

**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

**CLEAN COALITION OPENING COMMENTS ON E-MAIL RULING INTRODUCING  
DISTRIBUTED ENERGY RESOURCES TARIFF STAFF PROPOSAL AND  
DIRECTING COMMENTS AND RESPONSES TO QUESTIONS**

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October 30, 2020

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**I. INTRODUCTION**

Pursuant to Rule 6.1 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”) the Clean Coalition respectfully submits these opening comments in response to the ALJ’s E-mail Ruling Introducing Distributed Energy Resources Tariff Staff Proposal and Directing Comments and Responses to Questions, issued at the Commission on October 6, 2020. The Clean Coalition appreciates the hard work put into the creation of the Staff Proposal and acknowledges that it is a step in the right direction. The existing standard of limiting projects to those with a deferral date between three and five years away and a project cost of over one million dollars restricts the potential of distributed energy resources (“DER”) — typically smaller projects that can be deployed quickly — to act as alternatives to distribution upgrades. The proposed tariff creates a new requirement of two years rather than three and proposes value stacking, in addition to the use of private capital. Both of these changes are necessary to leverage the flexibility provided by DER and other non-wire alternatives (“NWAs”). The IOUs rely on three key metrics to determine the prioritization of projects before they are force ranked into four tiers: cost-effectiveness, forecast certainty, and the market assessment. In each case, DER, whether it is the aggregation of behind the meter (“BTM”) resources or a combination of BTM and front of the meter (“FOM”) resources have the capabilities to meet the demand, evolving over time as necessary. The three key questions that must be answered to maximize the effect of a DER deferral tariff relate to defining the value of DER and deferral projects (e.g. avoided transmission costs), the optimal mechanisms through

which DER will be solicited, and the utility preparation required to control aggregations of DER.

- **Avoided Transmission Costs:** On the issue of DER valuation, it is key that the value of deferral projects includes the avoided cost of transmission upgrades (and new transmission) in addition to deferred distribution infrastructure costs. In the 2020 update to the Avoided Cost Calculator, the Commission acknowledges that DER does transmission costs in D.20-04-010, suggesting, “we confirm that the value for unspecified transmission avoided cost is not zero,” before directing staff to calculate the value in PG&E’s territory and to being doing so for SCE and SDG&E.<sup>1</sup> The language of the Staff Proposal specifies that value stacking is central to a DER deferral tariff, which necessitates a determination of the proper valuation of DER that including avoided transmission.
- **Including a Feed-In Tariff:** The most effective mechanism to procure renewables-based deployments on the built environments (e.g. rooftops, parking lots, and parking structures) of residential and commercial/industrial buildings is a Feed-In Tariff (“FIT”). The Clean Coalition appreciates that the Staff included a FIT as one of the proposed mechanisms to procure DER but diverges with Staff on the priority of a FIT. Staff recommends a FIT as an issue of future consideration; we understand that if the future of the entire tariff is incumbent on the success of the first three pilot programs, seeing as a FIT would maximize the deployment of DER in the shortest amount of time, it should be included as part of the pilot. The Clean Coalition offers a FIT designed for the City of San Diego as a structure that might be used during the pilots.<sup>2</sup> With the inclusion of multiple adders, the FIT is structured to properly value DER. An avoided transmission adder, for example, could be included along with a GHG reduction adder, a location adder, and others that represent the priorities of the tariff.
- **IOU Development of DERMS:** The success of a DER deferral tariff depends on the abilities of the IOUs to manage aggregations of DER through Distributed Energy

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<sup>1</sup> D.20-04-010 at p. 3

<sup>2</sup> [https://clean-coalition.org/wp-content/uploads/2019/09/San-Diego-Final-FIT-Design-Recommendations-31\\_wb-9-Sep-2019.pdf](https://clean-coalition.org/wp-content/uploads/2019/09/San-Diego-Final-FIT-Design-Recommendations-31_wb-9-Sep-2019.pdf)

Resource Management Systems (“DERMS”), also a key component of Virtual Power Plants and Community Microgrids. Thus, the utilities should act as partners, developing the necessary software in concert with the proposed regulation rather than holding up the pace of regulation and effective programs such as this one due to a lack of investment.

For a long time, demand has existed for a program that properly values all DER projects in the DIDF and the Clean Coalition believes this Staff Proposal is an important step in the right direction. As a result, the Commission should not view the tariff as a series of pilots that could be turned into a permanent program if all goes well but might also end after a pilot. It should be the exact opposite: the creation of a permanent program verified by a series of pilot programs. The change in phrasing shifts the burden of proof, putting the onus on those against the program to prove it should not be created rather than on those who believe it should be created to provide reason to the Commission. In proceedings across the Commission, parties are suggesting that where technologies are proven, the need for pilot programs is passed. Since the technology is feasible and the program targets a market segment not currently served, the burden of proof should be to prove that a program should not be created if the pilots do not meet specified goals.

