

**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 IDER PARTNERSHIP AND
STANDARD OFFER CONTRACT PILOTS EVALUATION CRITERIA**

/s/ BEN SCHWARTZ
Ben Schwartz
Policy Manager
Clean Coalition
1800 Garden Street
Santa Barbara, CA 93101
Phone: 626-232-7573
ben@clean-coalition.org

April 9, 2021

**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 IDER PARTNERSHIP AND
STANDARD OFFER CONTRACT PILOTS EVALUATION CRITERIA**

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 on IDER Partnership and Standard Offer Pilots Evaluation Criteria. On February 11, 2021, the Commission released D. 21-02-006, approving two DER Deferral Pilot Programs, the Pilot Partnership for behind-the-meter (“BTM”) resources and the Standard Offer Contract Program for front-of-meter (“FOM”) projects. The Clean Coalition appreciates the opportunity to comment on performance metrics and evaluation criteria that will determine the success of the two pilot programs.

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. Performance Measures

Since FOM resources have been under-utilized in the deferral process and BTM resources have never been deployed, the pilot programs truly represent a foray into new territory for the CPUC. Success of the pilot programs hinges on finding a balance that achieves a cost-effective solution when compared to traditional infrastructure upgrades, while offering a price that is competitive enough to attract sufficient aggregations in order to meet procurement margins. Therefore, more than anything else, the pilots represent an important period for data gathering — data that should not be limited to quantitative information about project costs. The pilots will begin in a world just emerging from COVID lockdowns, making it more than likely that the speed at which procurement margins are met and the project deployment timelines will change throughout the first three years. Changing tariffs for DER, particularly the new NEM Successor Tariff will likely also have a large impact on the effectiveness of the two Pilot Programs. The only way to truly identify the value of DER as a tool for deferring infrastructure upgrades is to look at the full picture; that includes the cost-effectiveness of the pilots, the number of deferred upgrades, the type of DER used in aggregations, the way the pilots change over time, and policy changes needed to maximize the value of DER deferral.

i. Utility costs should be used to determine cost effectiveness.

The Clean Coalition believes that the proper way to determine cost-effectiveness is to compare the cost of traditional upgrades with the cost the utility spends to incentivize and administer the two pilot programs. However, the comparison should be calculated specifically with capital eligible for cost recovery by the Commission through the DER Deferral Pilot Programs. It is not reasonable to include any project cost of an aggregation that comes from private capital or other public programs (e.g., from a program like SGIP).

While it is simple to distinguish the value of a deferral program if the pilot is equal in cost or more cost effective than traditional infrastructure upgrades, it is also important to consider the wholistic value that DER aggregations offer the grid. Resources interconnected as an aggregation for the primary purpose of deferral are still capable of offering other grid benefits, including resilience, RECs, voltage balancing, RA, demand response, and peak load shaving to name a few. The totality of benefits offered should be used to calculate the cost-effectiveness of

the two pilot programs, making it important that all of these benefits are properly recorded and able to be evaluated annually. When compared with traditional infrastructure upgrades, the value of DER can be attributed to quick deployment times and the flexibility that comes from the ability to be used for multiple applications. And while it is not yet a requirement, connecting DER with DERMS has the potential to optimize the value of aggregations, enhancing the benefits for the grid and the economic benefits for resource owners.

ii. Information related to the number of DER aggregators should be recorded.

Irrespective of whether a procurement margin is reached to defer an infrastructure upgrade in a given grid area, it is important to fully grasp the annual response of DER aggregators to the pilot programs. In each IOU service territory, the number of total bids should be recorded — including a project-specific breakdown — as should the cost per bid. It is also worth having information about the number of aggregators that complete the pre-screening process. When combined, these two sets of data will give the Commission and the proceeding a good understanding of those interested in the pilot programs. Over the course of three years (or the full five-year program) an upward trend in the total number of pre-screening applicants and aggregators bidding is a very good indicator of the value of DER aggregations as a business opportunity and the viability of the pilots as long-term programs. Collecting data for half a decade should reflect the changing energy landscape in California and the opportunity it creates for new turnkey business solutions. Though not a factor that will make or break the future of the pilots alone, having this kind of information is necessary to make the most informed decision about the way future infrastructure needs are met.

iii. Resource profiles and information about greenhouse gas reductions should be valued.

