



Energy Advisory

November 19, 2008

The Deadline is December 1 to Adjust your Firm Service Level Under SCE's TOU-BIP (interruptible) Rate

- **SCE's BIP rate offers industrial and commercial electricity consumers a significant potential savings.**
- **The Firm Service Level, the amount that is not subject to interruption, can only be adjusted during the month of November each year.**
- **Applicable customers may sign up for the TOU-BIP rate at any time.**
- **Currently, there is a 15%-17% buffer of adequate supplies above peak demand. For the summer of 2008, the probability of a staged emergency in Southern California was 3.8%. No Stage 3 alerts were declared.**

CONTACT

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PROGRAM SUMMARY

Southern California Edison (SCE) offers an interruptible electric rate to customers who have monthly demands greater than 200 kW in any 3 months during a period of 12 consecutive months. Customers must commit to reducing at least 15% of their maximum demand and select a firm service level (FSL).

In the event of a California Independent System Operator (CAISO) initiated interruption to a TOU-BIP customer, electrical usage must be reduced to the specified FSL within 30 minutes of the notification.

Customers receive a monthly credit based on the difference of their average peak demand for each month and their selected firm service level. These credits are paid to the customer regardless of whether there is an interruption.

BIP Credits:

Below 2kV = \$7.10 per kW
2kV to 50kV = \$6.95 per kW
Above 50kV = \$6.70 per kW

Sample Calculation¹:

- Monthly average peak demand = 1,000 kW
- Designated FSL = 200 kW
- Credit would be 1,000 kW x \$7.10 = \$5,680 bill credit
- Annual credit would be \$68,160

However, there are penalties associated with the TOU-BIP each time a customer fails to reduce their electrical usage to their FSL during an interruption event.

The applicable penalties are:

Below 2kV = \$10.65 per kW
2kV to 50kV = \$10.42 per kW
Above 50kV = \$10.06 per kW

Thus, assuming only a reduction of 600 kWh and that 400 kWh was used for an interruptible peak period of four hours, the penalty would be \$17,040.

OUR ANALYSIS AND RECOMMENDATIONS

SCE's TOU-BIP program offers customers a significant opportunity to reduce their overall electric bill by agreeing to reduce their load during an interruption. In recent years, the probability of a Stage 3 CAISO interruption has been slim and in fact there were none in 2008. Thus, customers who elected to place a considerable percentage of their load on the TOU-BIP have received significant credits.

The issue for any customer is whether they can effectively reduce their load during an interruption without jeopardizing their productivity or profitability. Conversely, if for some reason they chose not to reduce their load during a noticed interruption, the question then becomes whether the penalties will be greater than the credits related to the TOU-BIP rate.

Given the state's current resource adequacy, we recommend that qualified commercial and industrial energy consumers seriously consider the TOU-BIP rate for the next 12 months. We also note that if a proposal to initiate interruptions at CAISO Stage 2 alerts is adopted by the California Public Utilities Commission (CPUC), customers would also have a special opportunity to opt out of the program.

We would be pleased to assist you in assessing the risks and rewards incident to this rate, choosing an appropriate FSL, as well as reviewing the tariff and SCE agreements.

¹ Information directly from SCE on the Time of Use Interruptible Program Fact Sheet

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