

**BEFORE THE PUBLIC UTILITIES COMMISSION OF
THE STATE OF CALIFORNIA**

Order Instituting Rulemaking Regarding Policies, Procedures and Rules for Development of Distribution Resources Plans Pursuant to Public Utilities Code Section 769.	Rulemaking 14-08-013 (Filed August 14, 2014)
And Related Matters.	Application 15-07-002 Application 15-07-003 Application 15-07-006
(NOT CONSOLIDATED)	
In the Matter of the Application of PacifiCorp (U901E) Setting Forth its Distribution Resource Plan Pursuant to Public Utilities Code Section 769.	Application 15-07-005 (Filed July 1, 2015)
And Related Matters.	Application 15-07-007 Application 15-07-008

**CLEAN COALITION REPLY COMMENTS
ON STAKEHOLDER QUESTIONS SET FORTH IN THE ENERGY DIVISION STAFF
PROPOSAL ON A DISTRIBUTION INVESTMENT DEFERRAL FRAMEWORK**

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I. California must fully engage in consideration of distributed resources as alternatives to distribution investments to ensure cost-effective grid development.

The Clean Coalition submits these reply comments in response to the ADMINISTRATIVE LAW JUDGE'S RULING REQUESTING ANSWERS TO STAKEHOLDER QUESTIONS SET FORTH IN THE ENERGY DIVISION STAFF PROPOSAL ON A DISTRIBUTION INVESTMENT DEFERRAL FRAMEWORK, dated June 30, 2017, and the resulting comments submitted by parties.

The Clean Coalition urges the Commission to reject calls to set aside the Distribution Investment Deferral Framework (DIDF), as a DIDF is required under Public Utilities Code § 769 and many of the objections are largely not well founded in fact.

- The DIDF should incorporate a stable set of rules that allows for the rapid development and deployment of proposals. This would require sharing of needs early in the process and transparency in the requirements of needs so that market participants can reasonably proceed to develop proposals.
- Restrictive screens or maximum penetration requirements would prematurely eliminate projects from consideration in violation of the directive of the Legislature. Public Utilities Code § 769 requires a broad and inclusive framework to evaluate the costs and benefits of wide range of distributed resources with respect to “avoided or increased investments in distribution infrastructure.”
- An additional workshop to evaluate the range of concepts presented by parties could be beneficial.

- Claims that Distributed Energy Resources (DER) would not be able to meet distribution needs are woefully ignorant of the reality of DER deployment in California. The experience in California is that major projects have already been obviated by the installation of DER in the state. Absent compelling evidence there is no reason to believe this dynamic would not continue with careful planning of grid needs and non-wires alternatives.

II. Inclusive evaluation of distributed resources to maximize ratepayer value requires a range of streamlined procurement processes and few screens.

Evaluation of distributed resources alternatives must be inclusive in order to maximize opportunities for DER deferral. We appreciate the thought and experience reflected in the IOU modifications, but still suggest that screens that eliminate consideration of DER to meet needs that DER can actually meet would serve to reduce ratepayer value by missing potentially cost-effective alternatives.

As we identified in our comments, providing early and detailed information about potential opportunities to market participants would greatly increase their ability to meet needs. The Distribution Deferral Opportunity Report as proposed by the Joint IOUs appears to be a valuable start toward providing information to market participants as early in the process as possible to allow the development of bids. The critical consideration is that developers will need access to sufficient information to prepare bids. The information provided in the IDER pilot should be adequate to allow the development of concrete bids at the earliest possible time.

Similarly, the number of screens deployed to eliminate alternatives from consideration at the outset should be kept to a minimum. As pointed out by the IOUs, the choice of projects ultimately will be prioritized based on costs and cost-effectiveness. Thus, preliminary cost-effectiveness screens run an unnecessary risk that projects are removed from consideration before market participants have an opportunity to develop cost effective opportunities. While such screens may save time, they may also prevent the use of DER that ultimately are cost effective from being proposed and deployed.

III. An additional workshop to propose and discuss alternatives could be beneficial.

A workshop could provide a valuable opportunity for various parties to present alternative approaches that could maximize the ability of the DIDF process to identify all cost-effective alternatives. Given the range of issues with respect to the screens, limitation on cost-effective DER deployment, and the prioritization framework identified by parties, Staff could likely benefit from additional consideration of these issues and input from parties.

IV. The historical record of DER deployments in California demonstrates that claims that the Distribution Investment Deferral Framework will fail because DER cannot meet distribution investment needs are simply false.

The Coalition of California Utility Employees asserts entirely without factual foundation that “the Distribution Investment Deferral Framework will produce few if any candidate deferral projects, all of these distribution deferral projects threaten grid safety and reliability and are unlikely to yield net benefits to ratepayers.” CCUE claims to have demonstrated such a conclusion, but actually presented no evidence. In fact, this statement flies fully in the face of the reality in California in which DER have already not just deferred but avoided major delivery projects. For example, in the transmission side, a major transmission lines into Fresno was suspended because of DER proliferation¹ and a suite of 13 such transmission projects valued at \$192 million cancelled in the 2015-2016 CAISO Transmission Plan because DER and efficiency obviated the need for such investments.² Although these high visibility cancellations are transmission projects, there same principle of deferment and avoidance applies equally to distribution investments. Clearly the ability to rapidly deploy incremental DER such as re-locatable energy storage can allow the utility to defer upgrades associated with uncertain future needs until the actual need is clarified.

