
Critical Peak Pricing

An Update on A.05-01-017

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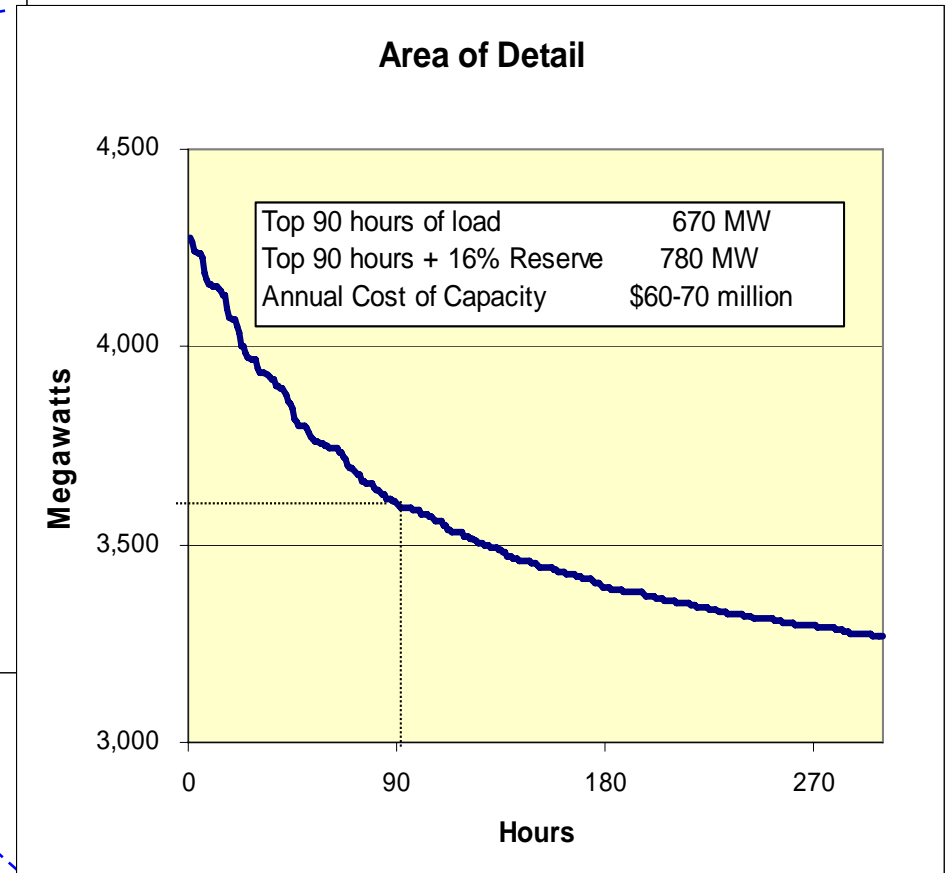
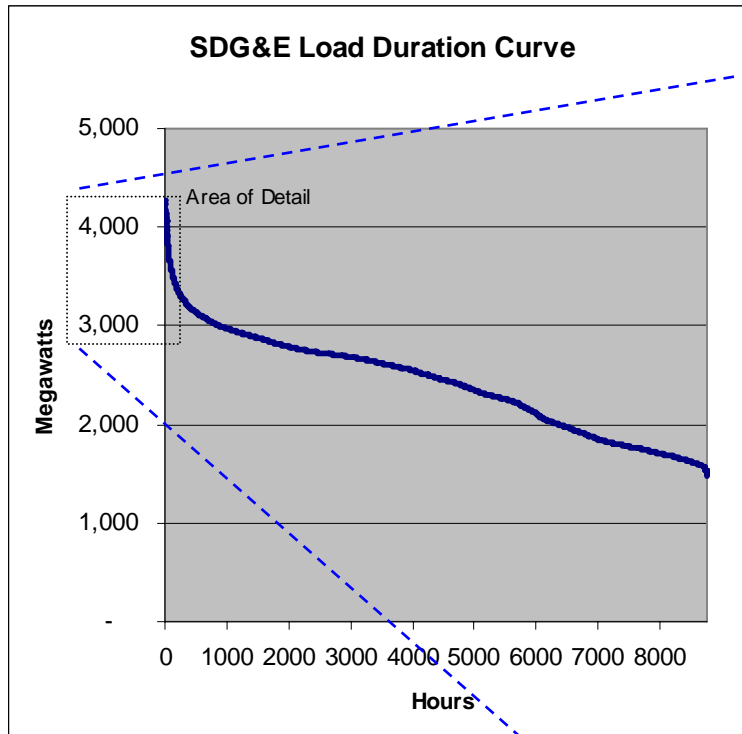
Presentation Overview

