Ava Participation in Hourly Flex Pricing (HFP)* Pilots

FAP Committee Memo
September 11, 2024

*Also known as Real Time Pricing, or RTP

Overview:

- Staff is seeking September 18 board approval for Ava's participation in HFP as hourly rates will deviate from the existing value proposition
- Staff also analyzed the financial impacts of voluntary customer participation. HFP pilot participation could result in an estimated net benefit of $67,932 or cost of $154,259 depending on customer adoption, CPUC incentives, and reduction in procurement costs

Objectives of Ava's participation in HFP

- **Compliance with Load Management Standards (LMS):** The CEC's Load Management Standards (LMS) require CCAs to evaluate and adopt hourly marginal cost rates/programs by 2027. Ava's LMS Compliance Plan, approved by the Board in March 2024, considered participation in hourly pricing pilots with PG&E to address uncertainties regarding hourly rates. CEC Staff have indicated that Ava's participation in HFP pilots is key to maintaining compliance.
- **Offer rate options comparable to PG&E:** Ava is aware of at least one commercial customer who will participate in the VGI (Vehicle to Grid Integration) Pilot. If Ava does not participate in the HFP pilots, interested customers would have to opt-out of Ava's service to receive those rates through PG&E's exclusive service.
- **Inform future HFP rate design & participation:** Ava will gain valuable information about hourly rates which is key to informing Ava's decision of whether to eventually adopt hourly rates and how to otherwise comply with the Load Management Standards.

Implementation

1. **Timeline**
    - September 2024: VGI/V2X (residential & business EV rates, non-residential customers that provide EV charging services)
    - November 2024: Expanded Pilots (C&I, residential rates)
    - 2026: Expanded Pilots (Ag rates)
        - These pilots are available earlier; Ava is looking to participate in 2026 with new agriculture customers in unincorporated San Joaquin County
2. **Billing**

During the pilot, participating customers will continue to pay their normal monthly electric bill according to their otherwise applicable tariff, or OAT. In addition to their normal monthly bill, customers will receive a performance report that reflects credits or charges based on the customers' performance under the hourly price. Customers are credited at the hourly price for reduced consumption. The customer's monthly credits and charges will be trued-up annually, and the customer would receive a credit if they paid less on the hourly pricing pilot compared to their OAT, or standard tariff. The customer would not be charged extra if they incur net charges. With this bill protection, participating customers can only benefit from the pilots.

3. Outreach

Customers will be able to enroll in the pilots through PG&E's webpage. Ava will supplement PG&E's enrollment efforts through targeted and direct outreach to eligible commercial and industrial customers, leveraging existing relationships. Staff does not plan to augment PG&E's marketing to residential customers as this customer group will already receive mass market materials from PG&E and an Ava mailer may create confusion. Also, Ava will offer competing managed charging and solar plus storage programs on the market; dual enrollment in HFP and another load shift program are not allowed.

Ava Financial Impact

The potential financial costs and benefits to Ava of participating in the hourly pricing pilots are:

Costs	Benefits
Administrative staff time	$20/kW-year state incentive to Ava for enrolling customers
Bill credits to customers who reduce their usage	Reduced procurement costs due to customer load shift

Numbers for each of these categories are necessarily uncertain as there is little available data on the likely number of customers that will participate, or the extent to which participants will change their behavior in response to price signals.

In light of the uncertainties above, staff modeled multiple scenarios with various levels of customer adoption and price responsiveness.

Projected maximum cost of bill credits over 3-year pilot period			
Peak load reduction	Low adoption	Medium adoption	High adoption
Non-res customer count	15	31	62
1%	$ 16,924	$ 33,847	$ 67,694
5%	$ 99,970	$ 199,939	$ 399,878
10%	$ 273,687	$ 547,375	$ 1,094,749

These estimates do not include:

- Estimated administrative and implementation costs ($225,000) across 3 years
- Estimated state incentives paid to Ava totaling ($300,000)
- Reduction in procurement costs due to customer load shifting

The table below incorporates procurement cost savings Ava will incur due to reduction in customer consumption during peak times when the marginal cost of energy is high:

