

In this document, ESA outlines its official principles and policy positions regarding C&I rate design. ESA's principles reflect the fundamental values that we seek to uphold in our policy and regulatory advocacy. ESA's policy positions reflect recommendations that ESA will advocate for informally or formally in rate cases as they relate to energy storage. The principles and policy positions presented herein are interdependent and, as such, ESA intends that the following principles and policy positions be referenced as a whole and not in part.

Principles of C&I Rate Design

- 1. PRINCIPLE: Rates should be designed, as much as possible, to reflect the time varying, infrastructure and other long-term costs of service while assuring equity, limiting complexity and minimizing rate shock. C&I customers should pay for power supply and incremental grid services based on how much they use and when they use it.**

The Working Group recognizes that consumption at different times of the day or year has a different impact on the cost of providing C&I customers with electricity. As such, time varying rates over time can discourage increased load during times where the grid is stressed by encouraging C&I customers to respond by reducing the load. Over time, this could impact the need for additional investment.

- 2. PRINCIPLE: Rate design should be technology neutral, grounded in cost-causation principles, but also flexible enough to maximize the consumer's ability to choose whatever energy technologies best suits their needs to respond to price signals.**

In addition to greater incorporating of time varying rates, it may be appropriate to provide tariffs that maintain cost causation and technological neutrality but still provide C&I customers with more options to deploy various technologies (please see discussion of pilot proposal below).

- 3. PRINCIPLE: Effective rate design and the recovery mechanism should be related to the nature of the cost driver**

Shared capacity costs should be paid by all C&I consumers using that capacity on an equitable basis. The costs associated with customer-specific investments should accrue to the specific C&I customer.

- 4. PRINCIPLE: Rate design is going to differ depending on varying local circumstances, and therefore no single design will necessarily apply across all utility service territories.**

The Working Group recognizes the difficult task of creating one standard set of recommendations that are applicable across the United States. Each jurisdiction has its unique set of market and regulatory conditions. Therefore, the Working Group recognizes that that thoughtful rate design will require consideration of the context of a specific state and utility.

Recommendations for ESA Policy Position on C&I Rate Design

- 1. Deployment of advanced metering infrastructure can enhance customer benefit, facilitating a shift to time varying pricing and response, data availability and bill clarity. AMI enables additional rate design opportunities, such as dynamic pricing and demand rates, which are technologically unavailable through legacy analog meters. The Working Group recognized that while this recommendation enhances the ability to facilitate greater adoption of technologies to*

support customers and enhance the grid, that the recommendation should not be read to suggest that deployment of AMI is a prerequisite to adoption of other rate design recommendations or development of programs that better enable customers to deploy technologies.

2. *C&I customers should be moving towards more time varying pricing.* To the extent that the rate design element is aligned with time varying rates, rate design should be developed to reflect that different impact a C&I customer has on costs during different periods of the day or year. These include, but are not limited to, time-of-use rates. This recommendation aligns with principle #1.
3. *While rate design is intended to recover long term embedded costs, utilities should design rates to incentivize positive customer behavior within the guidelines of and through the use of cost causation principles.* Utilities may choose to incorporate forward-looking price signals that accompany rates designed to recover embedded costs. There are several ways for utilities to integrate consideration for forward-looking rate design while staying within the confines of the cost-causation principles and ESA should support those efforts.
 - a. Tariffs may be proposed that shift costs to different bill components or times of day or year to provide opportunities for energy storage while still adhering to cost causation. For example, a rate can be designed to provide a C&I customer with the ability to charge off-peak at a favorable rate, perhaps based on characteristics of other customers in the same rate class, or the ability to offset the cost of charging by compensation for a commitment not to stress the system at other times in a way that is still consistent with how the utility incurs costs.
 - b. Consideration of whether these tariffs apply to new or existing customers may be necessary. Another example is TOU rates that are consistent with cost causation but allocate charges between TOU periods in order to facilitate charging.
4. *Depending on the context, policies and programs outside of C&I rate design may be appropriate to shape future behavior based on anticipated costs.* Programs may be designed to align the deployment of new technologies on C&I customer sites in a way that provides system benefits.