- Background
- SDG&E's 8-1-05 CPP
- Settlement Summary
- 3-23-06 Proposed Decision Summary
- Perspectives on CPP Proposed Decisions

CPP Background

- What is Critical Peak Pricing
 - Differentiated rate structure to provide a price signal to discourage demand and consumption during high peak times
 - Higher rate for on-peak periods
- Why Critical Peak Pricing?
 - Top 90 hours of load = 670 MW
 - 16.5% of 2005 peak demand of 4058

CPP Background



Source: SDG&E CPP Customer Forum 7-12-05

See <http://www.sdge.com/business/defaultcpp.shtml>

CPP Background

- 4-11-06 Alt. Draft Decision Accepting Settlements (Comm. Bohn)
- 3-23-06 Draft Decision Denying Settlements
- 12-14-05 SDG&E files motion to adopt settlement
- 8-1-05 SDG&E filed testimony (new CPP)
- 2-21-05 (D.05-04-053) CPUC determined that default CPP tariffs should not be implemented
 - Orders IOUs to file new CPP proposals in August 2005
- 1-20-05 SDG&E filed CPP application
- 12-8-04 Ruling required IOUs to file applications for default CPP tariffs

SDG&E's 8-1-05 Proposed CPP

- Bundled Customers
 - 200 kW or greater
- "Default" CPP rate
 - Day ahead
- CPP Days: based on 13
 - No minimum or maximum
- Capacity Reservation
 - kW threshold
 - Billed at flat rate per kW/month
 - Associated Consumption not subject to CPP rate
 - Minimum 50% capacity reservation
 - Originally proposed at \$1.570/kW

SDG&E's 8-1-05 Proposed CPP

- Participation Incentive
 - Further price reduction
- 25% toward fully cost-based CPP
- Opt-out
 - Applicable TOU tariff
 - Fully Cost-Based CPP
 - Greater cost differentials
 - Voluntary CPP
 - Day ahead
 - CPP-E
 - Day of

SDG&E's 8-1-05 Proposed CPP

■ 8-1-05 Proposed CPP Structure

	<u>CPP¹</u>	<u>Opt-out TOU²</u>
Capacity Reservation Charge	1.770 per kW	
<u>Energy Rates</u>		
Summer		
CPP	0.287 per kWh	
On-Peak	0.099 per kWh	0.115 per kWh
Semi-Peak	0.062 per kWh	0.068 per kWh
Off-Peak	0.043 per kWh	0.047 per kWh
Winter		
On-Peak	0.099 per kWh	0.115 per kWh
Semi-Peak	0.062 per kWh	0.068 per kWh
Off-Peak	0.043 per kWh	0.047 per kWh

¹ CPP energy rates include a participation credit of \$0.003 per kWh

² Reflects rates included in the Settlement Agreement filed
07/26/2005 in SDG&E's Rate Design Window Application (A.05-02-019)

