

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

Order Instituting Rulemaking to Create a
Consistent Regulatory Framework for the
Guidance, Planning and Evaluation of
Integrated Distributed Energy Resources.

Rulemaking 14-10-003
(Filed October 2, 2014)

**CLEAN COALITION OPENING COMMENTS ON PROPOSED DECISION
ADDRESSING COMPETITIVE SOLICITATION FRAMEWORK AND UTILITY
REGULATORY INCENTIVE PILOT**

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I. INTRODUCTION

Pursuant to Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), the Clean Coalition respectfully submits these opening comments on the *Proposed Decision Addressing Competitive Solicitation Framework and Utility Regulatory Incentive Pilot* (“PD”), dated November 10, 2016. The Clean Coalition strongly supports the Commission’s continued efforts both in establishing sourcing mechanisms to animate the market for distributed energy resources (“DER”) and in exploring alternative utility business models. In the comments below, the Clean Coalition recommends the following to further improve upon the competitive solicitation framework and the utility regulatory incentive pilot:

- 1) Removing the cap on the number of allowable pilot projects would enable the Commission to better test the incentive mechanism.
- 2) Either the Distribution Planning Advisory Group or the Procurement Review Group should oversee the bid evaluation process.
- 3) The Commission should clarify what additional level of transparency is required of the utilities in the bid solicitation process.

II. DESCRIPTION OF THE PARTY

The Clean Coalition is a nonprofit organization whose mission is to accelerate the transition to renewable energy and a modern grid through technical, policy, and project

development expertise. The Clean Coalition drives policy innovation to remove barriers to procurement and interconnection of DER—such as local renewables, advanced inverters, demand response, and energy storage—and we establish market mechanisms that realize the full potential of integrating these solutions. The Clean Coalition also collaborates with utilities and municipalities to create near-term deployment opportunities that prove the technical and financial viability of local renewables and other DER.

III. COMMENTS

The Clean Coalition applauds the Commission’s efforts to implement the competitive solicitation framework and the utility regulatory incentive pilot. These actions provide a strong foundation to begin aligning the investor-owned utilities’ (“IOUs”) investment decisions with both shareholder and ratepayer interests, while working towards California’s climate and energy goals. The Clean Coalition offers the following suggestions to strengthen the decision and the resulting pilot.

- a. Removing the cap on the number of allowable pilot projects would enable the Commission to better test the incentive mechanism.*

The PD recognizes that requiring a given number of pilot projects runs counter to the stated purpose of the regulatory incentive mechanism—to test how an incentive affects the IOUs’ DER sourcing behavior.¹ Therefore, the PD modifies the revised proposal described in the September 1, 2016 Amended Scoping Memo and Ruling by requiring the IOUs to identify only one pilot project and providing an opportunity to select up to three additional pilot projects. The Clean Coalition agrees that this structure better serves the purpose of the pilot, but the Commission could better test the incentive mechanism by eliminating the cap on the number of pilot projects allowed.

Allowing for more pilot projects could lead to greater ratepayer benefits. The PD states the Commission’s intent to “ensure that the costs of acquiring distributed energy resources in the Incentive Pilot are lower than the costs of deploying a traditional

¹ PD at 39.

solution.”² As long as the Commission properly carries out this oversight role, every pilot project will be cost effective. Instituting a cap would have the effect of limiting potential ratepayer savings by restricting the number of opportunities available to the IOUs.

Further, the PD fails to justify the need for a cap or its size. Finding of Fact 52 recognizes that requiring one project and permitting optional projects allows the Commission to test both the competitive solicitation framework and the incentive mechanism, but the Commission does not make a finding either supporting the need for a cap or justifying any specific limit. If the Commission decides that a cap is necessary, it should increase the number of allowed projects and justify its approach.

The Clean Coalition respectfully urges the Commission to eliminate the cap on the number of allowable pilot projects. Removing the cap could lead to greater ratepayer savings and would allow the Commission to better test the effect of the incentive on the IOUs’ DER sourcing behavior. Finally, under this proposal, the IOUs would have a better opportunity to identify a more diverse set of potential projects.

b. Either the Distribution Planning Advisory Group or the Procurement Review Group should oversee the bid evaluation process.

The PD states that “the Distribution Planning Advisory Group shall advise the Utilities on the process for consideration of proposed electric distribution capacity deferral projects and the routine electric distribution planning activities that relate to distributed energy resources.”³ However, the PD never discusses the Distribution Planning Advisory Group’s [“DPAG’s”] role in overseeing the bid evaluation process. In other competitive solicitations, the Procurement Review Group (“PRG”) carries out this function, but it is unclear from the PD how this essential oversight role will be performed.⁴

² *Id.* at 59.

³ *Id.* at 24.

⁴ In discussing the role of the Independent Professional Engineer, the PD “approve[s] the role of the Engineer as an advisor to and participant on both the Distribution Planning Advisory Group and the *Planning Advisory Group* for the pilot solicitations.” *Id.* at 23 (emphasis added). The PD only mentions the other Planning Advisory Group in this single instance. The language might signify the Commission’s intent to have the Engineer also participate in the PRG, which would be appropriate.

The Clean Coalition respectfully urges the Commission to assign the bid evaluation oversight role to either the DPAG or the PRG. Though the Competitive Solicitation Framework Working Group Final Report did not reach consensus on whether the DPAG, the existing PRG, or a distribution-specific PRG should review bids, one of these entities must carry out this essential oversight role.⁵ If the Commission assigns this function to the DPAG, it should prohibit market participants from engaging in this specific task.

c. The Commission should clarify what additional level of transparency is required of the utilities in the bid solicitation process.

The PD requires “the Utilities to be more transparent in both the solicitation documents and for how the bids for those resources are evaluated.”⁶ Additionally, the PD “approved a bid evaluation method requiring transparency for purposes of the approved pilot.”⁷ The Clean Coalition supports the Commission’s efforts to allow all stakeholders to understand the details of the evaluation criteria in these early stages of the pilot. It will allow better oversight of the process, and market participants will be better able to tailor their bids to the IOUs’ needs. Transparency in relative and location-specific weighting factors within the bid evaluation framework will allow bidders to compete in maximizing the value of their products to the IOUs, resulting in maximum ratepayer value. Revealing relative weighting would not require the IOUs to disclose actual values that could compromise market response.

However, it is unclear from the PD’s language what actions the IOUs must take in order to comply with the decision. In order to reduce confusion and avoid relitigating this issue at a later stage in the proceeding, the Commission should describe what additional steps the IOUs should take to satisfy the level of transparency required by the decision.⁸

⁵ *Competitive Solicitation Framework Working Group Final Report Filed by Southern California Edison Company (U 338-E), Pacific Gas and Electric Company (U 39-M), San Diego Gas & Electric Company (U 902-E), and Southern California Gas Company (U 904-G)* at 34–35 (Aug. 1, 2016).

⁶ PD at 31.

⁷ *Id.*

⁸ Findings of Fact 34–37 support an added level of transparency, but they should clarify specific

IV. CONCLUSION

The Clean Coalition appreciates the opportunity to submit comments on the PD and supports the Commission's continued efforts to implement the competitive solicitation framework and the utility regulatory incentive pilot

Respectfully submitted,



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Dated: November 30, 2016

requirements. *Id.* at 58–59.

APPENDIX A: Proposed Conclusions of Law

8. The Commission should allow the Utilities the option to identify ~~up to three~~ additional projects to implement and test both the consensus elements of the Framework as well as the incentive mechanism.