Projected maximum cost of bill credits, less procurement savings, over 3-year pilot period			
Peak load reduction	Low adoption	Medium adoption	High adoption
Non-res customer count	15	31	62
1%	$ 7,068	$ 14,137	$ 28,273
5%	$ 23,605	$ 47,211	$ 94,421
10%	$ 57,315	$ 114,630	$ 229,259

The estimates in both of the above tables assume that Ava staff participates in customer outreach to commercial and industrial (C&I) customers, and that these customers do not shift or increase consumption in response to low hourly prices. As such, these estimates could be considered the **maximum possible cost** in each scenario. It is worth noting that with the $300,000 in state incentives, Ava recoups more than its total costs in several scenarios.

Ava participation in hourly pricing pilots

Summary

- Staff is seeking September board approval for Ava's participation in Hourly Flex Pricing (HFP, also known as real time pricing) as hourly rates will deviate from the existing value proposition
- Staff also analyzed the financial impacts of voluntary customer participation
  - HFP pilot participation could result in a net benefit of $67,932 or cost of $154,259 depending on customer adoption and CPUC incentives, and not including reduced procurement costs

Objectives of HFP participation

- **Compliance with Load Management Standards (LMS)**
  - The CEC's Load Management Standards (LMS) require CCAs to evaluate and adopt hourly marginal cost rates/programs by 2027
  - Ava's LMS Compliance Plan, approved by the Board in March 2024, considered participation in hourly pricing pilots with PG&E to address uncertainties regarding hourly rates
  - CEC Staff has indicated that Ava's participation in RTP pilots is key to maintaining compliance.
- **Offer rate options comparable to PG&E**
  - Ava is aware of at least one commercial customer who will participate in the VGI Pilot. If Ava does not participate in the HFP pilots, interested customers would have to opt-out of Ava's service to receive those rates through PG&E's exclusive service.
- **Inform future HFP rate design & participation**
  - Ava will gain valuable information about hourly rates which is key to informing Ava's decision of whether to eventually adopt hourly rates and how to otherwise comply with the Load Management Standards.

Implementation

- Launch timeline
  - September 2024 – VGI/V2X (residential & business EV rates, non-res customers that provide EV charging services)
  - November 2024 - Expanded Pilots (C&I, residential rates)
  - 2026 - Expanded Pilots (Ag rates)
    - These pilots are available earlier; Ava is looking to participate in 2026 with new agriculture customers in unincorporated San Joaquin County
- Billing
  - Receive an annual credit for responding to hourly price signals
  - Annual bill protection; customers will not pay more than under their Ava otherwise applicable tariff (OAT)
  - Shadow-billed; limited implementation work for Ava
- Outreach
  - Ava to supplement PG&E outreach with direct outreach to select C&I customers

