

## BILL SUMMARY:

The following bill directs the CPUC to take up a series of actions to remove critical regulatory barriers to in front of the meter renewable wholesale distributed generation and distribution grid connected storage that serves entire communities.

This bill:

- 1) Directs the CPUC to launch a stakeholder process to develop a roadmap for transmission cost allocation system that would credit load serving entities for the renewable wholesale distributed generation and distribution grid connected storage deployments and the avoided transmission costs that result.
- 2) Directs the CPUC to develop rules within resource adequacy to credit Load Serving Entities for the value of their renewable wholesale distributed generation resources.
- 3) Direct the CPUC to separate requirements for renewable wholesale distributed generation resources within the context of the integrated resources planning.
- 4) Direct the CPUC to develop a model market adjusting feed-in tariff to be used for directed procurement of renewable wholesale distributed generation resources as required.

## LEGISLATIVE LANGUAGE

### RENEWABLE WHOLESale DISTRIBUTED GENERATION AND STORAGE BILL 2019

SECTION 1. The Legislature finds and declares all of the following:

(a) California has long had a policy interest in promoting renewable energy and climate mitigation. Renewable wholesale distributed generation offers significant environmental, economic, and energy resilience benefits to California's communities, and has potential to address historic inequities, while distribution grid connected storage can provide critical grid services. Together wholesale distributed generation and distribution grid connected storage should be a significant part of California's long-term energy and climate change strategy.

(b) Distributed generation provides unique value to energy consumers by generating clean energy in close proximity to customer need, thereby increasing the energy resilience of communities, freeing up capacity on the transmission grid, and decreasing the need for additional transmission infrastructure.

(c) Renewable wholesale distributed generation provides unique value to California's communities by providing local jobs in distributed energy resources installation and maintenance.

(d) Renewable wholesale distributed generation can also alleviate the serious environmental justice challenges facing the state by displacing polluting fossil fuel generation such as natural gas peaker plants and diesel generation, which are disproportionately sited in environmentally disadvantaged communities.

(e) Current California policy only supports behind the meter resources, but these resources are necessarily limited in size and in their ability to serve entire local communities and neighborhoods. Therefore, California should develop a robust renewable energy sector focused on local distribution grid connected generation in addition in order to capture greater economic, energy, and resilience benefits.

(f) Limited transparency regarding the costs of energy delivery, particularly transmission cost allocation, hampers the ability of load serving entities procuring energy for their customers to make informed decisions that account for the full costs of energy including both generation, delivery, as well as social, environmental, economic, and other costs of energy.

(g) The Federal Energy Regulatory Commission requires that transmission costs be recovered from those who benefit from use of the transmission system in ways that do not distort energy markets.

(h) California's transmission costs have grown sharply in recent decades and are projected to continue growing as electric vehicles and building electrification expand as part of California's efforts to reduce its contribution to climate change.

(i) Excessive transmission building costs California ratepayers potentially billions of dollars, and causes environmental damage on natural ecosystems. Transmission systems have been implicated in a series of massive fires that have caused tremendous damage in terms of property and human life.

(j) The California Independent System Operator cited the deployment of distributed generation as a driving factor in saving California ratepayers billions of dollars in transmission costs, yet the load serving entities responsible for procuring distributed generation have not historically received appropriate credit for their contributions to reducing the growth of transmission costs for California ratepayers.

(k) The wholesale distributed generation sector of the renewable energy industry remains underdeveloped in California, which hampers California's overall efforts to address climate change and foster beneficial community development.

(l) California's governance of transmission charges is fragmented among various utilities, the Public Utility Commission, and the Independent System Operator, which hampers California's ability to craft a coherent and functioning transmission cost recovery system. Thus, California needs an integrated and streamlined process to develop a coherent mechanism that incorporates all necessary tariffs and rates throughout the state.

(m) In many areas of California, nonparticipating municipal utilities have accounted for the contribution of distributed generation to avoiding energy delivery costs for many years, which has facilitated their efforts to mitigate their impacts on the transmission grid.

