

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE

STATE OF CALIFORNIA

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)**

**REPLY BRIEF OF CALIFORNIA LARGE ENERGY CONSUMERS ASSOCIATION
TO ADMINISTRATIVE LAW JUDGE'S RULING MODIFYING SCHEDULE AND PROVIDING
SUPPLEMENTAL OPENING BRIEF INSTRUCTIONS**

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Summary of Recommendations

- **LPDR Is a Distinct Rate, Not a Duplicate:** The Commission should reject the contention that the LPDR duplicates the Standard Dynamic Rate (SDR). The LPDR differs from the SDR in its customer-protection mechanism, billing method, implementation track, and the sophisticated large-customer population it serves. These features are deliberate design elements that facilitate enrollment and load responsiveness, and warrant a second, tailored rate.
- **No Cost Shifting or Subscription Windfall:** The Commission should find that the LPDR does not cause cost shifting and should not treat its subscriptions as a vehicle for gaming or structural windfalls. The LPDR preserves revenue neutrality at the class level and leaves non-bypassable and departing-load charges unchanged. Each participant remains responsible for the same underlying cost obligations as a customer on a standard tariff.
- **Expedited Authorization:** The Commission should authorize the LPDR on an expedited basis. Because the LPDR is manually billed and serves knowledgeable large customers, it does not depend on the SDR billing system upgrade or extensive customer outreach. Early deployment for this segment delivers significant near-term system benefits.
- **Transmission Allocation:** The Commission should retain SCE's 50% dynamic transmission allocation as a starting point and direct SCE to increase the time-dependent share over time, rather than reduce it to 45%. Reducing the allocation moves away from cost causation and weakens the dynamic price signal.
- **Non-Coincident Demand Charges:** The Commission should reduce NCDCs for dynamic-rate participants, with recovery reallocated to the time-varying component on a revenue-neutral basis, consistent with CLECA's opening brief and D.25-08-049. CLECA does not propose to recover residual, non-marginal costs through time-varying rates.

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The California Large Energy Consumers Association ([CLECA](https://cleca.org))¹ submits this reply 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 T. Gerstle in the July 8, 2026, *Administrative Law Judge’s Ruling Modifying Schedule And Providing Supplemental Opening Brief Instructions*.

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://cleca.org)).

I. INTRODUCTION

The Commission should find that Southern California Edison's (SCE) Large Power Dynamic Pricing Rate (LPDR) is a just and reasonable, marginal cost-based rate. It advances the Commission's demand-flexibility objectives and can deliver near-term system benefits for the customers best positioned to respond to hourly price signals. As CLECA showed in its opening brief, the LPDR aligns with the Commission's policy objectives and applicable standards.² It also preserves revenue neutrality at the class level without shifting costs to non-participants,³ and is distinct from the Standard Dynamic Rate (SDR) in design, billing, implementation, timeline, and customer population.⁴ Large industrial customers are sophisticated managers of price risk for whom electricity is a material operating cost.⁵ The Commission should therefore authorize the LPDR on an expedited basis, so that reduced peak demand, lower system costs, and decreased emissions can be realized sooner.⁶

The principal arguments urging the Commission to reject or curtail the LPDR do not withstand scrutiny. The contention that the LPDR is merely "duplicative" of the SDR ignores the several material distinctions between the two rates.⁷ The assertion that its subscription mechanism invites gaming and cost shifting lacks adequate support and is contradicted by the rate's class-level revenue neutrality and unchanged cost-recovery obligations.⁸ Likewise,

² California Large Energy Consumers Association (CLECA Opening Brief) at 4-11.

³ CLECA Opening Brief at 13-15.

⁴ CLECA Opening Brief at 15-16.

⁵ CLECA Opening Brief at 6, 20-21.

⁶ CLECA Opening Brief at 20-21.

⁷ CLECA Opening Brief at 15-16.

⁸ CLECA Opening Brief at 13-15.

objections to expedited implementation and to the rate's transmission and NCDC design misapprehend both cost causation and the Commission's demand-flexibility guidance.⁹

In this Reply Brief, CLECA does not repeat its opening arguments in full. Instead, CLECA replies below only to the specific contentions advanced against the LPDR, principally by the Public Advocates Office (Cal Advocates),¹⁰ explaining why the Commission should reject them and adopt the recommendations in CLECA's opening brief.