## **II. DESCRIPTION OF PARTY**

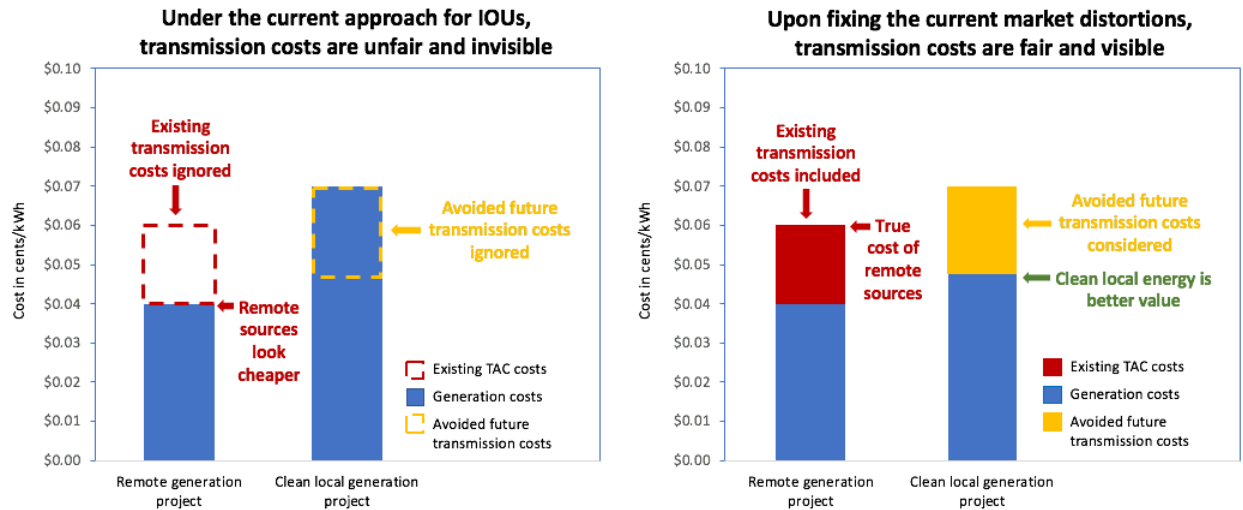
The Clean Coalition is a nonprofit organization whose mission is to accelerate the transition to renewable energy and a modern grid through technical, policy, and project development expertise. The Clean Coalition drives policy innovation to remove barriers to procurement and interconnection of distributed energy resources (“DER”) — such as local renewables, demand response, and energy storage — and we establish market mechanisms that realize the full potential of integrating these solutions for optimized economic, environmental, and resilience benefits. The Clean Coalition also collaborates with utilities, municipalities, property owners, and other stakeholders to create near-term deployment opportunities that prove the unparalleled benefits of local renewables and other DER.

## **III. COMMENTS**

### **a. The proceeding should consider properly assessing Transmission Access Charges to determine the true value of DER.**

Transmission Access Charges (“TAC”), charged by the IOUs to recover the cost of transmission infrastructure, artificially depress the value of DER, creating a market distortion

through the way in which they are assessed to IOU customers.



*Existing transmission costs, assessed as TAC and currently averaging 2¢/kWh, should be added to the cost of remote generation that requires use of the transmission grid to get energy from where it is generated to where it is used, which is almost always on the distribution grid where people live and work. Future transmission investments, currently averaging 2.5¢/kWh in the evenings, can be avoided via dispatchable local generation, and that value should reduce the evaluated cost of local generation. When correctly considering ratepayer impacts of transmission costs, dispatchable local generation provides an average of 4.5¢/kWh of better value to ratepayers than is currently assumed in the majority of instances.*

Currently TAC are assessed at the customer meter, meaning all energy is charged for use of the transmission grid, regardless of where it is generated. BTM rooftop PV is charged the same amount as energy delivered from across California, forcing DER owners to increase prices to ensure that the economics of a project work out. If the TAC market distortion were fixed, through properly assessing TAC at the transmission-distribution substation rather than the customer meter, DER — including projects deployed through this tariff that will only send energy over the distribution grid — will be more cost-effective, increasing their viability in the deferral framework.