(n) Many distributed energy resources technologies can mitigate the impacts on the transmission system and the need for new transmission, yet among those technologies, only in front of the meter generation and storage in investor owned utility territory does not create a reduction in transmission cost allocation for avoiding transmission usage. California would be better served if all distributed energy resources were treated consistently such that load serving entities and utilities had the full range of mitigation approaches available as economically viable alternatives to increased transmission investment.

SEC. 2. Section 350 is added to the Public Utilities Code, to read:

350. (a) For purposes of this section, the following definitions apply:

(1) "Avoided transmission cost" means all future transmission-related expenditures that would otherwise be incurred but for the role of distributed generation and storage, including both specific costs of avoided projects and generalized costs not incurred resulting from reduced use of the transmission system.

(2) "Distributed generation" means renewable energy generation interconnected on the utility side of any customer meter on the distribution system used to serve a local load.

(3) "Load serving entity" has the same definition as in Section 380, except that it includes a local publicly owned electric utility.

(4) "Local load" means energy consumption by customers located within the same distribution area below a single transmission-distribution substation.

(5) "Tariff" means a schedule of rates or charges of a business, public utility, or transmission operator.

(6) "Use," in reference to the transmission system, means the contemporaneous use of the transmission system to deliver energy from generation that requires the transmission system to form an electrical connection to the customer served.

(7) "Market responsive feed-in tariff" means a tariff for transparent prices with a standard contract available on a first come, first-served basis for distribution-connected generation connected in front of customer meters to serve local load. Such tariff shall include a mechanism to periodically adjust the transparent price offered on a periodic basis in response to the number and size of projects offered at a given price, such that the transparent offer price decreases with a large quantity of offers and the price increases when a small quantity of offers is received by the procuring entity.

(b) It is the policy of the State of California that:

(1) All energy procurement in the state conducted based on cost be based on the full cost consequences to ratepayers including both the costs of energy generation and the cost of delivery, including cumulative future delivery infrastructure costs driven by the procurement in question and similarly situated procurement.

(2) Load serving entities should receive either direct financial benefit or indirect benefit for their ratepayers for any distributed generation that meets the local load in order to recognize the value of those resources in avoiding transmission costs. The value of avoided transmission costs shall reflect both historic and prospective investments in distributed resources that have mitigated or will mitigate the impacts on the transmission system and relieve the need for transmission investments to the benefit of all California ratepayers.

(4) The recovery of transmission costs should be consistent across the state.

(3) Regulatory agencies, quasi-regulatory bodies, local agencies, districts, and corporations with jurisdiction or responsibility over transmission and delivery charges should exercise their authorities to provide jointly for a mechanism for load serving entities to receive compensation to reflect the value of avoided transmission costs.

(c)

(1) The California Public Utility Commission in consultation with all relevant stakeholders, including the California Independent System Operator ~~may~~ shall convene a stakeholder process for the purpose of developing modifications of the tariffs governing transmission access charges, wheeling access charges, or retail rate structures, as necessary to implement the policies specified in subdivision (b). These modifications may include any set of changes to any set of tariffs that is appropriate to implement those policies and conform to the standards set forth in this subdivision.

