic prices is important

marginal costs, while import rates include a scalar or a time-differentiated Revenue Neutral Adder to recover the scaled portion of the authorized revenue requirement. Accordingly, the Large Power Rate uses CAISO day-ahead marginal energy prices, preserves non-marginal cost recovery, avoids cost-shifting, and applies asymmetric export compensation.”).

⁴⁰ CLECA-01 at 4.

⁴¹ *Id.* at 5.

⁴² See PSG-01 at 10 (“PSG will have important flexibility to tailor its participation according to its needs and individual risk appetite ... These elements are critical for successful implementation of the Large Power Rate for customers with differing flexibility and approach to risk management.”).

to optimize the customer's ability to react during scarce system conditions.⁴³ The ability to select different subscription levels by time-of-use period is also significant, as it recognizes that each large customer's flexibility often varies across the day.⁴⁴

The proposed LPDR also allows customers to choose between three revenue-neutral dynamic pricing alternatives. For generation capacity, customers will have three options that determine the risk profile of the generation capacity-based portion of the hourly price signal.⁴⁵ In each option, the energy rate is based on the CAISO day-ahead market price, with hourly price signals for transmission and distribution reflecting relative scarcity. This is a reasonable approach to encourage enrollment and maximize enrolled customer responsiveness, while respecting each customer's risk tolerance.⁴⁶ Applying one methodology to all customers would produce more volatile price signals that discourage potential customer participation among customers who may not have the ability or willingness to manage price volatility.⁴⁷ On the other hand, an approach that produces a consistently low degree of volatility may dampen responsiveness from customers with a greater ability to manage price volatility risks.⁴⁸ By allowing customers to determine the volatility risk profile, SCE's proposed LPDR increases customer participation, particularly during periods of constrained generation capacity.⁴⁹

⁴³ CLECA-01 at 5.

⁴⁴ *Id.*

⁴⁵ SCE-01 at 12-13.

⁴⁶ CLECA-01 at 6.

⁴⁷ *Id.* at 6.

⁴⁸ *Id.* at 5.

⁴⁹ *Id.* at 5; PSG-01 at 9 ("The Large Power Rate also includes multiple price curve options to ensure PSG and other customers can manage price volatility aligned with risk appetite. Through careful operations planning and management, use of innovative clean energy technologies, and tailoring of the mill's energy usage, PSG will be able to best achieve the competitive electricity costs necessary to create cost-competitive products.").

Under all three proposed pricing options, customers who do not respond will experience greater increases in their electricity bills during those periods.⁵⁰ However, when a customer responds, such response reduces costs for all customers.⁵¹ Decreased electricity demand during high-cost hours allows the dispatch of more efficient resources at the margin and frees capacity of generation, transmission, and distribution assets for other customers during these constrained periods.⁵²

Furthermore, adopting subscriptions as the customer-protection mechanism only for large customers opting into the proposed LPDR is reasonable, as LPDR customers are likely to have a sophisticated understanding of dynamic rates and the likely impacts of subscriptions.⁵³ As discussed above, the LPDR subscription is an operational tool that allows each large customer to calibrate its exposure to volatile dynamic prices based on risk tolerance and load flexibility. Subscription-related challenges, therefore, do not apply to the LPDR, as LPDR subscriptions are bilaterally negotiated and manually billed.⁵⁴

2. SCE'S LPDR Will Not Cause Cost Shifting

SCE's proposed LPDR is designed to avoid cost shifting to non-participating customers.⁵⁵ First, SCE's proposal does not alter the collection of non-bypassable, departing load charges, including the Power Charge Indifference Adjustment (PCIA).⁵⁶ Instead, the proposed rate

⁵⁰ *Id.* at 5.

⁵¹ *Id.* at 5.

⁵² *Id.* at 5.

⁵³ SCE-06 at 7 (“[SCE] is amendable to adopting subscriptions as the customer-protection mechanism only for large customers opting into the proposed LPDR ... [LPDR customers] are likely to have a significantly more sophisticated understanding of dynamic rates and the likely impacts of subscriptions.”).

