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

Order Instituting Rulemaking Regarding Policies, Procedures and Rules for Development of Distribution Resources Plans Pursuant to Public Utilities Code Section 769.	Rulemaking 14-08-013 (Filed August 14, 2014)

CLEAN COALITION COMMENTS ON ASSIGNED COMMISSIONER'S RULING RE DRAFT GUIDANCE FOR USE IN UTILITY AB 327 (2013) SECTION 769 DISTRIBUTION RESOURCE PLANS

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December 12, 2014

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I. INTRODUCTION

On November 17, 2014, Commissioner Michael Picker issued the Draft Guidance for Use in Utility AB 327 (2013) Section 769 Distribution Resources Plans in Rulemaking 14-08-013 Regarding Policies, Procedures and Rules for the Development of Distribution Resource Plans. The Clean Coalition strongly supports the Draft Guidance. With billions of dollars a year in ratepayer funds approved for distribution system maintenance and investment, there has been a long-standing need for distribution level planning that is transparent and proactive in contributing to state level goals and customer demands while leveraging the opportunity offered by integrated Distributed Energy Resources ("DER") net ratepayer benefits including services, efficiency, and avoided costs.

The Draft Guidance clearly and accurately delineates the planning required to comply with AB 327 in coordination with existing mandates and regulatory requirements, and appropriately recognizes the need and value of proceeding through an ongoing process of planning, evaluation, and realization of benefits.

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 designs and implements programs for utilities and state and local governments—demonstrating that local renewables can provide at least 25% of the total electric energy consumed within the distribution grid, while maintaining or improving grid reliability through community microgrids. The Clean Coalition participates in numerous proceedings in California and before other state and Federal agencies.

II. Comments

a. DER Growth Scenarios

We recommend the addition of a fourth Scenario based on high customer driven interest in DER. Similar to the proposed Scenario 3, Scenario 4 should include key inputs drawn from achieving goals articulated in Zero Net Energy targets and the Governor's Zero Emission Vehicle Action Plan; however, rather than focusing on meeting needs defined by transmission or Resource Adequacy requirements, this scenario would reflect customer interests driven by choice in managing their energy use for individual cost reduction under applicable rate design, including default time-of-use rates. The goal of this scenario is to reflect customer economic response to the changing energy landscape and related impacts on utility investment and revenue options.

b. Demonstration and Deployment

The Clean Coalition strongly supports the demonstration proposals as described in the Draft Guidance.[1] We note that these consider projects both addressing avoided or deferred transmission investment value and, separately, supporting high penetrations of DER considering locational value to improve the cost effectiveness of DER deployments.

Large locational value differences exist at each level of consideration, from broad regional factors, through substations, line sections, and individual installations. Likewise, locational value differences exist through a variety of relevant perspectives or filters that may be applied, including not only ratepayer impact but social and environmental factors as well—as reflected in part in the Public Utilities Code's four approaches to benefits analysis. It is important to recognize that these scales of locational optimization are neither mutually exclusive nor

[1] Draft Guidance at 18–19.

inherently coincident, and that total value is only realized by overlaying the layers of locational value at each scale and for each factor.

These initial demonstrations will help to refine the optimization methods at both the distribution circuit level and planning area. We do however recommend that the Locational Benefits Analysis for a Distribution Planning Area identifying transmission system benefits be complemented with a separate Locational Benefits Analysis for a distribution system within a single substation so as to develop methods and identify distribution system benefits within substations and circuits. Further, the Locational Benefits Analyses should be designed so as to be compatible with and future incorporation of additional locational factors such as increased grid resilience, economic development, disadvantaged populations, air quality, and sensitive habitat.

c. Data Access

We support the Draft Guidelines with regard to data sharing and recommend clarifying that information should be made available not only through the ESPI Customer Data Access system but also, to the extent practical, through visual mapping. This can be accomplished in accord with the requirement for ongoing improvement of the interconnection maps identifying system capacity and preferred locations. This approach will make the information directly accessible to customers without reliance on third parties, and would represent a significant contribution toward a "plug and play" level of customer friendly DER guidance.

d. Tariffs and Contracts

The Draft Guidance appropriately requires utilities to "Develop recommendations for new services, tariff structures or incentives for DER that could be implemented as part of the above referenced demonstration programs."[2]

AB 327 requires the development of standard tariffs[3] by which the values offered by DER may be recognized, which would support further deployment. We recommend that the Guidance instruct utilities to include in their tariff proposals clearly predictable compensation

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[2] *Id.* at 21.

[3] CAL. PUB. UTILS. CODE 769.8(b)(2) ("Propose or identify standard tariffs, contracts, or other mechanisms for the deployment of cost-effective distributed resources that satisfy distribution planning objectives.").

schemes that allow system owners to evaluate the value they can expect to receive in order to determine the financial viability of deploying DER. This is an essential component of the decisions that must be made for deployment of DER assets to proceed. To the extent practical, predictability is supported by simplicity, and we recommend that these tariffs include at least one Feed-in-Tariff proposal and at least one simple capacity offer that together capture most of the value of a resource and make that value available to the local and regional grid operators. Because needs are specific to local conditions reflected in the DRP, such standard offers should conform to the location specific value and limits defined in the DRP, and aligned with it's objectives; for example, a Feed-in-Tariff or capacity offer would only be available up to the local level needed to meet local DRP objectives.

