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 REPLY COMMENTS ON E-MAIL RULING INTRODUCING DISTRIBUTED ENERGY RESOURCES TARIFF STAFF PROPOSAL AND DIRECTING COMMENTS AND RESPONSES TO QUESTIONS

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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.

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. Cal Advocates

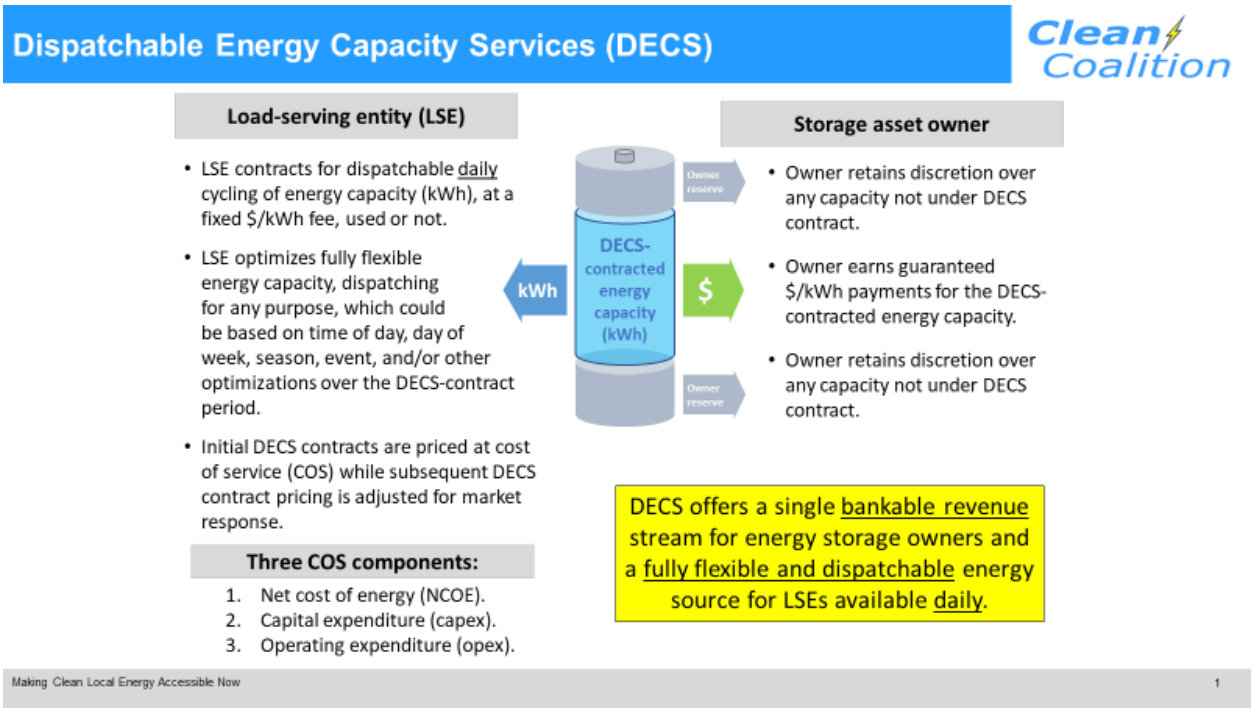
The Clean Coalition agrees with Cal Advocates that a successful DER deferral program will shorten the existing DIDF and reduce the total timeline for the RFO process. Cal Advocates

lists this as a primary reason for supporting the SOC program, which the Clean Coalition also supports, though we believe that the ideal way to shorten the existing DIDF process is to replace the RFO process entirely, through the implementation of a Feed-In Tariff (FIT) as part of the CECI. As mentioned in opening comments, a FIT is the most effective way to deploy DER, especially since the focus is the procurement of projects that will save money when compared with traditional infrastructure upgrades, creating a natural FIT rate to begin with (e.g. any projects under the 85% rate can be deployed).

The Clean Coalition disagrees with Cal Advocates assertion that, "allowing a 20% DER procurement margin over the required capacity amount could result in over-procurement and the adoption of DER solutions that exceed the cost cap. Accordingly, this is a more costly option than the planned traditional investment."[1] Because DER can be deployed with multiple sources of capital and the energy it provides does not have one static use in the way that traditional deferral project do, the value DER provides for the grid can change depending on the need for services. Allowing value stacking with other programs including NEM could create situations where the entire generation profile of the DER may not be used for the expressed intention of serving grid needs during any given day. As a result, it shows foresight on the part of the Commission to consider a 20% over-capacity margin to ensure that the requisite energy is available when there is sufficient demand, and contrary to the claim of Cal Advocates, the 20% over-capacity requirement does not necessarily mean that the cost of relying on DER to satisfy the deferral need would be higher than that of traditional infrastructure. The combination of value stacking and private capital suggests a reduction in prices, rather than an increase. However, considering the possibility that Cal Advocates could be right about cost-effectiveness, a change to the ratable procurement process should not be made until after it has been proven through at least one of the three pilot programs. Considering the potential for ambiguity about the effect of over-capacity margins, it could be useful to have a working group to design pilot evaluation metrics, as Cal Advocates suggests. However, the Clean Coalition would prefer that pilot evaluation metrics be designed within the proceeding rather than creating two new working groups.

[1] Cal Advocates Opening Comments at page 7

Cal Advocates are keen to request that the Commission clarify the timeline in which a DER provider would be paid under the reservation payment system. The Clean Coalition understands that any delineation of time could be used but suggests that the reservation system be connected to the daily generation profile of a resource. As an example, the Clean Coalition designed a market mechanism called DECS (Dispatchable Energy Capacity Services), to use resilience contracts as a bankable revenue stream for energy storage owners.



