

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

Order Instituting Rulemaking to Develop a
Successor to Existing Net Energy Metering
Tariffs Pursuant to Public Utilities Code
Section 2827.1, and to Address Other
Issues Related to Net Energy Metering.

Rulemaking 14-07-002
(Filed July 10, 2014)

**CLEAN COALITION COMMENTS ON PROPOSED DECISION ADOPTING
SUCCESSOR TO NET ENERGY METERING TARIFF**

Brian Korpics
Staff Attorney

Kenneth Sahm White
Director of Economic and Policy Analysis

Clean Coalition
16 Palm Ct
Menlo Park, CA 94025
(708) 704-4598
brian@clean-coalition.org

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SUBJECT INDEX

Pursuant to Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), the Clean Coalition provides the following index of recommended changes to the *Proposed Decision Adopting Successor to Net Energy Metering Tariff* (“PD”) issued on December 15, 2015.

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The utilities should value kilowatt-hours exported at the same time-of-use price per kilowatt-hour that the customer would be charged in any given period.

Pages 3–4

The legacy provision provided in Decision 15-07-001 should be extended to 10–20 years for NEM customer-generators who interconnect between January 1, 2018, and the date default time-of-use rates take effect.

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The utilities should be directed to extend the availability of interconnection agreements signed by the customers themselves to all public entities, in line with the precedent established for the Department of Corrections and Rehabilitation.

Pages 6–7

The Commission should coordinate closely with the Distribution Resources Plans and Integrated Distributed Energy Resources proceedings as described in the Proposed Decision. However, these proceedings will not provide a full valuation of customer-sited solar; therefore, the Commission should ensure that ample time is available in 2019 to review the NEM successor tariff with the participation of all interested stakeholders.

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**CLEAN COALITION COMMENTS ON PROPOSED DECISION ADOPTING
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Pursuant to Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”) and the December 15, 2015, *Administrative Law Judge's Ruling Extending Time to Submit Comments and Reply Comments on Proposed Decision*, the Clean Coalition respectfully submits these comments on the *Proposed Decision Adopting Successor to Net Energy Metering Tariff* (“PD”), dated December 15, 2015.

I. INTRODUCTION

The Clean Coalition commends the Commission’s work to develop the successor net energy metering (“NEM”) tariff. The Clean Coalition supports the PD in declining to impose any demand charges, grid access charges, installed capacity fees, standby fees, or similar fixed charges on NEM customer-generators while the Commission determines how, if at all, any such fees should be applied to residential customers. Whether through the use of energy efficiency, on-site solar generation, energy storage, or other load modifying actions, customers who meet a portion of their own energy needs should generally be treated the same as those who do not.

The Clean Coalition also supports the Commission’s decision to delay further revisions of the NEM successor tariff to 2019—when more comprehensive reform of residential rates is complete and pertinent information from the Distribution Resources Plans (“DRP”) and Integrated Distributed Energy Resources (“IDER”) proceedings is

available. The Clean Coalition agrees that the Commission’s plan to revisit the NEM successor tariff in 2019 is “reasonable and realistic.”¹ Below, the Clean Coalition offers several recommendations to improve aspects of the PD, addressing mandatory time-of-use (“TOU”) rates, systems larger than 1 megawatt (“MW”), and how the NEM proceeding should interact with the DRP and IDER proceedings.

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.

II. COMMENTS

a. Mandatory time-of-use rates

The Clean Coalition supports the Commission’s decision to move NEM customers to TOU rates without an option to opt-out. The TOU rate structure sends an appropriate price signal so that customer-generators will be more responsive to grid needs. However, the Clean Coalition believes that the PD should provide the utilities with more guidance on how the TOU rate will interact with the NEM tariff. For example, net kilowatt-hours exported could be valued at the same TOU price per kilowatt-hour (“kWh”) that the customer would be charged—in other words a time-of-delivery (“TOD”) rate that mirrors the TOU rate. Alternatively, a kWh for kWh crediting scheme could compensate net exports at another rate, such as the highest or the average TOU rate.

¹ *Proposed Decision Adopting Successor To Net Energy Metering Tariff* at 59, R.15-12-012 (Dec. 28, 2015) [hereinafter PD].

