

VALLEY CLEAN ENERGY ALLIANCE
Staff Report - Item 8

TO: Community Advisory Committee

FROM: Mitch Sears, Executive Officer
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SUBJECT: Review and Recommend Participation in the Hourly Flex Pricing (HFP) Pilot Programs

DATE: October 24, 2024

RECOMMENDATION

Staff requests that the CAC review and recommend participation in the Hourly Flex Pricing (HFP) Pilot Programs.

BACKGROUND

The Hourly Flex Pricing (HFP) Pilot Programs, also known as Real-Time Pricing, consist of 2 sets of pilots, all with a “dynamic rate¹” rate design model.

1. Hourly Flex Pricing (a.k.a. Expanded Agricultural Flexible Irrigation Technology, or AgFIT, Pilots)
 - a. Agricultural (“Expanded Pilot 1”)
 - b. Residential and Non-Residential (Expanded Pilot #2)
2. Vehicle-to-Everything (V2X) Pilots
 - a. Residential
 - b. Non-Residential

Hourly Flex Pricing (HFP) Pilots

VCE’s successful leadership administering the original AgFIT Pilot (authorized by Decision 21-12-015) led to the California Public Utilities Commission (CPUC) decision expanding the pilots in January 2024. In Decision 24-01-032, the CPUC expanded the pilots by removing the original 5MW cap, expanding the geographic eligibility beyond VCE’s service territory to PG&E’s entire service territory, and expanding eligibility beyond the ag customer class.

D.24-01-032 authorized VCE to administer Expanded Pilot #1, targeting agricultural customers for retail electric generation customers of VCE in its service area, and awarded VCE up to \$750,000 for administrative expenses related to program implementation, depending on amount of customer enrolled load. For Expanded Pilot #2, designed for residential and non-residential (non-ag) customers, the decision authorized PG&E to administer the Pilot, and

¹ Dynamic rates are rates that change price depending on the time energy is used, and the grid conditions at that time. Several factors affect the rates: weather forecasts, grid congestion, etc.

authorizes PG&E to disburse customer incentives via Automation Service Providers (ASPs), and authorizes an amount to be paid to CCAs of \$20/kW/year enrolled for participation in the pilot.

The objective of all of the HFP Pilots is to test the interest and ability of customers in VCE's service territory to respond to hourly price signals (i.e. shift load when prices are most expensive). It should be noted that program design and implementation are almost entirely limited to PG&E-approved methodologies. While VCE technically has the authority to make changes in Expanded Pilot #1 because of its administrator status, the difficulty and cost associated with the implementation timeline make it infeasible to deviate from PG&E's program design.

The Pilot presents participants with day-ahead, hourly dynamic prices (and in some cases, incentives for automation) to assist with the following goals:

- Reduce congestion on the grid (infrastructure costs), greenhouse gas (GHG) emissions.
- Improve reliability, integration of renewables.
- Facilitate greater integration, fair compensation of distributed energy resources (DERs)

The Decision states that the Pilot “provides an opportunity to assess the potential of a dynamic retail rate approach to incentivizing load shift” and that “[i]f loads do respond to the dynamic prices, then the Pilot will have achieved the intended purpose of shifting load to enhance system reliability.”² Customers can access the all HFP daily prices by going to PG&E's website here: <https://www.pge.com/en/account/rate-plans/find-your-best-rate-plan/current-hourly-flex-pricing.html>.

Objectives of VCE Participation in Hourly Flex Pricing (HFP) Pilots:

- Compliance with the CEC's Load Management Standards (LMS):
 - The CEC's LMS require CCAs to evaluate and adopt hourly marginal cost-based rates/programs by 2027. CEC Staff have indicated that VCE's participation in HFP pilots is key to maintaining LMS Standards compliance.
- To offer rate options comparable to PG&E:
 - If VCE does not participate in the HFP pilots, interested customers would need to opt out of VCE's service to receive those rates through PG&E's generation service.
- To inform future rate design: HFP rates, and performance on the rates, are key to informing VCE's decision of whether to eventually adopt hourly (non-pilot) rates, and how to otherwise comply with the Load Management Standards.
- To incentivize customer participation in dynamic rates, which can be challenging. State regulatory agencies have continued to emphasize the importance of dynamic rate design in grid reliability and affordability concerns.