- (2) The modifications of the tariffs developed pursuant to paragraph (1) shall ensure all of the following:
- (A) that the formulas for cost recovery reflect a combination of all of the following:
    - (i) Historic factors, drivers, or justifications for a transmission investment at the time the transmission investment is planned or approved.
    - (ii) Contemporaneous use of the transmission system.
    - (iii) Incentives to mitigate drivers of future transmission investment.
  - (B) That transmission system charges are predominantly assessed on use of transmission system capacity. That use shall be measured based on the amount of energy delivered across the transmission system.
  - (C) that load serving entities derive financial credit, benefit, offsets, or incentives in proportion to which they serve their customers with wholesale distribution-connected generation or other distribution system technologies, including distribution grid connected storage, that serve electrical load within the same substation area that offset the contemporaneous use of transmission system capacity.
  - (D) That the basis for applying access charges to each distribution utility, community choice aggregation program, local publicly owned electric utility, and electric service provider is consistent in a manner that fully compensates each of those entities for the distributed generation within the entity's distribution grid, unless the commission and Independent System Operator each makes a finding, based on substantial evidence, that differential bases are in the best interest of all California end-use electricity customers and further the achievement of California's environmental goals, including the California Renewables Portfolio Standard Program (Article 16 (commencing with Section 399.11)) and the California Global Warming Solutions Act of 2006 (Division 25.5 (commencing with Section 38500) of the Health and Safety Code).
  - (E) Transmission charges recognize the value provided by distributed energy resources including, but not limited to, the economic, environmental, and system resiliency benefits of distributed resources, and the potential to reduce the use of existing transmission infrastructure and the need for future transmission infrastructure and capacity.
- (3) Any rate structure for allocating transmission costs shall be based upon factual findings supported by a preponderance of evidence, and the analytical path from evidence to finding shall be readily discernible. Evidence for these purposes shall not include argument, speculation, unsubstantiated opinion or narrative, or evidence that is clearly erroneous or inaccurate.
- (4)
- (A) The stakeholder process undertaken pursuant to this subdivision shall develop the final set of modifications to implement the policies specified in subdivision (b) shall be completed by July 1, 2020.

(B) Each commission, board, corporation, or agency with authority over modifications in the final set shall approve modifications to those tariffs or rules under its jurisdiction by October 31, 2020.

(C) Once approved, any element of the final set of modifications requiring approval by the Federal Energy Regulatory Commission shall be submitted by the relevant commission, board, corporation, or agency, by January 1, 2021, to the Federal Energy Regulatory Commission for approval.

(D) Within one year of the date of approval by the Federal Energy Regulatory Commission of submitted elements of the final set of modifications, the Independent System Operator, the commission, each electrical corporation, and any other load serving entity with jurisdiction over elements of the set of modifications shall fully implement all modifications to the tariffs and rules identified and approved to meet the policies specified in paragraph (b).

(d) The California Public Utility Commission shall develop standards to credit load serving entities for meeting local resource adequacy requirements with local wholesale renewable distributed generation by June 30, 2022.

(e) The California Public Utility Commission shall develop requirements to explicitly plan for renewable wholesale distributed generation resources within the integrated resources planning process to allow for planning of the appropriate mix of distribution-grid-connected and transmission-grid connected resources in serving load in light of the differences in the impacts on transmission investment driven by serving load with each category of resources. These requirements shall be adopted by 2022.

(f) The California Public Utility Commission shall development a model market-responsive feed in tariff, including a model pro forma contract, for use in procuring renewable wholesale distributed generation resources by any load serving entity.

~~(d) — ( 1) If no final set of modifications meeting the standards in paragraph (2) of subdivision (c) has been approved by October 31, 2020, each of the electrical corporations that recovers transmission charges from the customers of more than one load serving entity shall modify its rules and tariffs to accomplish the following:~~

~~(A) — The customers of each load serving entity shall make up separate retail rate classes from the customers of any other load serving entity for the purposes of assessing transmission fees and cost allocation, for both transmission charges from the Independent System Operator and for the electrical corporation's own transmission revenue requirements.~~

~~(B) — Transmission charges shall be billed to customers clearly and understandably as a separate component from any other component of delivery or generation charges on customer bills.~~

~~(C) — All customer transmission charges and components of those charges shall be reduced by the proportion of energy provided by that customer's load serving entity as distributed generation serving a local load.~~

~~(D) — Each electrical corporation recovering transmission charges from customers of more than one load serving entity shall recover a customer's transmission charges reduced by the proportion of energy generated by distributed generation serving the local load of that customer's load serving entity.~~

~~(2) The modifications and any attendant implementing rules required shall be submitted to Federal Energy Regulatory Commission no later than January 1, 2021.~~

SEC. 3. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because a local agency or school district has the authority to levy service charges, fees, or assessments sufficient to pay for the program or level of service mandated by this act or because costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.