

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

Order Instituting Rulemaking on the
Commission's own motion to improve
distribution level interconnection rules and
regulations for certain classes of electric
generators and electric storage resources.

Rulemaking 11-09-011
(Filed September 22, 2011)

CLEAN COALITION REPLY COMMENTS ON PROPOSED DECISION

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March 14, 2016

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The Clean Coalition respectfully submits these reply comments on the proposed decision on various Rule 21 reforms (“Proposed Decision” or PD), filed on February 16, 2016.

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 distributed energy resources (“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.

I. Reply Comments

a. The Cost Envelope Option for achieving cost certainty has significantly more support than the Fixed Price Option

To date, no parties filing comments, other than the utilities, expressed support for the Fixed Price Option (“FPO”), and a number of parties supported instead the Cost Envelope Option (Clean Coalition, CalSEIA and IREC). The Office of Ratepayer Advocates (“ORA”) did not address the issue explicitly in opening comments, but we note previous support for the CEO in ORA’s prior comments on this issue.

CalSEIA states in their opening comments (p. 1): “First, CALSEIA generally supports recommended changes from the Clean Coalition to revise the utilities’ Fixed Cost Option proposal in the November 9 motion, which were not addressed in the PD.”

IREC states, as part of extensive comments on the cost envelope issue (pp. 6-7):

Finally, as IREC and other stakeholders have identified, as designed the FPO does not provide cost certainty for the projects most likely to need it, and it appears to be unlikely to be an attractive option for the projects that do qualify for it. In sum, the Commission should not approve a cost certainty proposal that will likely prove ineffective at addressing the very matter it is designed to address and that is not likely to achieve the stated goal of the proceeding to yield non-discriminatory, cost-effective, and transparent interconnection for customers in California. IREC continues to believe that an approach modeled off of the Massachusetts cost envelope offers the most reasonable and prudent method for addressing cost certainty.

Due to the concerns expressed by the Clean Coalition in opening comments, as well as other parties’ comments, the Clean Coalition would like to be clear: we see adoption of the FPO as conflicting with the four year record of effort expended by the Commission’s staff, stakeholders and utilities. We strongly support a revised PD or an alternate that adopts the cost envelope approach proposed by almost every party addressing the issue and the ED staff report.

b. A memorandum account and insurance address tracking and mitigation issues related to cost certainty option proposals

We note that the utilities’ proposed amendment to the FPO, to address the PD’s concerns about potential ratepayer liability for interconnection costs and which would entail a memorandum account and an insurance fee (Opening comments at 6-7), is aligned with the Clean Coalition’s suggested balancing account and an insurance fee that we described in our opening comments.

We also note that the Fixed Price Option may be characterized as a cost envelope approach with a zero percent cost envelope (hence “fixed price”). Rather than a 10-25 percent cost envelope as we and other parties have previously proposed, the FPO is seeking far higher accuracy than is warranted by the tradeoffs for such accuracy, such as the \$10,000 fee and extra five months of processing time. The CEO alternative would be a natural extension of the utilities’ fixed price approach, which seeks the optimal tradeoff between costs, processing time and certainty, while further avoiding potential third party

risk for overages in interconnection costs, by expanding applicant responsibility within the full range of the optional cost envelope.

Moreover, and more importantly from the perspective of creating a workable cost certainty solution that is actually used by developers, changing the FPO zero percent cost envelope approach to a 10-25 percent cost envelope will support substantially greater eligibility for this new tool to be used by developers and projects that most need it. As previously noted, developers are unlikely to choose the FPO because of the high costs, the extended time period for results, and the very limited applicability.

As the Clean Coalition has previously testified, and as discussed in comments in this proceeding, ratepayers are anticipated to benefit from lower interconnection costs associated with cost certainty. At the same time utilities should appropriately bear responsibility for the accuracy of their cost estimations. Balancing these interests, we believe that a memorandum account allows for accurate tracking of any net over or under collection of costs related to offering cost certain interconnection options, and that review of these sums by an independent evaluator or through each utility's General Rate Case can determine whether these sums were reasonably incurred as the result of prudent practices and therefore appropriate for cost recovery.

We remind the Commission that 18 C.F.R. § 292.101(b)(7) does not require that ratepayers bear no costs associated with interconnection, but only that applicants bear responsibility "... to the extent such costs are in excess of the corresponding costs which the electric utility would have incurred if it had not engaged in interconnected operations, but instead generated an equivalent amount of electric energy itself or purchased an equivalent amount of electric energy or capacity from other sources." Rule 21 appropriately aims to avoid burdening ratepayers with costs in excess of those they would have otherwise incurred – costs which they already bear for transmission interconnected generation, and costs which will be reflected in the energy price of competing wholesale distributed generation offers.

c. Many parties emphasized outstanding interconnection issues and the importance of a continuation or a new proceeding to resolve these without delay.

Many parties also echoed the Clean Coalition's call for a new forum to be created to address outstanding interconnection issues. For example, CalSEIA states (opening

comments, p. 3): “The outstanding issues are significant, and it is essential that the Commission maintain an open proceeding where parties can seek resolution to interconnection issues. Maintaining fair standards for customers to install on-site energy solutions connected to the electric grid is a core role of the Commission’s regulation of the monopoly utilities.” CESA “strongly recommends” that a successor proceeding be opened to address the many outstanding interconnection issues (opening comments, p. 7). Solar City likewise raises multiple concerns regarding the closure of the proceeding without a successor proceeding to address a range of outstanding issues (opening comments, p. 3, 4, & 6-9), and noting that it had also raised these issues in recent prior comments.

Enphase particularly notes that closing this proceeding without review of advanced inverter function use cases and vetting of functions, will likely impact customers adversely without the "necessary undertaking" to determine compensation that the Commission clearly directed. The absence of stakeholder processes, staff proposals, or a proposed decision on these issues, will leave the DRP with “the architectural equivalent of an incomplete, un-approved set of construction plans.” Enphase states further that “Without something so fundamental to determining physical system impacts for forecasting DER need and determining DER benefits and value, the DRP cannot result in cost-effective DER planning or procurement” (opening comments, p. 4). The Clean Coalition shares this position and joins in urging the Commission to develop a process to complete what it has started, or to ensure an effective hand-off to proceedings such as the DRP and IDER that are directly impacted by the Rule 21 and SIWG work.

The failure of the PD to address the specific and detailed issues and recommendations contained in the record of parties’ comments clearly warrants attention and revision of the PD.

d. The Clean Coalition supports other parties’ recommendations with respect to the Motions.

Multiple parties recommended in prior comments and in comments on the PD that the proposed revisions to the Rule 21 Tariff reflecting the Joint Motions be submitted via Tier 2 Advice Letters, and Tier 3 with respect to implementation of the Fixed Price

Option or alternate Cost Envelope Option (Opening comments of Solar City at 3, 4, 6, & 7; Bosch at 3-5, & 7; CalSEIA at 2 & 3; Joint Utilities at 6).

In these comments parties express clear and relevant rationales for their recommendations regarding the appropriate class of advice letter, and the Clean Coalition believes that revision of the PD to reflect these recommendations is warranted. The schedule under which the Joint Motions and Cost Certainty Proposals were developed by parties has not allowed review of actual changes in tariff language, and while parties anticipate good faith efforts, this final step in review cannot be taken for granted as the precise language of the tariff is highly significant.

II. Conclusion

For the reasons stated above, the Clean Coalition urges the Commission to adopt our recommendations with respect to the PD.

Respectfully submitted,
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Dated: March 14, 2016