Likewise, where the Draft Guidance appropriately requires utilities to "[d]evelop recommendations for further refinements to [i]nterconnection policies that account for locational values."[4] We recommend additional specificity, including a proposal for predictable "plug and play" interconnection approval and charges for DER that conform to the local DRP capacity and objectives. Under current policy, a DER that requires a distribution system upgrade is responsible for 100% of the cost of that upgrade, even if the upgrade was already needed to serve other customers, was already planned, or would result in net cost savings by deferring other upgrades including alleviation of transmission constraints. The uncertainty in interconnection cost prediction is one of the major barriers to DER deployment and should be explicitly addressed in the utility recommendations. As we outlined in prior comments, the lessons learned from the streamlined net metering interconnection process can be adapted to support successful and cost-effective DER deployment. Unless the requirement for utility recommendations for improvement in interconnection policies establishes a clear goal to be achieved, there is clear risk that the recommendations will not be effective in realizing the goals of the DRP and the Commission. We recommend modifying the requirement to state: "Develop recommendations for further refinements to interconnection policies *so as to remove associated barriers to fulfilling local DER targets, accounting* for locational values."

[4] Draft Guidance at 21.

e. Integration Capacity Analysis

The Clean Coalition supports the requirement to perform and publish capacity analysis, but clarification and refinement of this guidance appears necessary. Since DER constitute a variety of resources that can be used in coordination to meet local load, balancing, reliability and power quality needs, including even full microgrid development meeting 100% of local needs, the requirement for Integration Capacity Analysis requires clarification.

Under the current interconnection maps, the total line capacity of each circuit and substation is already published. This represents the maximum capacity to convey current through the line to serve load, and, in this sense, the requirement for each utility to perform an Integration Capacity Analysis of their distribution system to the circuit level has already been accomplished. In addition, existing and planned generator interconnections are shown indicating the degree to which local load is already served or carrying capacity utilized. However, this does not reflect any planned investments or anticipated changes in load, the ability of additional load to be served by generation located at or near the load throughout the circuits, nor does it provide information on the capacity of the line segments within each circuit, each of which would be a valuable addition.

As outlined in our prior comments describing a modeling methodology of optimal locations for DER deployment, a distribution system has both a carrying capacity for current and a load profile located throughout the circuit map, which together define the capacity to integrate distributed generation (not directly associated with onsite load) without requiring additional mitigation for thermal ratings, protection systems limits, power quality or safety standards. The addition of other varieties of DER, including storage and automated local demand response, or even utilization of advanced inverter functionality, will allow the integration of additional generation while maintaining these operational standards.

The focus of our prior comments and of the DRP is not to determine DER Integration Capacity (which may be considered inherently unlimited), but to optimize for cost effective DER portfolios to meet policy goals.

We recommend directing the utilities to instead perform DER Portfolio Optimization Analysis that builds upon and refines the existing capacity data with modeling of dynamic DER integration optimized for cost effectiveness based upon the project cost and value of approaches to serving load, including customer choice in managing their own energy needs.

f. Net Ratepayer Benefits

In addition to reduced operational costs or investments that can be achieved through the judicious application of DER, the DRPs are required to consider net ratepayer benefits.[5] The Draft Guidance contain a significant omission in failing to require consideration of ratepayer savings that may be realized by sourcing power within the distribution system and thereby avoiding incurring Transmission Access Charges ("TACs") on each locally sourced kWh. Current TACs add 1.7¢ to the cost of each kWh delivered, and where investment in alternative local sources would avoid incurring such costs over 20 years, the levelized net present value is at least 2.4¢ per kWh.

This is a very significant factor that should be considered when determining net ratepayer benefits of investment in distribution upgrades in support of increased DER, and failure to incorporate these factors would eliminate a major DER development incentive and associated benefits.

The Clean Coalition has submitted testimony on locational value regarding current and future TACs in relation to the Green Tariff Shared Renewables program under SB 43.[6] While we do not propose that the Guidance establish a determination on the appropriate valuation of local generation in relation to Transmission Access Charges, it is appropriate to order the consideration and evaluation of these factors.

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[5] CAL. PUB. UTILS. CODE 769.8(b)(4) ("Identify any additional utility spending necessary to integrate cost-effective distributed resources into distribution planning consistent with the goal of yielding net benefits to ratepayers.").

[6] A.12-01-08 & A.12-04-20 Exhibit CC1 CLEAN COALITION REBUTTAL TESTIMONY REGARDING PACIFIC GAS AND ELECTRIC COMPANY'S AND SAN DIEGO GAS AND ELECTRIC COMPANY'S APPLICATIONS TO ESTABLISH GREEN TARIFF SHARED RENEWABLES PROGRAMS (Jan. 10, 2014), *available at* http://www.clean-coalition.org/regulatory-filings/cpuc-clean-coalition-rebuttal-testimony-on-sb-43/.

III. CONCLUSION

Clean Coalition respectfully requests that the Commission adopt these recommendations for the reasons stated above.

Respectfully submitted,

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Dated: December 12, 2014