Source: SDG&E CPP Customer Forum 8-25-06

<http://www.sdge.com/business/20050825CustomerWorkshop.ppt>

CPP Settlement

- Settling Parties
 - Building Owners and managers Assoc. (BOMA)
 - CA Manufacturers and Tech. Assoc. (CMTA)
 - City of San Diego
 - Energy Producers and Users Coalition (EPUC)
 - Indicated Commercial Parties (ICP)
 - Industrial Environmental Assoc. (IEA)
 - J.C. Penny Company, Inc
 - Silicon Valley Leadership Group
 - Wal-Mart Stores, Inc

CPP Settlement

- Retains structure of CPP Tariff as described in 8-1-05 testimony
 - Bundled Customers >200kW
- Eliminates participation credit
- Requires SDG&E to contact eligible customers by 4-1-06
- Requires SDG&E to provide eligible CPP customers with info on efficiency programs
- By 4-28-06 customers who have NOT opted out must elect to stay on the CPP Tariff
 - Burden is on SDG&E to prove they made contact

CPP Settlement

- Customers currently in Schedule EECC-CPP (voluntary CPP) will remain under that program until contract expires
 - Upon expiration, will default to Default CPP unless they opt out
- Customers can opt out at no charge
- Customers opting to stay on the CPP must stay for 12 months
- Capacity reservation charge maintained but as an option

CPP Settlement

■ Example rates

	Default CPP	Opt-out TOU *
Capacity Reservation Charge	7.080 \$ per kW per month	
<u>Energy Rates</u>		
Summer		
CPP	0.943 \$ per kWh	
On-Peak	0.062 \$ per kWh	0.115 \$ per kWh
Semi-Peak	0.055 \$ per kWh	0.068 \$ per kWh
Off-Peak	0.046 \$ per kWh	0.047 \$ per kWh
Winter		
On-Peak	0.062 \$ per kWh	0.115 \$ per kWh
Semi-Peak	0.055 \$ per kWh	0.068 \$ per kWh
Off-Peak	0.046 \$ per kWh	0.047 \$ per kWh

*Reflects rates included in the Settlement Agreement filed 7/26/05 in SDG&E's Rate Design Window Application (A.05-02-019).

CPP Settlement

- Customer opting for the CPP Rate will have 12-month bill protection
 - Will not pay more for energy commodity service than they would have under their previous tariff
- Maximum number of CPP events is 15
 - Minimum is 4

CPP Settlement

■ 8-1-05 CPP v. Settlement CPP

	8-1-05 CPP ¹	Settlement CPP	Variance	8-1-05 Opt-out TOU ²	Settlement Opt Out
Capacity Reservation Charge (\$/kW)	1.570	7.08	5.510		
<u>Energy Rates (\$/kWh)</u>					
<u>Summer</u>					
CPP	0.287	0.943	0.656		
On-Peak	0.099	0.062	(0.037)	0.115	0.115
Semi-Peak	0.062	0.055	(0.007)	0.068	0.068
Off-Peak	0.043	0.046	0.003	0.047	0.047
<u>Winter</u>					
On-Peak	0.099	0.062	(0.037)	0.115	0.115
Semi-Peak	0.062	0.055	(0.007)	0.068	0.068
Off-Peak	0.043	0.046	0.003	0.047	0.047

¹ CPP energy rates include a participation credit of \$0.003 per kWh

² Rates included in Settlement Agreement in Rate Design Window A.05-02-019

3-23-06 CPP Proposed Decision

- Denies proposed settlements (sort of...)
- Offers preferred approach
 - Option to implement settlement rates as voluntary in Summer 2006
 - Convert all eligible customers to settlement rates by 1-1-07 for 12 months
 - Provide 12-month bill protection
 - During the bill protection period, all eligible customers must remain on the critical peak pricing tariffs.
 - Customer can chose standard TOU rate (OPT OUT)
 - SDG&E to eliminate written Notice of Transfer from its CPP tariff

3-23-06 CPP Proposed Decision

- IOUs must present bill analysis to customers at the end of 2006
 - Projected costs under adopted CPP rates and TOU rates
 - Impacts created by reducing critical peak usage by 5, 10, and 20%
- Provides 20 days for settling parties to accept the proposed decision
 - If parties do not accept...
 - CPUC will close CPP applications and direct the utilities to incorporate default CPP during their next rate design proceeding

3-23-06 CPP Proposed Decision

- CPP Operational Costs
 - SDG&E Current costs = \$378,477
 - \$253,897 for O&M
 - \$42,422 for capital
 - \$82,158 for Measurement and Evaluation
 - SDG&E proposed costs
 - \$1.26 M additional costs*

*SDG&E Clarified in comments that the costs were incremental.