The Clean Coalition strongly supports a TOD compensation structure that reflects the adopted TOU rates. This approach properly aligns customer compensation with the value of energy both when it is produced and consumed. The approach will also incentivize customer-generators to design systems that provide the most benefits to the grid, such as encouraging west-facing installations. Pacific Gas and Electric (“PG&E”), for example, has deployed this approach: for NEM customer-generators on an existing PG&E TOU rate schedule, TOU periods coupled with baseline tiers determine compensation for exports.²

Finally, the Clean Coalition respectfully urges the Commission to extend rate certainty to a period of 10–20 years for NEM participants who interconnect between January 1, 2018, and the date default TOU rates take effect in 2019. Under Decision 15-07-001, TOU tariffs must include a legacy provision allowing subscribers to remain on their elected TOU tariff for at least five years.³ The PD requires NEM customer-generators interconnecting on or after January 1, 2018, to take service on a TOU rate or participate in a TOU pilot study, which would both be subject to the same legacy provision.⁴ The Clean Coalition supports the Commission’s decision to mandate TOU rate schedules for NEM participants. However, the TOU rates existing in this interim 2018–2019 period may pose more uncertainty and cause confusion. Further, the TOU rate schedules prior to 2019 will not benefit from the Commission’s work in the recently initiated proceeding examining TOU periods.⁵

In discussing its agenda to change many aspects of residential rates, the Commission rightfully noted its “concern for how much change residential customers

² Pac. Gas & Elec. Co., Net Energy Metering Understanding Your Bill, https://www.pge.com/includes/docs/pdfs/b2b/newgenerator/understandingyourbill_residential.pdf (last visited Jan. 4, 2015).

³ *Decision on Residential Rate Reform for Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company and Transition to Time-of-Use Rates*, D.15-07-001 at 177 (July 3, 2015).

⁴ PD at 3.

⁵ *Order Instituting Rulemaking to Assess Peak Electricity Usage Patterns and Consider Appropriate Time Periods for Future Time-of-Use Rates and Energy Resource Contract Payments*, R.15-12-012 (Dec. 28, 2015).

choosing the NEM successor tariff should be asked to absorb in the near term.”⁶ Under the PD, the Commission would require NEM customer-generators joining during the interim term to take service under existing TOU rates or TOU pilots that are designed to “provide empirical support for IOU applications for a default TOU rate in 2018, with the goal of instituting default TOU rates in 2019.”⁷ In exchange, the Commission should provide these customer-generators with more certainty regarding the lifespan of their elected TOU rate schedules in order to avoid subjecting them to excessive unpredictability. Uncertain rate structures could undermine a customer-generator’s ability to determine the potential value of a NEM installation. The Clean Coalition respectfully urges the Commission to extend the legacy provision provided in Decision 15-07-001 to 10–20 years for NEM customer-generators who interconnect between January 1, 2018, and the date default TOU rates take effect. This change to the PD would be in line with the Commission’s decision to allow existing NEM customers to retain their current customer rate schedule.

b. Systems larger than 1 MW

The Clean Coalition supports the section of the PD extending eligibility for the NEM successor tariff to customer-sited facilities larger than one megawatt in size.⁸ As the Clean Coalition and a number of parties have argued, if customers pay for all fees and system upgrades under Rule 21, then the facilities will meet the statutory requirement of having “no significant impact on the distribution grid.”⁹ Allowing these facilities to take advantage of NEM will allow an important segment of the market to participate in the NEM program, and in so doing will increase deployment of on-site renewable generation where the largest loads and best siting opportunities often exist. In comparison to residential customers, these larger commercial and industrial customers typically exhibit

⁶ PD at 18.

⁷ *Id.*

⁸ *Id.* at 116–17; *see also* Clean Coalition Comments on Administrative Law Judge’s Ruling on Policy Issues Associated with Development of Net Energy Metering Successor Standard Contract or Tariff at 6–7 (Mar. 16, 2015).

⁹ CAL PUB. UTIL. CODE § 2827.1(b)(5).

load profiles that more closely match on-site generation profiles. In addition, these larger customers usually interconnect to more robust circuits and line sections that have better hosting capacity. Opening up NEM opportunities in these locations makes efficient use of this capacity to locally integrate higher penetrations of renewable resources.

Ending the 1 MW limit on systems is an important improvement to the NEM program, but the Commission should additionally address a minor issue with the standard interconnection agreements that may limit the ability of public entities to benefit from the cap's removal. The Commission previously granted the California Department of Corrections and Rehabilitation an exemption from the 1 MW limit on NEM system sizes, and a number of prisons installed additional systems adding to existing on-site generation capacity. As public entities, the prisons had to initiate a public process to select the lowest bid project, and because the projects were financed with Power Purchase Agreements, third parties own the systems. Under this arrangement, multiple system owners existed behind a single customer meter. This caused an issue because previously interconnection agreements were only between utilities and system owners, and there was no method to have two separate agreements on one account. PG&E and Southern California Edison therefore revised their interconnection agreements to allow the account holder to be the interconnecting party.¹⁰

With the Commission removing the 1 MW limit for all customers, more public entities will likely seek to add capacity in a similar fashion. The decision should anticipate this and direct the utilities to extend the availability of interconnection agreements signed by the customers themselves to all public entities—in following the precedent established for the Department of Corrections and Rehabilitation.