Vehicle-to-Everything (V2X) Pilots:

² CPUC Decision 21-12-015, p. 91.

Senate Bill (SB) 676, which directs the California Public Utilities Commission (CPUC) to “establish strategies to maximize the use of feasible and cost-effective EV integration into the electric grid by January 1, 2030 (Bradford, 2019),” was passed in 2019. The CPUC adopted Decision 20-12-029 to meet the directives of SB 676 in 2020. However, in 2024, Vehicle-to-Grid, or Vehicle to Everything (V2X) programs remain limited in scope and scale, and consumer adoption is lagging. PG&E is launching 2 V2X pilots in October 2024, for residential and non-residential customers, and VCE staff recommends participation in both pilots.

[New bidirectional charging technology](#) allows customers to use the power in an electric vehicle’s battery, and the V2X pilots help customers access this technology to do things such as:

- Power property (home or business) temporarily in the event of an electrical outage
- Charge the vehicle when electricity is less expensive and use/discharge vehicle power when it’s more expensive (e.g. 4-9 p.m.)
- Earn additional incentives by sending electricity to the grid during times of high demand

Marketing, Education and Outreach:

VCE has been engaged with PG&E on co-marketing for all of the HFP pilot rates. VCE and PG&E have dedicated webpages for all pilots, and VCE plans to launch a social media campaign to inform customers of the HFP pilot opportunities. Additionally, some of the HFP pilots dovetail with existing VCE programs (e.g. REACT, ERRO/Electric Advisor Service), which will make cross-marketing possible.

FISCAL IMPACT

Pilot Name	Potential Fiscal Impact	Notes
HFP Pilot #1 (ag)	Net neutral	The CPUC awarded VCE up to \$745,000 for its administrative expenses for the pilot (reimbursable funds).
HFP Pilot #2 (res+comm)	Minimal (staff time)	PG&E is administering this pilot and is in charge of submitting incentives to customers (via Automation Service Providers). (partially reimbursable).
VGI residential	Minimal (staff time)	PG&E is administering this pilot and is in charge of submitting incentives to customers.
VGI non-residential	Minimal (staff time)	PG&E is administering this pilot and is in charge of submitting incentives to customers.

CONCLUSION

In conclusion, staff requests that the CAC review and recommend participation in all HFP pilots to the VCE Board of Directors.

ATTACHMENT

1. HFP Eligibility & Enrollment Details

Pilot Rate Name	Eligibility	Incentives	Pilot Duration
HFP #1, aka Expanded AgFIT Pilot #1	Ag <35 kW Low Use (AG-A1) Ag <35 kW High Use (AG-A2) Ag 35+ kW Medium Use (AG-B) Ag 35+ kW High Use (AG-C)	\$160/kW (~\$120/HP) of enrolled customer controllable load	November/December 2024 through December 31, 2027
HFP #2, aka Expanded AgFIT Pilot #2	Electric Home (E-ELEC) rate plan Home Charging (EV2-A) Business Low Use Alternative (B6) Business Medium Use (B10) Business Medium-High Use (B19) Business High Use (B20)	\$100,000 per year and an enrollment incentive of \$20/kW-year of controllable load payable to the ASP for load that the ASP has enrolled.	
VGI - Res	E-ELEC or EV2A	Incentives Per Charger Upfront + Kicker for DAC Customers: \$2,500 + \$500. Performance (up to) \$2,175	Until funds are exhausted or December 31, 2027
VGI - Non-Res	Small Business – B6 Medium Business – B10 Large – B19 or B20 Business Electric Vehicle – BEV-1 or BEV-2	EVSE <50 kW \$2,500 + \$500. Performance (up to) \$3,625 EVSE >=50 kW \$4,500 + \$500 \$5,000	

Dual participation in all Hourly Flex Pricing pilots and the following programs is prohibited:

- Base Interruptible Program, Capacity Bidding Program, Demand Response Automation Mechanism Demand Response Resource Adequacy Contracts, Demand Side Grid Support
- Flex Market Pilot
- Emergency Load Reduction Program except for Subgroup A5, which is a pilot requirement
- Optional Binding Mandatory Curtailment, Scheduled Load Reduction Program
- Any supply-side Demand Response programs or event-based load-modifying programs, regardless of the Load Serving Entity