¹ “Solar growth puts Fresno high-voltage line on hold” *Fresno Bee*, December 20, 2016, available at <http://www.fresnobee.com/news/local/article122063189.html>

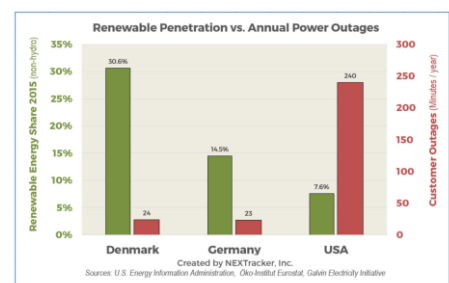
² “Californians Just Saved \$192 Million Thanks to Efficiency and Rooftop Solar” Greentech Media, May 31, 2016, <https://www.greentechmedia.com/articles/read/Californians-Just-Saved-192-Million-Thanks-to-Efficiency-and-Rooftop-Solar>

Claims that DER can only *defer* but not eliminate the need for upgrades or that such elimination and deferral would not be cost effective are entirely without foundation and should be viewed skeptically. Fundamentally, indefinite deferral is the same as avoided investment.

Furthermore, CCUE suggests, again without evidence, that such projects “carry a risk of no-performance that threatens grid safety and reliability.” Naturally, of course, ANY assets carries risks of non-performance, including distribution wires, as anyone who has sat through a blackout caused by a falling tree can attest. The reality, however, is directly contrary to CCUE’s assertion. For example, the U.S energy grid overall incurs up to ten times as many outages as those of countries with vastly higher levels of renewable penetration (see Figure 1). In California, DER has had a solid record of performance and assertions to the contrary should require a presentation of evidence to support such assertions. Given the probabilities of failures of wires traditional resources for various reasons, it is only speculation that DER are any less reliable than existing approaches. The DIDF already considers the possibility of solicitation or project development failure and includes these factors in its screening and evaluation.

Regardless, whether cost-effective solutions are available and whether projects would be proposed to meet distribution investment needs can only be determined through a careful evaluation of alternatives and their costs. In the absence of the DIDF framework, such an analysis would not occur, and ratepayers would run a high risk of excess costs simply because of a lack of due diligence into distributed resources alternatives. Given the number of DER projects have already been deployed throughout the state in response to solicitations through ReMAT or CCA programs, the record strongly suggests that a well-designed and flexible program is likely to be highly successful in attracting cost-effective

Figure 1 - Increased renewable penetration is associated with INCREASED reliability



From Dan Shugar, NEXTracker.

<https://www.greentechmedia.com/articles/read/the-countries-with-the-most-wind-and-solar-have-far-fewer-outages>

alternatives, while failing to have a DIDF process is essentially guaranteed to fail to develop such cost-effective alternatives.

V. Distribution investment costs should not be artificially inflated by instituting a maximum penetration cap.

The ability of DER to meet distribution needs, even at high levels of penetration should be evaluated solely based on engineering, reliability, and cost considerations and not based on an artificial bar to DER based on how much DER is successfully already meeting needs on a particular circuit. First, Public Utilities Code § 769 requires evaluation of the locational benefits and costs of DER, and places no restrictions on those benefits where “too much benefit” has already been realized. If DER can meet the need effectively and efficiently, it is exceptionally difficult to justify why ratepayers should not reap the benefits of additional resources if they meet the needs and do so cost effectively. Failure to even consider the possibility that they might do so runs counter to the directive of Public Utilities Code § 769.

Furthermore, DER of various types can be highly complementary, meaning that the addition of DER with the appropriate characteristics with the resulting increased penetration actually mitigating impacts and improving local power quality, resilience and reliability – precisely the characteristics which are defined in the procurement process.

Lastly, DER does not have any greater reliability concerns than does any other non-utility central generation provider. Despite unsubstantiated claims that failure rates are any higher, issues about failure to perform or bankruptcy are comparable to the same issues presented by remote generation as well. In fact, failure to perform or unanticipated increases in load are a regular occurrence on the grid, and CAISO and utilities already have mechanisms for procuring resources where contracted providers do not perform. Reliability and capacity factors for each technology and each aggregate DER portfolio are specifically and appropriately considered under DIDF. Ultimately, absent evidence that DER are more problematic than existing technologies, claims of such safety and reliability issues should be treated with caution.

VI. The Commission can only meet the requirements of Public Utilities Code § 769 through an expansive *consideration* of all alternatives

In fact, failure to implement a DIDF framework, or implementing a framework that is so restrictive that no cost-effective projects can meet arbitrary requirements would both constitute a violation of law. As noted, Public Utilities § 769 requires that utilities “Evaluate locational benefits and costs of distributed resources located on the distribution system. This evaluation shall be based on reductions or increases in local generation capacity needs, avoided or increased investments in distribution infrastructure...” (Pub. Util. Code § 769 (b)) Such an evaluation of the costs must logically precede a determination of the relative costs, and elimination of considerations of the benefits and costs would run counter to the instruction of the legislature. (The statutory language includes no requirement to consider only resources that are “highly likely” to be cost effective and such a test is purely the invention of CCUE.) Ultimately, this statutory language directs consideration of distributed resources, many of which may be ultimately rejected for various reasons. However, a failure to even consider alternatives because of unjustified and arbitrary screens or a failure to have any process at all clearly runs counter to the language of the statute.

Respectfully submitted,



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