Clean Coalition
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May 24, 2021
Edward Randolph, Director
Energy Division
California Public Utilities Commission
505 Van Ness Avenue, Room 4004
San Francisco, CA 94102

RE: Draft Resolution E-5150, 2021 Minor Update to the Avoided Cost Calculator

Dear Mr. Randolph,

Pursuant to Rule 14.6 of the CPUC of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission"), the Clean Coalition respectfully submits this comment letter on the proposed updates to the Avoided Cost Calculator ("ACC"). The Clean Coalition is concerned that multiple aspects of the proposed 2021 "minor update" to the ACC constitute a major update and should not be considered until the process begins for the 2022 major update to the ACC, when the appropriate amount of stakeholder input can be solicited. 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.

In D. 20-04-010, the Commission was quite specific about the information that should be included in the 2021 minor update. The decision specifies:

- Expand the Avoided Cost Calculator outputs used for demand response;
- Remove any remaining separate Avoided Cost Calculator outputs used for Permanent Load Shifting;

- Include one or more historical years in the Avoided Cost Calculator; and
- Correct the minor errors in the 2019 Natural Gas Avoided Cost Calculator.[1]

These bullet points provide a benchmark with which the 2021 minor update should use. Yet, the compilation of changes currently included in the draft resolution will slash the avoided cost of PV by an average of 44%, an amount that will certainly have huge impacts on the future of DER throughout California. Other programs, including the Net Energy Metering Successor Tariff and the DER Deferral Pilot Programs both rely on the ACC to determine appropriate compensation. Even small changes will lead to major impacts on the outcomes of these programs; including such major value shifts will likely decimate the future of sustainable growth for NEM, the DER Deferral Pilots, and any other CPUC program that relies on values from the ACC. Therefore, we request that information included in the proposed 2021 update that was not specified by the Commission in the 2020 decision be held until the mandated August 1, 2021 workshop that marks the start of the 2022 major update to the ACC. Waiting just a short time allows for 10 months to elicit stakeholder input and verify all variables being used to make changes.

Waiting until the major update begins to make changes will ensure that the 2022 ACC best reflects changing conditions in California due to climate change and shifting energy markets. First, the implementation of FERC Order 222 will truly open CAISO markets to DER aggregations, increasing the value of DER by allowing an aggregation to act in a similar fashion to a supply-side resource. A stakeholder process is beginning at CAISO, aimed at better integrating storage into wholesale markets, including the aggregation of storage. Therefore, it is quite premature, for a <u>minor update</u> to the ACC to slash the avoided costs for 2030 based on pricing that will change shortly and a focus on utility scale deployments.

Second, the current SERVM model relies on outdated climate information, which skew the data against PV. This is particularly true for the timeframe 2031-2050. The model relies on temperature data from 2013, despite the fact that the temperature in California (and throughout the world) continues to rise. 2019 was the second hottest year on record. This should be reflected in a temperature escalator. Similarly, if the rise in temperature is modeled, the Implied Marginal Heat Rate that remains constant for long term modeling from 2031-2050 should change as well.

[1] D. 20-04-010 at 73-74

Third, a Proposed Decision was released on May 21, 2021 in the IRP proceeding. Scenarios from this PD should not be used until the Commission actually votes on it. It is not beneficial to include values that will soon become out of date in the minor update, particularly when the process for the 2022 major update will begin in just a few months.

Finally, the cap and trade adder should not be adjusted with re-balancing forecasts until the program itself changes, which will occur in the next two years. Currently, legislators believe the strength of the program is not sufficient and have promised that a new value per ton of carbon will be considered by 2024.[2] The 2021 minor update should not slash the avoided GHG, decreasing the apparent value of DER, only to have a price increase obviate the change in two years or less.

For these reasons the Clean Coalition respectfully submits this comment letter on the draft resolution and urges the Commission to wait before making such major changes to the ACC.

/s/ BEN SCHWARTZ
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Service List, R.14-10-003

[2] https://www.capradio.org/articles/2021/02/16/california-to-review-carbon-trading-program-as-part-of-climate-roadmap/