¹⁰ Pac. Gas & Elec. Co., Advice Letter 4724-E Re: Deviations to the Filed Forms 79-978, and 79-992 Interconnection Agreements, to Implement the Provisions of Senate Bill 862 and Schedule NEM for the California Department of Corrections and Rehabilitation (Oct. 16, 2015); S. Cal. Edison, Advice Letter 3221-E Re: Deviations to Forms 14-744, Customer Generation Agreement, and 16-344, Southern California Edison Company Net Energy Metering and Renewable Electrical Generating Facility Interconnection Agreement, to Implement the Net Energy Metering Provisions of Senate Bill 862 for the California Department of Corrections and Rehabilitation (May 15, 2015).

c. *Results of the DRP and IDER proceedings*

The Clean Coalition supports the PD’s conclusion that “the analysis and programmatic examinations being undertaken in [the DRP and IDER proceedings] will, when completed, provide information and analysis relevant to the determination of the benefits and costs of the NEM successor tariff to all customers and the electric system.”¹¹ The Commission’s decision is prudent because the findings from these proceedings will help to provide insight into the value of NEM installations to the local and statewide electric systems. When the valuation exercise is complete, the Commission will be in a position in the NEM proceeding to meet the statutory directive to “[e]nsure that the total benefits of the standard contract or tariff to all customers and the electrical system are approximately equal to the total costs.”¹² The Commission does not have the resources to both fully evaluate the benefits of NEM systems and meet the statute’s firm deadline to have the NEM successor tariff in place by July 1, 2017.

However, the Commission should remain aware that the DRP and the IDER proceedings, though highly relevant, will not themselves determine the value of NEM systems. The DRP proceeding will more narrowly focus on optimal locations for siting DER based on the Locational Net Benefits Methodology, which is an approach undergoing development to determine the locational value of DER in different contexts. The IDER proceeding will develop mechanisms to compensate DER owners for the value of energy and services they provide. However, these mechanisms may not establish that value, and will require input from related proceedings and studies, such as those developing TOU rates.

To determine the “benefits” side of the equation identified in Section 2827.1(b)(4), the Commission will need to more fully investigate the value of customer-sited solar—beyond locational benefits. This exercise will be more synonymous to the Value of Solar studies performed in other jurisdictions.¹³ The Clean Coalition therefore

¹¹ PD at 114.

¹² CAL PUB. UTIL. CODE § 2827.1(b)(4).

¹³ *See, e.g.*, Ariz. Corp. Comm’n, In re: the Commission’s Investigation of Value and Cost of Distributed Generation, Docket No. E-00000J-14-0023 (filed Jan. 24, 2014); Austin Energy, Residential Solar Energy Rate, Value Of Solar, <http://austinenergy.com/wps/portal/ae/rates/residential-rates/residential-solar-energy-rate/> (last visited Jan 6, 2015); Lena Hansen & Virginia

respectfully urges the Commission to coordinate closely with the DRP and IDER proceedings, while being sure to leave ample time to review the NEM successor tariff in 2019 with the participation of all interested stakeholders.

III. CONCLUSION

The Clean Coalition appreciates this opportunity to comment on the PD and supports the Commission's work to ensure that customer-sited renewable distributed generation continues to grow sustainably under the NEM successor tariff.

Respectfully submitted,



Brian Korpics
Staff Attorney
Clean Coalition
16 Palm Ct
Menlo Park, CA 94025

Dated: January 7, 2016

VERIFICATION

I am the attorney for the Clean Coalition in this matter and am authorized to make this verification on its behalf. I have read the foregoing CLEAN COALITION COMMENTS ON PROPOSED DECISION ADOPTING SUCCESSOR TO NET ENERGY METERING TARIFF, dated January 7, 2016. The statements in the foregoing document are true of my own knowledge, except as to matters that are therein stated on information and belief, and as to those matters I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on January 7, 2016, in San Francisco, California.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Brian Korpics". The signature is fluid and cursive, with a large initial "B" and a long, sweeping underline.

Brian Korpics
Staff Attorney
Clean Coalition
brian@clean-coalition.org