II. THE LPDR IS A DISTINCT RATE, NOT A DUPLICATE OF THE SDR

Cal Advocates posits that the LPDR "duplicates the LMS-Compliant Proposed Rate," sharing the same marginal-cost-based dynamic structure and diverging "only in the subscription element and the addition of a contractual period."¹¹ As CLECA demonstrated in its opening brief, however, the bilaterally negotiated subscription design and contract terms are material design features for the LPDR target customers.¹² For those reasons alone, the Commission should reject this argument.¹³

Further, the LPDR differs from the SDR in at least four respects beyond subscriptions and contract terms. First, SCE proposes price limiters for the SDR while retaining bilaterally negotiated subscriptions for the LPDR.¹⁴ Second, LPDR customers will be manually billed, while implementation of the SDR requires extensive billing system upgrades.¹⁵ Third, the two rates

⁹ CLECA Opening Brief at 19.

¹⁰ See *generally* Opening Brief of the Public Advocates Office (Cal Advocates Opening Brief) and Supplemental Opening Brief of the Public Advocates Office (Cal Advocates Supplemental Brief).

¹¹ Cal Advocates Opening Brief at 28-30.

¹² CLECA Opening Brief at 15-16.

¹³ *Id.*

¹⁴ SCE-06-A at 7.

¹⁵ CLECA-03 at 7. See also 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

are on separate implementation tracks: the SDR will not be available until at least Q1 2030, while the LPDR does not depend on those same billing system upgrades.¹⁶ Fourth, LPDR customers are sophisticated, large customers who will not require the marketing, education, and outreach that SDR customers need.¹⁷ These features are not incidental. They are material design elements that facilitate large customer enrollment and load responsiveness and explain why a separate, tailored rate is warranted.¹⁸

III. THE LPDR WILL NOT CAUSE COST SHIFTING, AND ITS SUBSCRIPTION DESIGN DOES NOT INVITE GAMING

Cal Advocates states that the LPDR's static, bilaterally negotiated subscriptions invite "gaming and structural windfalls."¹⁹ It contends that customers can reduce bills without changing usage, shifting the resulting under-collections onto residential and small-commercial ratepayers over a 25-year enrollment.²⁰ For the reasons explained in CLECA's opening brief, the Commission should find that the LPDR does not cause cost shifting and should not reject the rate on that basis.²¹

The LPDR preserves revenue neutrality at the class level and does not alter the collection of non-bypassable or departing-load charges, including the Power Charge Indifference Adjustment (PCIA).²² Each participating customer, therefore, remains responsible

customers who will be manually billed, resulting in no subscription or bill limiter logic needing to be implemented in SCE's billing system.").

¹⁶ SCE-06-A at 26.

¹⁷ CLECA Opening Brief at 15-16; SCE-06-A at 4; CLECA-03 at 8.

¹⁸ CLECA Opening Brief at 15-16.

¹⁹ Cal Advocates Opening Brief at 17.

²⁰ Cal Advocates Opening Brief at 17-18, 28-30.

²¹ CLECA Opening Brief at 13-15.

²² CLECA-01 at 11.

for the same underlying cost obligations as a customer on a standard tariff.²³ The routine differences between forecast and actual usage that occur across all rate schedules are an inherent feature of ratemaking, not evidence of cost shifting. SCE's own 2021 test-year forecast, which varied materially by class, illustrates that such variances are neither new nor unique to dynamic rates.²⁴

Cal Advocates' characterization of the subscription as a gaming device also mischaracterizes the record by relying on arbitrarily selected retrospective illustrative bill impacts and erroneously presuming customer foreknowledge of future dynamic prices.²⁵ As CLECA explained, the subscription is a legitimate operational and customer-protection tool. It allows each sophisticated large customer to calibrate its exposure to volatile, dynamic prices according to its own load flexibility and risk tolerance. Further, the subscription is not unilaterally selected by the customer; instead, it is bilaterally negotiated between SCE and the customer.²⁶ When a customer responds to the price signal, that response reduces costs for all customers by freeing generation, transmission, and distribution capacity during constrained hours.²⁷

²³ CLECA Opening Brief at 14.

²⁴ CLECA Opening Brief at 14–15, citing SCE-07 at 77 and 97; *see also* CLECA-01 at 12.

²⁵ CLECA Opening Brief at 11–13

²⁶ CLECA Opening Brief at 11–13; *see* 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.”).

²⁷ CLECA Opening Brief at 13.

IV. EXPEDITED AUTHORIZATION OF THE LPDR IS APPROPRIATE

Cal Advocates argues that fast-tracking the LPDR over the same manual billing processes that produced delays in SCE's pilot would "compound implementation risk, not contain it."²⁸ As CLECA demonstrated, the Commission should authorize the LPDR on an expedited basis.²⁹

The SDR's protracted timeline is driven by the billing system upgrades that the rate requires and by the customer education those upgrades entail.³⁰ Neither is required for the LPDR. Eligibility for the LPDR is limited by design to TOU-8 customers served at sub-transmission voltage, about 265 accounts systemwide,³¹ and is further constrained by a 500 MW program cap.³² SCE proposes to bill that population manually to control implementation costs.³³ That pathway decouples the LPDR from the upgrade driving the SDR's Q1 2030 date.³⁴

The LPDR also requires no comparable customer outreach.³⁵ Because LPDR customers are best positioned to manage operational flexibility and exposure to hourly price signals, authorizing the rate now delivers systemwide benefits, such as reduced peak demand, lower costs, and decreased emissions, years ahead of the SDR's timeline.³⁶

²⁸ Cal Advocates Opening Brief at 29–30.