## b. Responses to Questions

1. *Are the proposed guiding principles for the Staff Proposal, including the proposed new principles, appropriate and complete? If not, what revisions and/or additions should be made.*

The new guidelines especially are useful towards opening the deferral process up to the most effective market solutions. If the point of the process is to defer projects at a lower rate than the traditional DIDF, leveraging the use of private capital is a must to maximize efficiency, in addition to relying on of value stacking. Utility procurement of DER misses the

opportunity to take advantage of existing tax credits and increases the likelihood of large FOM project with a singular focus on deferral, which while beneficial, might not be the most efficient solution. A private company, on the other hand, could contract a portion of a project towards a deferral, exporting the rest of the energy from a DER project to contribute to a Community Microgrid or to maximize project economics through sale to secondary markets. Allowing a mixture of FOM and BTM resources with the SOC is akin to creating a VPP to solve distribution issues.

One of the explicit guidelines is related to incentives for technologies that are reasonable expected to reduce greenhouse gas emissions and other pollutants. It is unclear where this incentive might come from; since cost recovery is being allowed, any incentive is essentially a subsidy. Would a specific amount of money be allocated by the Commission? Furthermore, will the utilities be able to count deferral projects towards RPS goals and if so, will the subsidy come from that allowance?

2. *For each of the following elements of the proposed Clean Energy Customer Incentive, explain what modifications, if any, should be made:*

- a. Prescreening process: There is also a good chance that relying on private capital can speed up the deployment of a project, increasing the timeline for a deferral to earlier than three years (and necessitating a shift in the minimum capital requirement to under \$1 million – a requirement that continues to be unduly burdensome to DER projects and is a large part of the reason that DER projects have not been selected in the deferral framework).
- b. Use of ratable process: It appears that the changing framework would allow existing projects to meet the deferral demand, an especially effective tactic for needs under 1 MW. BTM aggregation should be prioritized depending on the size of the grid need. Ratable procurement changes the nature of the distribution deferral process to a short-term process rather than a long-term one. The Clean Coalition supports this concept and is of the opinion that the \$1 million project minimum requirement needs to be removed for this to have optimal results.
- c. Subscription period and contingency date: The process should promote the use of energy storage (which can partially be done through value stacking with SGIP). FOM energy storage can increase the capacity of feeders on the distribution grid.

Having a subscription program is a relevant concept to ensure that there is enough energy at all times, which is important with DER that may or may not have the necessary charge/generation profiles when it is needed. The extra energy should help the overall grid in times of emergencies (e.g. situations similar to the rolling blackouts during 2020).

- d. Cost cap and forecast: Technology neutral cannot be the exact framework under which BTM and FOM resources are chosen. There needs to be criteria that promotes the use of certain resources (e.g. resources that do not pollute over those resources that do). Thus, solar+storage should be preferred over fuel cells and generators (natural gas, biomethane, or biodiesel).

3. *What level of utility Distributed Energy Resources Management System (DERMS) functionality is necessary for distributed energy resources to defer Distribution Deferral Opportunity Report planned investments through the proposed Clean Energy Customer Incentive? Could aggregators perform the DERMS function for the utilities?*

No comment.

4. *Staff proposes testing the Clean Energy Customer Incentive and its elements through three separate pilots, but we focus only on the pilot proposed to begin in August 2021 (Pilot 1). What, if any, modifications to the proposed Incentive Pilot 1 should be made?*

Rather than delaying the process to only start with one CECI pilot, it would be most effective to concurrently start the CECI and SOC pilots. Pilot 1 should attempt to optimize the procurement of DER resources via a local Feed-In Tarff which would guarantee the procurement of resources up to the two ratatable segments (90% and 120% of the target amount). Moreover, there should be a pilot for an energy storage market mechanism to determine whether achieving the 120% level is necessary for all DER deferrals or if reserving a certain percentage of the energy storage at any given time is sustainable. Depending on the results of Pilot 1, there might not be a need for a Pilot 2 or 3. Much more is incumbent on the capabilities of utilities to control the DER with DERMS than on the capabilities of enough BTM DER to be aggregated to reach the target amounts.

5. *Explain why the Commission should or should not adopt the Clean Energy Customer Incentive and implement Incentive Pilot 1 in August of 2021, either as proposed or with modifications?*

No comment.

6. *Explain whether the Commission should or should not adopt the proposed changes to the Requests for Offers process in order to streamline the process, including the allotted time for contract execution?*

No comment.

7. *The Staff Proposal recommends a pilot of the Standard Offer Contract. For each of the following elements of the proposed Standard Offer Contract pilot, explain what modifications, if any, should be made:*

No comment.

8. *Explain why the Commission should or should not adopt the proposed Standard Offer Contract pilot, either as proposed or with modifications.*

No comment.

#### **IV. CONCLUSION**

The Clean Coalition respectfully submits these opening comments and looks forward to the progress this proceeding can make on a DER deferral tariff.

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