

Residential Dynamic Pricing Discussion

January 9, 2012





Current Residential Dynamic Pricing Proceedings

- PG&E filed its PTR proposal in the 2010 Rate Design Window (RDW), but recommended that consideration of PTR be consolidated with the Default Residential Rate Program (DRRP) proceeding
 - Provides an opportunity to consider a holistic vision for residential electric rates (dynamic pricing, time variant pricing and inclining block rates)
 - Avoids moving forward with single projects (like PTR) that may or may not be consistent with a longer term vision
- In response, DRA and TURN have proposed that PTR be consolidated with the 2012 RDW instead of the DRRP proceeding; PG&E's reply comments raised the following points:
 - The 2012 RDW does not provide an appropriate forum to consider a longer term residential rate vision
 - The DRRP was filed to consider dynamic pricing in the context of a future vision of rates (D.08-07-045)
 - The DRRP provides for consideration of dynamic pricing and its costs, and would be an appropriate forum to also consider default PTR and its costs (or other initiatives as appropriate)
- The DRRP also has framed the legal issues that must be addressed for residential default programs and that must be considered as part of any vision of future rates



Future Vision and Principles for Dynamic Rate Design

PG&E's vision for customer rates 10 years from now embraces the following:

Guiding Vision

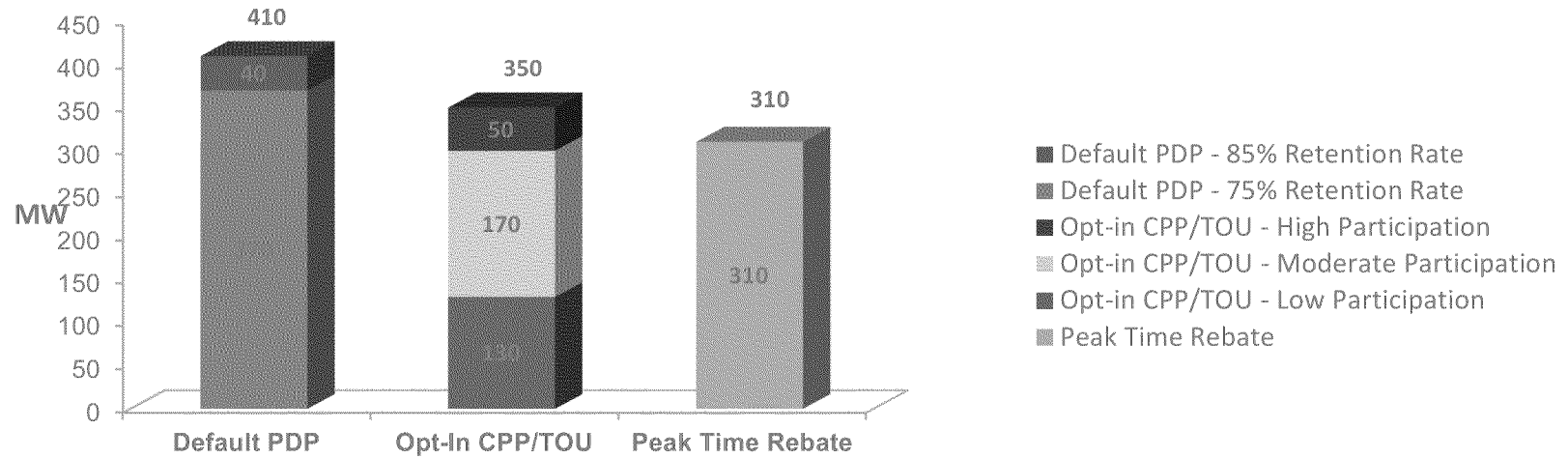
All customers can choose from rate options that deliver customer satisfaction while simultaneously motivating sustained behavior that reduces overall system costs through a combination of price signals and improved understanding of their own energy use and rate plans

Key Principles

- A limited set of relevant customer choices for each customer class, all of which can be effectively explained
- Demand response rate options selected by a subset of customers are designed to provide significant, reliable, predictable load reduction when called, especially through deployment of enabling technology
- Time of use rates for most customers will more closely link prices and costs and promote economically efficient utilization of assets
- Residential rates will include a conservation price signal embedded in ways that are more meaningful and easier to explain than the current tiered price system
- Changes to customer rates must consider tolerance for amount of change at any given time and focus on continuous participation on the path toward the long term vision



Preliminary Draft Residential Load Impact (LI) Estimates



Simplified Representation of MW Calculation		Enrolled/Notified	Avg. LI/Cust (kW)	Agg. LI (MW)	Notes
Opt-In PDP/TOU	CPP Only - High Participation	13% of Total Pop.	0.34	220	Avg. per customer load impacts are derived from PG&E SmartRate and Residential TOU evaluations, with adjustments to reflect rate differences and presumed population differences. For reference, the average SmartRate non-CARE per customer LI is .39 kW.
	TOU Only - High Participation	19% of Total Pop.	0.08	70	
	CPP+TOU - High Participation	3 % of Total Pop.	0.39	60	
	CPP Only - Moderate Participation	12% of Total Pop.	0.36	210	
	TOU Only - Moderate Participation	13% of Total Pop.	0.08	50	
	CPP+TOU - Moderate Participation	2% of Total Pop	0.36	40	
	CPP Only - Low Participation	3% of Total Pop.	0.30	50	
	TOU Only - Low Participation	15% of Total Pop.	0.08	60	
	CPP+TOU - Low Participation	1% of Total Pop.	0.24	20	
Default PDP	Default PDP - 85% Retention	85% of Non-CARE	0.15	410	Default reduces average engagement and LI. Enrollment estimate considered aggressive.
	Default PDP - 75% Retention	75% of Non-CARE	0.15	370	
PTR	Peak Time Rebate	45% of Total Pop.	0.15	310	Carrot only reduces avg. response.

Note: Given the nascent development of residential time varying pricing, all estimates are derived from limited data and/or based upon material assumptions about customer participation, responsiveness, etc. Each estimate has a wide range of uncertainty. Sources used for modeling include, but are not limited to, PG&E's SmartRate and Residential TOU LI evaluations and the ComEd Default CPP pilot.