A similarly structured contract to DECS would prove to be highly effective for DER deferral projects, though it could be for general energy reserves or for a more specific purpose, like resilience.

b. AEEE

The Clean Coalition supports AEE's statement that, "The key benefit of CECI is that the contracting for multiple behind-the-meter (BTM) resources happens once via an aggregator. This should speed up deployment, lower transaction costs overall, allow for greater participation of smaller resources, and streamline DER procurement."[2] Aggregation allows the utilities to treat

[2] AEE Opening Comments at page 4

the multiple resources as one and incentivizes smaller projects to be deployed in low-income or disadvantaged communities.

c. SDG&E

The Clean Coalition strongly disagrees with SG&E's first two assertions, especially the suggestion that each utility administer one a pilot program to ensure that resources are not wasted. Coupled with the suggestion that each pilot should continue for three years, accepting SDG&E's proposal is a recipe for an administrative disaster. It takes time for each utility to begin to administer a program, something that is constantly acknowledged in comments; so after three years of a pilot program, each utility would be able to run the program they piloted smoothly, but completely inexperienced at running the other program. As a result, after a long pilot period, it would take at least six months (most likely more) before the three utilities could have both programs ready to begin taking offers for projects. The entire point of a pilot program is to create the knowledge to remedy any potential projects and then to smoothly transition into the full-scale program. Waiting for almost four years does a disservice to DER providers and limits the resources that might be built. Just as importantly, the three IOU service territories are different enough that it is worth seeing how the pilots work in each before a full program is approved.

The Clean Coalition also disagrees with SDG&E's assertion that a deferral tariff should not be an effective substitute for a competitive process. The success of a FIT in countries like Germany and Spain, as well as California programs like BioMAT prove just the opposite. When it comes to deploying DER effectively, a competitive process actually increases uncertainty and upfront costs. SDG&E's suggestion that only a 100% acceptance rate for target projects, not 90% as is suggested in the Staff Proposal, would also add to uncertainty because it would make DER providers much less likely to sign up for a program in an area, especially one with a high target.

d. PG&E

As mentioned in comments above, the Clean Coalition believes that a FIT is the most effective way to stimulate the deployment of DER and thus, we disagree with PG&E's claim that it might lead to non-performance and over compensation. The ratepayers already foot the bill for costly infrastructure upgrades; paying for the value provided by DER projects will result in

savings, especially over the lifetime of a DER project. PG&E also errs in statements that additional incentives for transmission or GHG reduction should not be supported in the CECI or SOC. Both are value streams that achieve the state's policy goals, while reducing the need for further transmission upgrades (since energy is being produced on the distribution grid). If adders properly value DER, they are not shifting costs to the ratepayer and it is reasonable to have a conversation about including them. PG&E provides no concrete reasons why such adders should not be considered, only using the phrase cost-effectiveness, which does not preclude the addition of adders. The Clean Coalition wishes to disagree that aggregation models should not be used because they have not been commercially proven; this is incorrect and does not put responsibility in the hands of a customer. It is just another type of energy project, requiring interconnection and a contract with the utility. The only difference is the management and technical capabilities needed to make it work on the part of the utilities. It will take resources and staff, but that does not mean it should not be done or will not be effective.

e. CESA

At a high level, the Clean Coalition aligns with the positions that CESA took in opening comments, particularly with regards to the benefits of ratable procurement to address load growth, the need for marketing and outreach to inform customers about the synergy between the deferral tariff and other current programs and the potential benefits of a prescreening process. CESA is astute to suggest that the guiding principle related to cost caps should focus on the IOU's payment to the DER rather than the total cost of the DER project itself. The small amendment better utilizes the framework that projects should value stack through a combination of existing programs and private capital. The change complements CESA's second suggested edit —to the second principle — that existing DER should also be allowed to provide incremental grid services, ensuring that the necessary procurement targets will be met. In the view of the Clean Coalition, the ability of DER to provide grid services is greatly under-utilized, a problem that when remedied, will help unleash the true value of the DER market. In this case, allowing the use of existing DER has the dual benefits of assuaging the IOU's concern that the deferral value will be negated if 100% of a procurement target is not met and stimulating new DER growth. The entire purpose of the DIDF centers around using the existing distribution grid to host projects that will defer infrastructure upgrades; the same should hold true with the DER

projects themselves. If an existing DER can provide grid services or meet a procurement target, less money needs to be spent on larger aggregations of new DER, lowering the total amount of costs passed on to the ratepayers. As the IOUs note in their opening comments, the deferral tariff is predicated on the efficient management and use of resources rather than an intentional subsidy of DER. Thus, while SDG&E ask the Commission to reject the CECI, they also suggest that it might be beneficial if DER contracted through the program were to also be available for emergency reliability purposes, an idea that the Clean Coalition supports.

One of the key benefits of DER is that small projects are easier and less costly to interconnect, reducing the time between submitting an interconnection application and the COD as compared with larger remote projects. Putting up more roadblocks in the interconnection process as part of the deferral tariff is taking steps in the wrong direction when the Commission should be seeking to streamline interconnection as much as possible. For that reason, the Clean Coalition agrees with CESA that reapplying or the prescreening process every two years is unnecessarily complicated, especially when a performance metric could serve as a more effective metric to determine if the prescreening application status of a project should be changed. Most importantly, considering the actual generation and benefit to the grid of a project is a more reasonable process than the resource draining process of going over every application bi-yearly.

IV. CONCLUSION

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

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