⁵⁴ CLECA-03 at 5; SCE-06-A at 3 and 7.

⁵⁵ SCE-04 at 3.

⁵⁶ SCE-04 at 18.

operates alongside the applicable class revenue requirements, which include all applicable generation, transmission, and distribution-related costs.⁵⁷ As a result, a customer receiving service on the LPDR remains responsible for the same underlying cost obligations as a customer receiving service under a standard tariff.

Second, the LPDR also preserves revenue neutrality at the class level by exposing participating customers to hourly prices and maintaining the same aggregate revenue requirement.⁵⁸ As discussed above, customers respond to price signals by shifting usage away from higher-cost to lower-cost hours, which reduces system costs for all customers. The load shifting reduces reliance on higher-cost energy resources and improves utilization of lower-cost, clean renewable energy, resulting in cost savings for all ratepayers.⁵⁹

Ratepayers adjusting energy usage based on cost and timing is not new or unique to the LPDR. Across all customer classes, differences between forecasted electricity sales and actual metered usage occur routinely across rate schedules.⁶⁰ This is an inherent feature of the ratemaking process. For example, SCE's electricity sales by class forecast for the 2021 test year understated total systemwide sales by approximately 2%, relative to recorded sales.⁶¹ At the class level, deviations in the forecast ranged from 26% under-forecast for agricultural customers to 12% over-forecast for industrial customers.⁶² These forecast variances arise regardless of whether customers are served under dynamic or non-dynamic rates and are

⁵⁷ CLECA-01 at 10.

⁵⁸ CLECA-01 at 11.

⁵⁹ CLECA-01 at 11; *see also* CLECA-01 at 11-12, discussion of Figure 1.

⁶⁰ CLECA-01 at 12.

⁶¹ SCE-07 at 77.

⁶² SCE-07 at 97.

routinely addressed by normal ratemaking processes.⁶³ Therefore, the existence of such variances, by themselves, is not indicative of cost shifting among customer classes.

D. SCE'S LPDR IS DISTINCT FROM SDR

The LPDR is not simply a large-customer version of the SDR. As discussed above, the LPDR differs from the SDR in its subscription-setting methodology, customer-selected pricing options, and long-term contract structure. The record further demonstrates that LPDR and SDR are increasingly distinct in four additional aspects.⁶⁴

First, SCE proposes price limiters for the SDR while retaining subscriptions for the LPDR, noting that price limiters are superior for the SDR but not the LPDR.⁶⁵ Regardless of whether the Commission ultimately adopts price limiters, bill limiters, or annually updating subscriptions for SDR, the SDR customers protection mechanism will be materially different from the LPDR's bilaterally negotiated, customer-specific subscription.⁶⁶

Second, LPDR customers will be manually billed.⁶⁷ SDR customers require extensive billing system upgrades, placing the two rates on separate implementation tracks.⁶⁸

Third, the SDR will not be available until at least Q1 of 2030.⁶⁹ By contrast, the LPDR does not fully depend on the billing system upgrade, which is the principal driver of the implementation date.⁷⁰ SCE explains that the 18- to 24-month SDR timeline assumes that "the subscription option is limited to LPDR customers who will be manually billed, resulting in no

⁶³ CLECA-01 at 12.

⁶⁴ *See generally* SCE-06-A.

⁶⁵ SCE-06-A at 7.

⁶⁶ CLECA-03 at 7.

⁶⁷ *Id.*

⁶⁸ *Id.*

⁶⁹ SCE-06-A at 26.

⁷⁰ CLECA-03 at 7.

subscription or bill limiter logic needing to be implemented in SCE's billing system."⁷¹ The two rates are therefore not dependent on the same implementation schedule.

Finally, SCE states that LPDR customers are "knowledgeable enough to engage with SCE when defining their subscription level" and will not require extensive educational outreach.⁷² By contrast, SDR customers require substantial marketing, education, and outreach efforts.⁷³ Accordingly, the LPDR and SDR are distinct rate offerings designed for different customer populations and different customer needs.