Bohn Alternative Draft Decision

- Adopts settlements
- Orders IOUs to file advice letters
 - No later than 10-1-06
 - Effective date of 1-1-07

Settlement CPP

■ Bundled Rates

	CPP Commodity (proposed)	UDC	Total
Summer			
Non-CPP Operational Days (\$/kWh)			
On-Peak	0.062	0.0139	0.076
Semi-Peak	0.055	0.0117	0.067
Off-Peak	0.046	0.0110	0.057
CPP Operational Days (\$/kWh)			
CPP Period	0.943	0.0139	0.957
Peak	0.062	0.0139	0.076
Semi-Peak	0.055	0.0117	0.067
Off-Peak	0.046	0.0110	0.057
Winter			
On-Peak	0.062	0.0130	0.075
Semi-Peak	0.055	0.0117	0.067
Off-Peak	0.046	0.0110	0.057

Capacity Reservation Charge \$7.08/kW

Non-Coin. Demand Charge \$11.38/kW

Maximum On Peak Demand Charge (Summer) \$6.38/kW

Maximum On Peak Demand Charge (Winter) \$3.89/kW

Settlement CPP

- Settlement CPP v. Opt Out/Current AL-TOU

	Settlement CPP			Settlement Opt Out			Current AL-TOU
	Commodity	UDC	Total	Commodity	UDC	Total	Total
Summer							
CPP	0.943	0.014	0.957				
On-Peak	0.062	0.014	0.076	0.115	0.014	0.129	0.129
Semi-Peak	0.055	0.012	0.067	0.068	0.012	0.080	0.078
Off-Peak	0.046	0.011	0.057	0.047	0.011	0.058	0.056
Winter							
On-Peak	0.062	0.013	0.075	0.115	0.013	0.128	0.128
Semi-Peak	0.055	0.012	0.067	0.068	0.012	0.080	0.078
Off-Peak	0.046	0.011	0.057	0.047	0.011	0.058	0.056

Perspectives on CPP PD

- SDG&E
 - Support Bohn Alternative
- CMTA & CLECA
 - Oppose Draft Proposed Decision
 - Requests Alternate Proposed Decision
 - Large customers have little or no ability to reduce peak demand
 - Residential and small commercial have greater ability to reduce demand
- Direct Access Customer Coalition
 - How costs/benefits are allocated b/t bundled and DA customers

Perspectives on CPP PD

- TURN Comments on PD
 - Settlement is voluntary only
 - Recommends a default structure with dynamic tariffs
 - A precondition for residential AMI
 - PD is not a true experiment
 - Bill protection
 - Opt out after 12 months
 - Won't change behaviors = limited demand reduction
 - Capacity reservation charge negates CPP concept
 - Would contradict dynamic rate work at CPUC
 - Net metering customer should be exempt

Perspectives on CPP PD

- California Retailers Association
 - Opposes default CPP
 - Limited ability to reduce demand
 - CPP would increase cost of doing business
 - With no corresponding benefit of reduced demand
 - CPP = Intra-class transfer
- Walmart, et al.
 - Opt-out customers should not incur any additional costs as a result
 - Direct access customers should not be required to participate in the programs
 - Costs of implementing the programs should be allocated in a fair and equitable manner

Next Steps

- Bohn Alternative must be public for 30 days
 - Released 4-11-06
 - Next CPUC Business meeting 5-11-06
- Commission Decision Likely 5-11-06

Thank You

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