

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
ORDER INSTITUTING RULEMAKING TO DEVELOP A SUCCESSOR TO EXISTING
NET ENERGY METERING TARIFFS**

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August 18, 2014

**CLEAN COALITION COMMENTS ON
ORDER INSTITUTING RULEMAKING TO DEVELOP A SUCCESSOR TO EXISTING
NET ENERGY METERING TARIFFS**

I. Introduction

Pursuant to the Order Instituting Rulemaking to Design 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 issued July 10, 2014 (OIR), the Clean Coalition offers the following comments on the Anticipated Activities and Preliminary Schedule set forth in the OIR.

- Workshop in Q4 2014 to clarify Zero Net Energy requirements and discuss how to design a successor NEM program to meet these requirements.
- Workshop in Q4 2014 to discuss how the NEM successor program can be designed to comply with the Section 769 requirement that utilities must “Propose cost-effective methods of effectively coordinating existing commission-approved programs, incentives, and tariffs to maximize the locational benefits and minimize the incremental costs of distributed resources.”
- List of Anticipated Activities by explicitly include determining how the design of the NEM Successor Program should vary by customer class to reflect differing needs.

The Clean Coalition is a California-based 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, interconnection, and realizing the full potential of integrated distributed energy resources, such as distributed generation, advanced inverters, demand response, and energy storage. The Clean Coalition also works with utilities to develop community microgrid projects that demonstrate that local renewables can provide at least 25% of the total electric energy consumed within the distribution grid, while maintaining or improving grid reliability. The Clean Coalition participates in numerous proceedings in California agencies and before other state and Federal agencies throughout the United States.

II. Anticipated Activities and Preliminary Schedule

The Clean Coalition supports the approach outlined by the OIR and makes the following recommendations with respect to the Anticipated Activities and Preliminary Schedule set forth in the OIR.

a. Workshop on Clarification of Zero Net Energy Goals

The Clean Coalition recommends a workshop in the fourth quarter of 2014 to clarify Zero Net Energy requirements and discuss how to design a successor NEM program to meet these requirements. Section 3.1 of the OIR provides that this proceeding will include “an examination of possible tariff or contract provisions, and an evaluation of how those provisions meet the goals of AB 327 and other guiding principles consistent with California’s energy policy goals, including the state’s Zero Net Energy goals.”

To effectively evaluate how possible tariff or contract provisions can meet Zero Net Energy goals, we need the Commission to clarify these requirements. The California Energy Commission’s 2013 Integrated Energy Policy Report (IEPR) proposed adoption of a definition for Zero Net Energy Code Buildings.¹ However, the 2013 IEPR raised questions about the need for “off-site renewable energy resources” to be a viable option for builders and developers, and the need to “allow for meaningful flexibility as a significant number of buildings may be unable to meet the on-site renewable energy sources component of the ZNE Code Building definition”.² In presentations from the July 2013 California Energy Commission workshop on Zero Net Energy, utilities proposed applying requirements at a community level rather than at the individual building level to encourage the most cost-effective blend of renewable generation and demand-side management while maintaining grid reliability.³ The Commission has not yet

¹ California Energy Commission, 2013 Integrated Energy Policy Report (IEPR), at 36.

² 2013 IEPR at 40.

³ See presentations by Pacific Gas & Electric and Southern California Edison from the July 18, 2013 California Energy Commission Lead Commissioner Workshop on The Definition of Zero Net Energy in Newly Constructed Buildings in California, available at http://www.energy.ca.gov/2013_energypolicy/documents/#07182013.

adopted the Energy Commission’s proposed definition of Zero Net Energy Code Buildings or an alternative or additional requirement for Zero Net Energy Communities.

We recommend holding this workshop this fall since there are major Zero Net Energy open issues that could have a significant impact on NEM Successor Tariff/Contract design. If the Commission develops Zero Net Energy requirements that focus on compliance at the community-level or flexibility for buildings that cannot meet on-site generation requirements, such requirements should significantly influence NEM Successor Program design. For example, such requirements would give greater weight to arguments in favor of participation of renewable distributed generation projects at optimal locations that are sized greater than on-site load.

b. Workshop on Section 769 Locational Value Requirements

The Clean Coalition recommends a workshop in the fourth quarter of 2014 to discuss how the NEM successor program can be designed to comply with the Section 769 requirement that utilities must “Propose cost-effective methods of effectively coordinating existing commission-approved programs, incentives, and tariffs to maximize the locational benefits and minimize the incremental costs of distributed resources.”⁴ This issue is ripe for consideration since the Commission issued an Order Instituting Rulemaking on August 14, 2014 to guide investor owned utilities in developing their Distribution Resources Plan Proposals, which they are required to file by July 1, 2015. Such Order Instituting Rulemaking anticipates a ruling on this issue in late January 2015.⁵

While customer generation generally has significant locational benefits, since energy is generated where energy is consumed, maximizing locational benefits and minimizing incremental costs requires further consideration. For example, with respect to maximizing locational benefits, the NEM Successor Program could be designed to encourage greater participation at optimal locations. For example, PSEG Long Island offered a 7¢/kWh premium to procure 40 MW of solar DG in the transmission-constrained South Fork area to avoid

⁴ California Public Utilities Code Section 769(b)(3)

⁵ Commission Order Instituting Rulemaking Regarding Policies, Procedures and Rules for Development of Distribution Resources Plans Pursuant to Public Utilities Code Section 769, August 14, 2014, at 10.

\$84,000,000 in new transmission costs that would otherwise be incurred, calculating that such a procurement would result in net savings of \$60 million for ratepayers.⁶ A NEM Successor Program could support procurement of distributed generation in the target substations for the Southern California Edison Preferred Resources Pilot to defer transmission investments.

c. Consider how to support participation of different customer classes

The Order Instituting Rulemaking for this proceeding provides that “The scope of this proceeding encompasses any and all information necessary to develop one or more successor tariffs or contracts that meet the requirements of AB 327.” We support the reference in the OIR to “one more more successor tariffs or contracts,” and recommend that the list of Anticipated Activities by explicitly include determining how the design of the NEM Successor Program should vary by customer class to reflect differing needs.

Rather than designing a one-size-fits-all NEM successor program, we recommend designing a program that is tailored to support different customer classes in different ways. The current NEM program has been remarkably successful at supporting solar development on single-family residential and small commercial rooftops. However, a bill-credit program has inherent limitations for encouraging larger commercial and multi-family residential properties to participate. These types of customers have not been motivated to participate because NEM bill credits result in split incentives for owners and their tenants, or these properties have much more space for solar than on-site load to offset.⁷

⁶ Proposal Concerning Modifications to LIPA’s Tariff for Electric Service, available at <http://www.lipower.org/pdfs/company/tariff/proposals-FIT070113.pdf>

⁷ See Ethan Elkind, In Our Backyard: How to Increase Renewable Energy Production on Big Buildings and Other Local Spaces (UC Berkeley Law and UCLA Law, 2009), available at http://www.law.berkeley.edu/files/In_Our_Backyard_Dec_3_2009%281%29.pdf

III. Conclusion

We appreciate the opportunity to offer comments on the Anticipated Activities and Preliminary Schedule in the OIR. For the foregoing reasons, the Clean Coalition respectfully requests that the Commission adopt the above recommendations.

Respectfully submitted,

A handwritten signature in black ink that reads "Stephanie Wang". The signature is written in a cursive, flowing style.

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Dated: August 18, 2014