III. IT IS APPROPRIATE TO ALLOW CUSTOMERS ON THE BASE INTERRUPTIBLE PROGRAM TO TAKE SERVICE ON THE LPDR SCHEDULE

The Commission should approve SCE's proposal and allow customers participating in the Base Interruptible Program (BIP) to also participate in the LPDR. BIP is an emergency demand response program and therefore addresses fundamentally different grid needs from dynamic pricing.⁷⁴ Responding to dynamic pricing is voluntary, so customer behavior and responsiveness will vary over time based on market conditions, operational constraints, weather, and business needs.⁷⁵ This variability is a feature, not a defect. It maximizes each customer's responsiveness available at a given time, providing system benefits like lower marginal emissions and reduced renewable curtailment when available.⁷⁶

⁷¹ SCE-06-A at 3 ("The 18-24 month timeline assumes that the customer protection option selected is a price limiter, and that the subscription option is limited to LPDR customers who will be manually billed, resulting in no subscription or bill limiter logic needing to be implemented in SCE's billing system.").

⁷² SCE-06-A at 4.

⁷³ CLECA-03 at 8.

⁷⁴ CLECA-01 at 13.

⁷⁵ *Id.*

⁷⁶ *Id.*

On the other hand, because dynamic pricing is voluntary and variable, it cannot provide the certainty required for resource adequacy and system reliability planning.⁷⁷ The Base Interruptible Program can, however, provide that certainty. It secures guaranteed, forward-committed load reductions through enforceable contracts, typically executed on a year-ahead basis.⁷⁸ These commitments allow the Commission, the utility, and CAISO to rely on specific, forecastable, and quantifiable demand reductions for reliability planning, emergency operations, and resource adequacy compliance obligations.⁷⁹ Unlike a dynamic rate, BIP imposes mandatory performance obligations, with penalties and removal from the program.⁸⁰

Since the LPDR and BIP are fundamentally different, the Commission should not treat LPDR as a substitute for BIP or other contracted resource adequacy demand response programs. Instead, the Commission should find that the programs are complementary: voluntary price-responsive flexibility improves operational efficiency, while BIP provides dependable capacity commitments that support system reliability.⁸¹

Authorizing dual participation between LPDR and BIP does not create a risk of double-counting or double-compensation, as the existing tariff provisions ensure that compensation under the two programs is appropriately differentiated and non-overlapping. First, the BIP tariff establishes the monthly BIP credit based on average usage during the specified TOU period.⁸²

⁷⁷ *Id.*

⁷⁸ *Id.*

⁷⁹ *Id.*

⁸⁰ SCE Schedule TOU-BIP, Sheet 5, and Special Conditions 8-10 (sheets 7-11).

⁸¹ CLECA-01 at 14; *see also* CA-01 at 10, where Cal Advocates supports SCE's proposal to allow customers that participate in day-of demand response programs to also participate in its LMS-Compliant Proposed Rate ("SCE's proposed dual participation rules allow for complimentary emergency and planned demand response incentives while also negating the risk of double compensation, and should therefore be adopted by the Commission.").

⁸² SCE Schedule TOU-BIP, Sheet 2.

Therefore, if a BIP customer on a dynamic pricing tariff shifts load out of a high price period, the customer would see a corresponding drop in its BIP credit. This is because its average usage during the on-peak period would also decrease. Second, SCE adjusts the subscription level to match the BIP customer's firm service level during a BIP event.⁸³ Therefore, SCE's proposal ensures that there is no incremental compensation for a BIP customer under the dynamic rate during overlapping events.⁸⁴

IV. RECOMMENDED ADJUSTMENTS

A. LPDR SHOULD BE AVAILABLE FOR UNBUNDLED AS WELL AS BUNDLED CUSTOMERS

The Commission should authorize the LPDR for unbundled customers, where SCE's hourly rate would reflect only the distribution and transmission costs allocated to individual hours. Under this approach, unbundled customers would continue to procure generation service from their Electric Service Provider (ESP) or Community Choice Aggregator (CCA), consistent with existing practice.⁸⁵ ESPs and CCAs would remain responsible for developing and offering generation-related pricing structures to meet their customers' needs, while SCE's dynamic rate would provide hourly prices for delivery-related costs.⁸⁶

Extending the availability of the dynamic rate to unbundled customers is consistent with the CEC's LMS, which is designed to ensure that customers served by IOUs, CCAs, and other load-serving entities can access and respond to hourly marginal price and emissions signals.⁸⁷

⁸³ CLECA-01 at 14.