Analysis overview

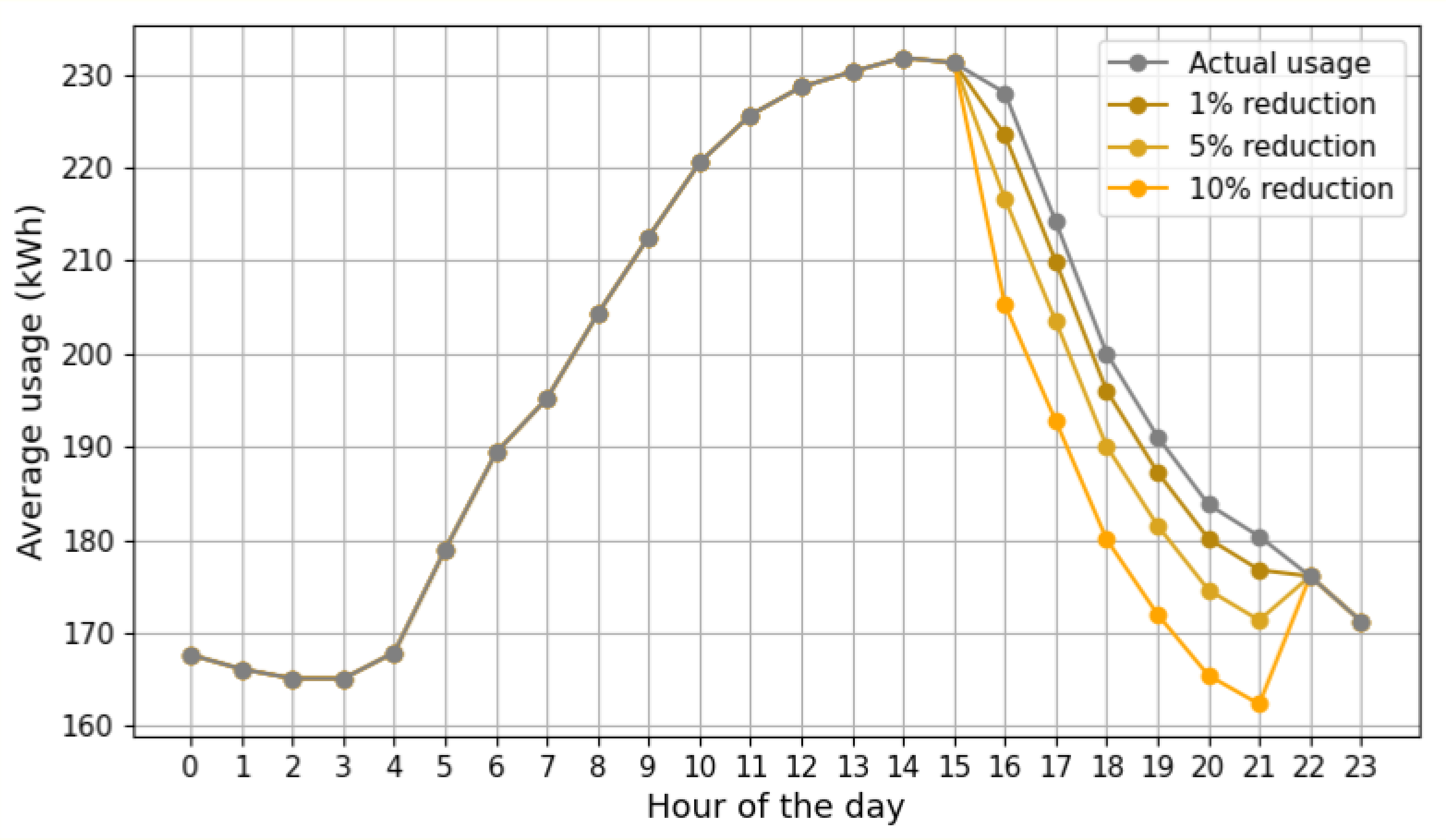
- Potential financial costs and benefits to Ava include:

Costs	Benefits
Bill credits to customers who reduce their usage	$20/kW-year state incentive to Ava for enrolling customers
Administrative and implementation costs	Reduced procurement costs due to customer load shift

- There is uncertainty in how many customers will participate (enrollment is voluntary) and how customers will respond to hourly price signals
- To address uncertainty, staff modeled multiple scenarios with various levels of customer adoption and price responsiveness

