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 REPLY COMMENTS ON PROPOSED DECISION ADDRESSING COMPETITIVE SOLICITATION FRAMEWORK AND UTILITY REGULATORY INCENTIVE PILOT

Kenneth Sahm White
Director Economic & Policy Analysis
Clean Coalition
16 Palm Ct
Menlo Park, CA 94025
831.295.3734
sahm@clean-coalition.org

December 5, 2016

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 REPLY COMMENTS ON PROPOSED DECISION ADDRESSING COMPETITIVE SOLICITATION FRAMEWORK AND UTILITY REGULATORY INCENTIVE PILOT

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 reply 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 and broadly supports the refinements proposed by parties. In the comments below, the Clean Coalition responds to opening comments 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' ("Utilities") investment decisions with both shareholder and ratepayer interests, while working towards California's climate and energy goals. Further, the Clean Coalition broadly supports the recommendations by parties to strengthen the decision and the resulting pilot, with a few exceptions as discussed below.

a. Tier 1 Advice Letter Requirement

ORA recommends that the Commission require Utilities to file a Tier 3 Advice Letter requesting approval of contracts resulting from the DER solicitation process arising from this Pilot.[1] While we are sympathetic to merits of Tier 3 review, the Clean Coalition believes that participation of the Distribution Planning Advisory Group ("DPAG") provides sufficient guidance and review such that the planned Tier 1 Advice Letter process will be sufficient for the purposes of the pilot. Tier 3 will introduce significant delay and increased uncertainty into the procurement process for this pilot, and the purpose of the pilot is to test and evaluate the efficacy of the proposed DER

---

[1] *Comments of the Office of Ratepayer Advocates on Proposed Decision Addressing Competitive Solicitation and Utility Regulatory Incentive Pilot* at 4 (Nov. 30, 2016).

procurement incentives for the benefit of ratepayers. Additional costs and burdens are contrary to achieving these ends, especially given that the timeframe for distribution planning is relatively short.

The current practice for utility investment in distribution upgrades is streamlined and straightforward. The process of developing a Request For Offers ("RFO") and bid review already acts as a disincentive in adoption of alternative DER based approaches, implementing a Tier 3 approval process will further discourage utilities from pursuing alternatives, especially where the projects are relatively small but numerous. We remind the Commission that the Utilities will only be seeking approval for DER alternatives that result in ratepayer savings over the conventional solution. If utilities are discouraged from pursuing these opportunities, the success of the pilot will be jeopardized and potential savings will go unrealized.

This recommendation supports the request of ORA and other parties seeking additional clarification regarding the opportunities for the Distribution Planning Advisory Group ("DPAG") to participate in the DER solicitation and selection process.[2]

b. Role of the Distribution Planning Advisory Group

The Clean Coalition supports ORA and other parties[3] seeking additional clarification regarding the scope, composition, and extent of market participants' participation in the DPAG, as well as the opportunities for it to participate during the DER solicitation and selection process.[4] There is significant potential for differences in understanding among participants regarding the scope and limits of group's activities, and the Commission is warranted to provide a more clear determination of these issues.

c. Access to Data Regarding the Cost and Value of Conventional and DER Alternatives

---

[2] *Id.* at 6–7.

[3] *See id.* at 6–7; *Comments of the Interstate Renewable Energy Council, Inc. on Proposed Decision Addressing Competitive Solicitation Framework and Utility Regulatory Incentive Pilot* at 5 (Nov. 30, 2016); *Opening Comments of the California Energy Efficiency Industry Council on Proposed Decision Addressing Competitive Solicitation Framework and Utility Regulatory Incentive Pilot* at 5–6 (Nov. 30, 2016).

[4] *Comments of the Office of Ratepayer Advocates on Proposed Decision Addressing Competitive Solicitation and Utility Regulatory Incentive Pilot* at 6–7 (Nov. 30, 2016).

Market participants have requested access to information regarding the cost of the presumptive alternative the utility would otherwise make, but for the deployment of a DER solution. With appropriate caution, this request has potential merit. Both utilities and market participants each require some information regarding the potential to achieve ratepayer savings through DER solutions in order to determine when an identified grid investment is ripe for pursuit of alternatives. If the utility is not aware of innovative opportunities to achieve savings, it may not present the opportunity to DER providers. Likewise, if DER providers are able to determine that their solution is clearly cost effective, they will be willing to undertake the significant effort of developing a detailed bid and entering into price competition, or, if not cost effective, then the cost of bid preparation and review can be avoided for all parties.

The Clean Coalition suggests that the Competitive Solicitation Framework Working Group ("CSFWG") propose appropriate means of information exchange that avoid biasing the competitive process. For example, the Utilities may draw from the recently approved Rule 21 Unit Cost Guides to identify examples of grid upgrades and associated costs indicative of an upper boundary of value. DER providers might provide public or confidential estimated costs of providing capacity and services on a per unit basis that would be indicative of opportunities for savings. RFO solicitations may cite these standard value ranges or indicate if the specific project was clearly outside of the average. This approach would help attract competitive offers, while bidders will compete to provide the Least Cost and Best Fit option.

d. Bid Evaluation

SolarCity recommends including conservation voltage reduction ("CVR") within the definition of "voltage and other power services" within the "qualitative factors" category to be considered in the valuation process.[5] The Clean Coalition supports this recommendation, especially in light of the Commission's adoption of advanced inverter standards and interest in CVR applications to reduce generation, distribution, and transmission capacity requirements as well as associated generation emissions. The

[5] *Opening Comments of SolarCity Corporation on the Proposed Decision Addressing Competitive Solicitation Framework and Utility Regulatory Incentive Pilot* at 7 (Nov. 30, 2016).

recommendation to include CVR as a qualitative factor should be considered an interim measure as methodology is refined to improve the accuracy of quantitative estimates.[6]

e. Project Size Standards

NRG proposes that the PD direct the IOUs to only identify deferral opportunities above a minimum project size of 5MW in order to promote adequate interest and participation among prospective bidders.[7]

The Clean Coalition opposes this recommendation. While large projects should be identified, smaller projects should not be ignored. Limiting opportunities to only projects 5MW or greater will drastically reduce the potential to identify more cost effective DER solutions, especially since larger projects encounter much higher interconnection costs and uncertainty. Project size is not a measure of relative value. However, we do note that the Locational Net Benefits Analysis (LNBA) methodology and initial demonstration projects being developed in R.14-08-013 for Distribution Resource Plans is initially focused on projects with a minimum value of $1million, and this may be an appropriate minimum value threshold in the event that a minimum project size is warranted.

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,
/s/
Kenneth Sahm White
Director Economic & Policy Analysis
Clean Coalition

Dated: December 5, 2016

---

[6] *See* Kellog Warner, Ron Willoughby, *Conservation Voltage Reduction: An Energy Efficiency Resource*, IEEE SmartGrid Newsletter (Apr. 2013), *available at* http://smartgrid.ieee.org/newsletters/april-2013/conservation-voltage-regulation-an-energy-efficiency-resource. *See also* Ahmadreza Malekpour and Anil Pahwa, *Reactive Power and Voltage Control in Distribution Systems with Photovoltaic Generation* (Sept. 2012).

[7] *NRG Energy, Inc.'s Comments on Administrative Law Judge Kelly Hymes' Proposed Decision* at 2–3 (Nov. 30, 2016).