One of the guidelines adopted in D. 21-02-006 requires that the two pilot programs be administered in a way that is technology neutral. Collecting information about resources only requires collating data that already exists in interconnection applications and does not impact the way that the pilots are overseen. Yet, since the state is moving towards 100% clean energy, it is inherently valuable for the Commission to understand the types of DER being used in

aggregations. Similar to the reasoning mentioned in subpoint ii, understanding resource profiles over five years better illustrates the big picture about the types of demand side resources participating in DER deferral. From a cost-effectiveness standpoint, renewable resources offer RECs and have tangible greenhouse gas reductions benefits that should be considered in cost-benefit calculations.

iv. An annual survey of aggregators should be conducted to determine program successes and necessary changes.

While the mid-pilot review is an opportunity to determine the success of DER deferral as a cost-effective alternative to traditional upgrades, it should also be viewed as the best time to make program improvements. Thus, input of participating aggregators is extremely relevant information that stakeholders should have the opportunity to review and consider. The questions in the survey can cover a range of topics from the interconnection process to project costs to compensation mechanisms. The Clean Coalitions believes that while the proceeding should determine the content of said surveys, a few topics should remain constant throughout the pilots including:

1. How easy is it to navigate the interconnection process and ICA maps? What changes, if any, need to be made to maximize an aggregator's experience?
2. How can the interconnection application for an aggregation be further streamlined?
3. How competitive are the payments made to resources compared to project costs?
4. Are any other market mechanisms needed to increase aggregator participation or to encourage the deployment of any type of resource?

b. Evaluation Criteria

i. An analysis should be conducted about the effectiveness of continuing with separate pilots for aggregations on either side of the meter.

The initial staff proposal suggested a pilot specifically for FOM resources and a blended resource for aggregations that included resources on either side of the meter. In the final decision, the Commission changed this to limit each pilot to resources on one side of the meter. Therefore, irrespective of the success of both pilots, a question remains about the way to create the optimal aggregation of DER. It is possible that an aggregation containing a blend of DER located on either side of the meter is the most cost-effective answer when it comes to deferring infrastructure upgrades. Under the current structure of the pilot programs, it appears that aggregations from either pilot can be used to meet the minimum procurement margin; however, it is unclear if the entire margin needs to be met via one pilot or if aggregations utilizing different pilots can meet the same procurement. Thus, during the evaluation process, it would be beneficial to include analysis to determine if BTM resources (the Pilot Partnership), FOM resources (SOC Pilot), or some combination of resources on either side of the utility meter would have been ideal to serve the deferral load in each situation.

ii. The purpose of the cost cap should be evaluated.

The more aggregations that are able to defer distribution upgrades at, or under the cost cap, the more successful the pilot programs are. The current cost cap is set at 85%. Therefore, in the situation that few aggregations meet the cost cap, the pilots should not be immediately ramped down or marked as a failure. From a pure accounting standpoint, any aggregation capable at meeting a deferral need under 100% of the cost of a traditional solution is valuable to ratepayers, particularly if there are other benefits. It is reasonable to consider raising the cost cap; an increase of as much as 14% still results in a net gain for the rate payers. An evaluation should take the analysis one step further by considering the secondary purpose of the pilots — increasing the penetration of DER throughout the state in a cost-effective manner. Thus, amending the pilots to benefit disadvantaged communities (“DAC”) for example, should be considered. If the cost cap were increased to 90% or 95% of the cost of a traditional infrastructure upgrade to incentivize the deployment of DER in DAC, is the extra value provided enough to offsets the increased cost cap? Such a question merits consideration before a permanent program is developed; the sheer number of projects deployed should not be a factor that discourages the Commission from ensuring the pilots are administered fully until the completion of the original timeline.

iii. Avoided transmission should be valued.

Projects that meet the need for distribution deferral should be considered a success, particularly if there is increased value due to the value of avoided transmission that the deployment of DER offers. This is a secondary benefit that contributes to the total electric system and should be weighed against costs.

iv. Report Feedback Process

Parties should be allowed to file formal comments and reply comments about a progress report on the pilot programs.

IV. CONCLUSION

The Clean Coalition respectfully submits these opening comments and looks forward to going into more detail during reply comments.

/s/ BEN SCHWARTZ

Ben Schwartz
Policy Manager
Clean Coalition
1800 Garden Street
Santa Barbara, CA 93101
Phone: 626-232-7573
ben@clean-coalition.org

April 9, 2021