²⁹ CLECA Opening Brief at 15–16, 20–21.

³⁰ SCE-06-A at 3 (identifying additional billing system logic and "the need for significant additional customer education" among the sources of subscription complexity that drive "the costs and timeline associated with tariffed dynamic rates implementation").

³¹ SCE-01 at 3.

³² CLECA-03 at 8.

³³ SCE-06-A at 7.

³⁴ SCE-06-A at 3 n.5 ("The 18-24-month timeline assumes that the customer protection option selected is a price limiter, and that either no customers are offered a subscription option, or 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."), 26 (SCE's billing system "could be ready by approximately Q1 of 2030").

³⁵ SCE-01 at 31: "[c]onsidering the narrow target audience for this offering, minimal marketing, education, and outreach (ME&O) efforts are anticipated."

³⁶ CLECA Opening Brief at 20–21.

V. THE COMMISSION SHOULD INCREASE, NOT REDUCE, THE TIME-DEPENDENT TRANSMISSION ALLOCATION

Cal Advocates urges the Commission to adopt a 45% dynamic transmission allocation in place of SCE's proposed 50%.³⁷ It contends that the 50% figure overstates the dynamic component and creates a subsidy for flexible customers.³⁸ For the reasons explained in CLECA's Opening Brief, the Commission should instead retain the 50% allocation as a starting point and direct SCE to increase the time-dependent share over time.³⁹

As CLECA demonstrated, transmission costs are largely driven by peak system demand and should, where applicable, be recovered through increasingly time-dependent price signals.⁴⁰ Reducing the allocation to 45% moves in the wrong direction and weakens the very price signal that aligns transmission recovery with cost causation.⁴¹ The 50% allocation is a conservative and workable starting point for initial implementation.⁴² The Commission should direct SCE to refine and gradually increase the time-dependent transmission share, potentially up to 100%, consistent with cost-causation principles and implementation experience.

VI. NON-COINCIDENT DEMAND CHARGES SHOULD BE REDUCED TO PRESERVE THE DYNAMIC PRICE SIGNAL

In its supplemental opening brief, Cal Advocates argues that residual distribution costs should be recovered through non-time-varying structures, such as a scaled non-coincident

³⁷ Cal Advocates Opening Brief at 20-21.

³⁸ *Id.*

³⁹ CLECA Opening Brief at 19.

⁴⁰ SEIA-01 at ii and 20-24.

⁴¹ CLECA Opening Brief at 19.

⁴² *Id.*, citing CLECA-02 at 20.

demand charge (NCDC) or a fixed charge.⁴³ It identifies CLECA among the parties that, in its view, improperly rely on D.25-08-049 to shift residual fixed costs into time-varying rate components.⁴⁴ This mischaracterizes CLECA's position, and the Commission should reduce NCDCs for dynamic-rate participants as CLECA recommended.⁴⁵

CLECA does not propose to recover residual, non-marginal costs through time-varying rates. Instead, it recommends reducing NCDCs for dynamic-rate participants, with the corresponding cost recovery reallocated to the time-varying component on a revenue-neutral basis.⁴⁶ That reallocation is targeted at costs not clearly and directly linked to non-coincident peaks, so that large, fixed charges do not blunt the incentive to respond to hourly prices.⁴⁷ The recommendation is consistent with D.25-08-049's direction to assess how non-volumetric charges affect demand flexibility.⁴⁸

⁴³ Cal Advocates Supplemental Opening Brief at 4–5.

⁴⁴ Cal Advocates Supplemental Opening Brief at 5.

⁴⁵ CLECA Opening Brief at 19–20.

⁴⁶ CLECA Opening Brief at 19–20.

⁴⁷ CLECA-02 at 20–21.

⁴⁸ D.25-08-049 at 80.

VII. CONCLUSION

For the foregoing reasons, and those set forth in CLECA's opening brief, the arguments urging the Commission to reject or curtail the LPDR are unavailing. The Commission should authorize SCE's Large Power Dynamic Pricing Rate on an expedited basis, retain the 50% dynamic transmission allocation with directed increases over time, and reduce non-coincident demand charges for dynamic-rate participants on a revenue-neutral basis.

CLECA appreciates this opportunity to submit this reply brief.

Respectfully submitted,

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