Analysis overview

Figure 1: customer usage and estimated peak reduction



Analysis results

Projected maximum cost of bill credits, less procurement savings, over 3-year pilot period			
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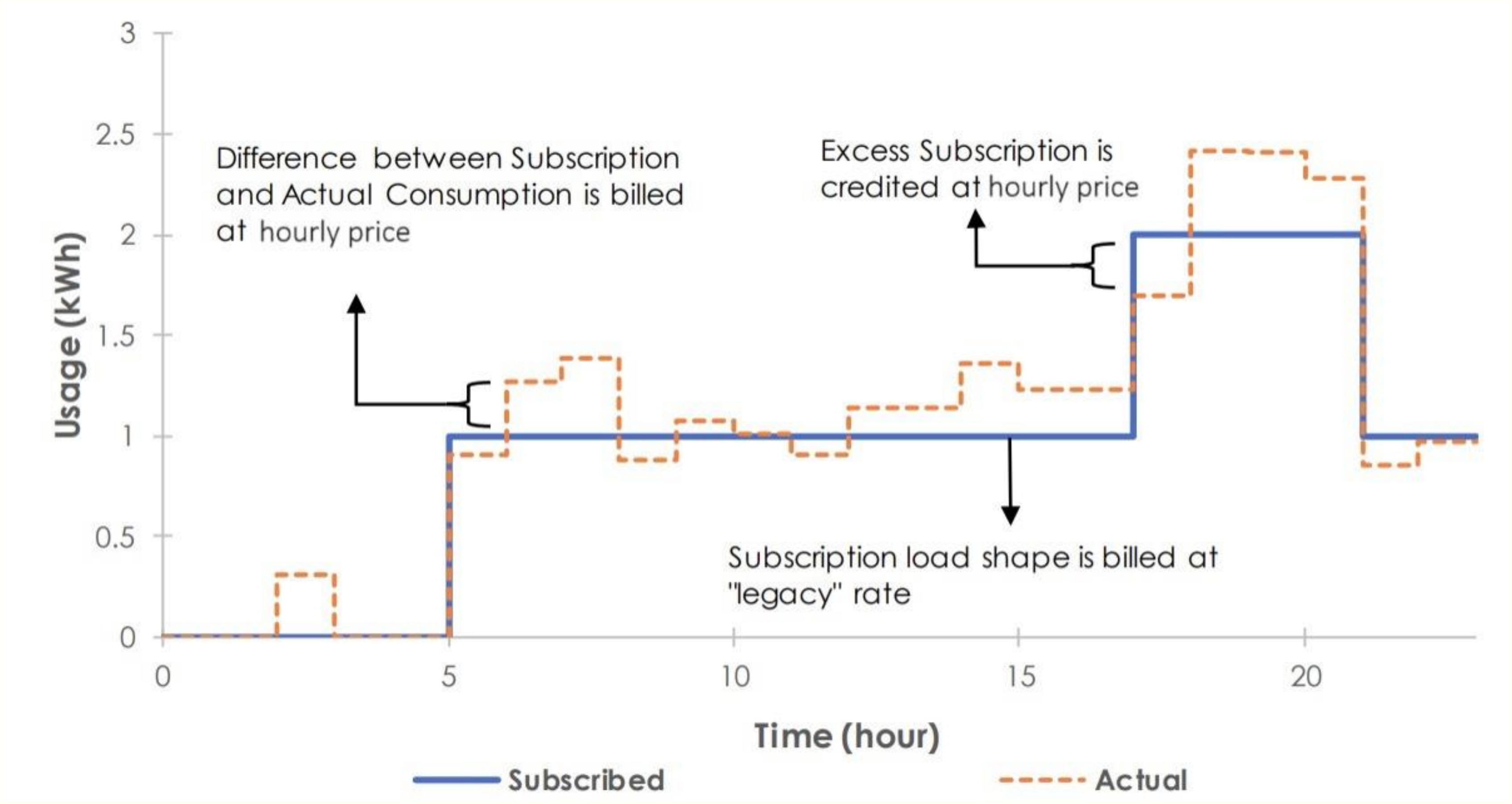
- These estimates do not include:
  - Estimated administrative and implementation costs ($225,000) over 3 years
  - Estimated state incentives to Ava ($300,00) over 3 years which recoup all costs in some scenarios
- Key assumptions:
  - Ava staff participates in customer outreach to C&I customers
  - Customers do not shift load or increase consumption in response to low hourly prices

Appendix

Customer subscription and bill credits

Figure 1: customer subscription and bill credits



Analysis results without procurement savings

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- These estimates do not include:
  - Estimated administrative and implementation **costs** (**$225,000**) over 3 years
  - Estimated state **incentives** to Ava (**$300,00**) over 3 years which recoup all costs in some scenarios
  - Reduction in procurement costs due to customer load shifting
- Key assumptions:
  - Ava staff participates in customer outreach to C&I customers
  - Customers do not shift load or increase consumption in response to low hourly prices