⁸⁴ *Id.*

⁸⁵ CLECA-01 at 15.

⁸⁶ *Id.*

⁸⁷ Cal. Code Regs., Tit. 20, § 1623(b), (c).

Allowing unbundled customers access to SCE's dynamic rate would support broader demand flexibility objectives, while leaving the design of generation-related rates to each customer's ESP or CCA.⁸⁸

B. TRANSMISSION COSTS SHOULD BE RECOVERED THROUGH INCREASINGLY TIME-DEPENDENT PRICE SIGNALS

Transmission costs are largely driven by peak system demand and should, where applicable, be recovered through time-dependent price signals.⁸⁹ Although the Solar Energy Industries Association (SEIA), in its opening testimony, criticizes SCE's proposed 50% dynamic allocation as unsupported by cost-causation principles or marginal transmission cost analysis,⁹⁰ the 50% allocation is a conservative and workable starting point for initial implementation.⁹¹ When authorizing, the Commission should not treat the initial allocation as fixed.⁹² Instead, the Commission should direct SCE to refine and gradually increase the time-dependent transmission share, potentially up to 100%, based on updated study results, consistent with cost causation principles and implementation experience.⁹³

C. NON-COINCIDENT DEMAND CHARGES SHOULD BE REDUCED TO PRESERVE DYNAMIC PRICE SIGNALS

Large non-coincident demand charges (NCDCs) can blunt the incentive to respond to dynamic hourly prices.⁹⁴ Although SCE has begun to address this by proposing lower NCDCs in its dynamic rates,⁹⁵ NCDCs for medium and large customers remain significant at the

⁸⁸ CLECA-01 at 15.

⁸⁹ SEIA-01 at ii and 20-24.

⁹⁰ SEIA-01 at 20-21.

⁹¹ CLECA-02 at 20.

⁹² *Id.*

⁹³ CLECA-02 at 20.

⁹⁴ SEIA-01 at 24-26.

⁹⁵ SCE-04 at 11.

recommended levels.⁹⁶ SEIA's opening testimony suggests that NCDCs may rival the dynamic rate's total capacity-related charges, weakening price signals and reducing customer incentives to shift load to off-peak periods.⁹⁷ The NCDCs should therefore be further reduced for dynamic rate participants, with appropriate cost recovery reallocated to the time-varying component on a revenue-neutral basis, particularly for costs not clearly and directly linked to non-coincident peaks.⁹⁸ This solution aligns with the Commission's guidance to assess how non-volumetric charges affect demand flexibility.⁹⁹

V. CONCLUSION

For the reasons discussed above, the Commission should:

- Authorize the LPDR, with the three core design features,
- Permit participation by both bundled and unbundled customers,
- Allow dual participation with the Base Interruptible Program,
- Direct SCE to refine and increase the time-dependent allocation of transmission costs over time, and
- Reduce non-coincident demand charges for dynamic rate participants to preserve effective price signals on a revenue-neutral basis.

Expediting the implementation of the LPDR for the largest customers on SCE's system is an important step to take now. For large customers, electricity costs represent a material component of overall operating expenses. Such customers are best positioned to manage

⁹⁶ SEIA-01 at 25; CLECA-02 at 20.

⁹⁷ SEIA-01 at 25.

⁹⁸ CLECA-02 at 21.

⁹⁹ D.25-08-049 at 80.

operational flexibility and evaluate the risks associated with exposure to hourly price signals. Prioritizing implementation of dynamic pricing for this customer segment allows system benefits sooner by enabling significant load reductions when energy is scarce, high-cost, and higher-emitting.¹⁰⁰

CLECA appreciates this opportunity to submit this opening brief.

Respectfully submitted,

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¹⁰⁰ CLECA Ex-01 at 3.