

VALLEY CLEAN ENERGY ALLIANCE

Staff Report - Item 15

TO: Board of Directors

FROM: Mitch Sears, Interim General Manager
Rebecca Boyles, Director of Customer Care and Marketing

SUBJECT: Update on Time-of-Use (TOU) Rates and implementation schedule
(Informational)

DATE: February 11, 2021

The purpose of this report is to update the Board on the transition of VCE customers to Time-of-Use (TOU) rates.

BACKGROUND

On September 12, 2019, the Board approved VCE's transition to TOU rates. These rates are designed to help California more closely align electricity demand with supply as the state transitions to a portfolio with higher levels of renewable power. In this transition, customers' rates will shift from flat rates (electricity costs the same at any time the customer uses it), to TOU rates (the price varies according to when the customer uses it). Customers will be transitioned automatically to TOU rates unless they decline the transition, are already on a TOU rate, or qualify for an exemption (e.g. certain solar rates have a phase-out period). In the new rates, more expensive peak periods are shifted to later in the day, 4-9pm or 5-8pm, to send price signals to customers for conservation in the evening hours when there is less solar electricity on the grid, and higher demand.

The statewide transition is currently underway, with some areas having completed the transition, such as SMUD (Sacramento). The current schedule for VCE's TOU transition is as follows:

- VCE Residential customers (non-Solar NEM): February 2022
- VCE Residential customers (Solar NEM): in the month of their PG&E true-up, between April 2021-March 2022
- VCE Non-residential customers: March 2021; or
- Highly impacted agricultural customers: November 2021 or March 2022 (pending CPUC decision); or
- VCE Non-residential customers with more than one account: December 2021

Key elements of the residential TOU transition include:

- Residential customers will receive notifications on the transition, including mailed VCE and PG&E co-branded letters 90 and 30 days before the transition.
- Residential customers will have the option to decline the transition and remain on a flat (non-TOU) rate.
- Staff is exploring the possibility of providing Bill Protection to VCE residential customers on the generation portion of the bill to match a one year “Bill Protection” option offered by PG&E. Bill Protection would become available if the new rates create negative financial impacts for them compared to the most common flat rate, E1. The PG&E Bill Protection credit would be calculated after 12 months on the rate and would appear as a credit on the customer’s electricity bill. Most CCAs plan to provide Bill Protection. Staff is examining the costs to VCE associated with setting up and running a TOU Bill Protection program.

Non-residential customers (i.e. Industrial and Commercial), most of whom are already on a TOU rate, will not have the option to remain on a non-TOU rate except for certain legacy rates (mostly solar). Non-residential customers will not be offered Bill Protection by PG&E or other CCAs.

Customer Outreach on TOU

Statewide customer outreach around the TOU transition started in PG&E territory in 2019, including print and television ads as well as a statewide coalition working with a range of community-based organizations (CBOs) to get the word out to customers. The statewide marketing campaign has been overseen by the firm that initiated the Energy Upgrade California campaign.

Based on analysis of the TOU pilot programs conducted by PG&E and several CCAs in 2018, bill impacts for the transition to TOU are expected to be minimal for most residential customers. Data from the pilot programs also indicated minimal customer complaints or increased opt-out rates, but noticeable load shift and curtailment out of highly impacted peak periods. In addition, considerable efforts have been made by PG&E to communicate this information to non-residential customers, and outreach and informational webinars continue to be conducted. Based on these factors, staff does not anticipate that the TOU transition will result in a high level of customer dissatisfaction, or in higher opt-out rates.

NEXT STEPS

The next steps in the TOU transition process are:

- Customer outreach: Customers will receive VCE/PG&E co-branded notifications at 90- and 30-days before customers transition (e.g. non-NEM residential customers will start to receive their 90-day notifications in November 2021). Further outreach in partnership with PG&E and community-based organizations is in discussion and further detail will be included in the next TOU update in Q3 2021.
- Analysis/recommendation on Bill Protection: to go before the Board in Q3 2021.