

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

Order Instituting Rulemaking to Revisit Net
Energy Metering Tariffs Pursuant to Decision
D.16-01-044, and to Address Other Issues
Related to Net Energy Metering

Rulemaking 20-08-020
(Filed August 27, 2020)

**CLEAN COALITION REPLY BRIEF ON THE NET ENERGY METERING
SUCCESSOR TARIFF**

/s/ BEN SCHWARTZ

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

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Table of Contents

| | | |
|-------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|
| I. | INTRODUCTION..... | 1 |
| II. | DESCRIPTION OF PARTY..... | 2 |
| III. | STATEMENT OF QUALIFICATIONS | 2 |
| IV. | ISSUE 2: What information from the Net Energy Metering 2.0 Lookback Study should inform the successor and how should the Commission apply those finding in its consideration?..... | 2 |
| V. | ISSUE 3: What method should the Commission use to analyze the program elements identified in Issue 4 and the resulting proposals, while ensuring the proposals comply with the guiding principles?..... | 2 |
| VI. | ISSUE #4: What program elements or specific features should the Commission include in a successor to the current net energy metering tariff?. | 3 |
| VII. | ISSUE #5: Which of the analyzed proposals should the Commission adopt as a successor to the current net energy metering tariff and why? What should the timeline be for implementation? | 6 |
| VIII. | ISSUE #6: Other issues may arise related to current net energy metering tariffs and subtariffs, which include but are not limited to the virtual net energy metering tariffs, net energy metering aggregation tariff, and the Renewable Energy Self-Generation Bill Transfer..... | 6 |
| IX. | CONCLUSION..... | 7 |

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I. INTRODUCTION

Pursuant to Rule 6.2 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”) the Clean Coalition respectfully submits this reply brief. When reading this brief and making a decision on the future of the Net Energy Metering (“NEM”) Successor Tariff, it is important to consider the overarching context; after all, when considering regulation, courts have historically considered both the letter of the law as well as the spirit/intent of the lawmakers when crafting the law. First and foremost, the goal of NEM has always been to increase the amount of behind the meter (“BTM”) distributed energy resources (“DER”) deployed throughout the state. Given the importance of NEM to achieving policy goals — decarbonization, increased penetrations of DER, GHG reduction, and electrification — there has always been an understanding that the additional value NEM customers provide merits the investment made by the state. While this is not explicitly stated in the original legislation, AB 327 does include the phrase, “Eligibility for net energy metering does not limit an eligible customer-generator’s eligibility for any other rebate, incentive, or credit provided by the electric utility, or pursuant to any governmental program,” which suggests that NEM was intended to provide extra value rather than acting as a substitute for other state-sponsored programs like SGIP.¹ Therefore, proposals that focus primarily on reducing a purported “cost shift” rather than the sustainable growth of the renewable deployments for all customer classes should not be weighed as highly as those that follow the intent of the law.

¹ PUC § 2827 (c)(1)

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. STATEMENT OF QUALIFICATIONS

My name is Ben Schwartz, and I am the representative of the Clean Coalition in this proceeding. A list of qualifications can be found in both the Clean Coalition opening and reply testimony.

IV. ISSUE 2: What information from the Net Energy Metering 2.0 Lookback Study should inform the successor and how should the Commission apply those finding in its consideration?

This was addressed in testimony.

V. ISSUE 3: What method should the Commission use to analyze the program elements identified in Issue 4 and the resulting proposals, while ensuring the proposals comply with the guiding principles?

The Commission should focus first on guaranteeing that the Successor Tariff will ensure sustainable growth of distributed generation that take service under it. The Clean Coalition does not believe that pushing customers to other tariffs can be considered sustainable growth. If a proposal makes the payback period for a NEM system worse than a Rule 21 non-exporting PV system, it cannot be considered a success. This is equivalent to forcing distributed generation off the grid and promoting curtailment. Neither Cal Advocates nor the Joint Utilities considered this in their analysis and have not yet made the comparison. For this reason, their proposals should receive less consideration than the proposals put forth by other parties.

VI. ISSUE #4: What program elements or specific features should the Commission include in a successor to the current net energy metering tariff?

- a. A Successor Tariff should include a value proposition for solar customer in terms of bill savings and a payback period.

The simple truth is that for an investment to seem worthwhile to an average consumer, there needs to be some sort of savings realized in the short-medium term, even if it is a long-term investment. Proposals that would greatly push back the payback period of the Successor Tariff (when compared with the current NEM tariff) need to have some justification as to why this change is reasonable and will stimulate growth of BTM renewables. During evidentiary hearings, the witnesses for the Joint Utilities defended more than doubling the NEM 2.0 payback period by suggesting that normal Californians would probably still be interested in the incentives. While describing their proposal in opening briefs they suggest, "These rate design and program elements are intended to work together to reduce the NEM cost shift from participating to non-participating customers, support a value proposition for new solar customers (in particular for income qualified customers) and encourage solar-paired storage adoption."²

Unfortunately, while the utilities suggest that their proposal still offers a value proposition that ratepayers will find attractive, there is nothing empirical in their research that supports that assertion. No focus groups were considered and no ratepayers in DAC were consulted. During cross examination, IOU witnesses were unwilling to answer whether they would consider the payback periods under the Joint IOU proposals to be reasonable, much less attractive. Because regulation has real life consequences, it should not be written in a bubble that focuses on the needs of others without their input. This was the case with the Joint Utilities as well as with Cal Advocates, both of whom focused on a purported "cost shift" without considering the real impact that their proposals might have on real Californians. Between rising housing costs and an increased cost of living, it simply isn't realistic to believe that the majority of Californians will have capital enough saved to wait 16-20 years before seeing a return on the initial investment.³

² The Joint Utilities Opening Brief at 4

³ <https://calmatters.org/california-divide/2021/07/cost-of-living-study-california-families/>

On the other hand, if the Joint Utilities and Cal Advocates focused their proposals on making NEM viable primarily for DAC and CARE customers, which should be a priority of the Successor Tariff, it is surely an overcorrection from NEM 2.0 if the economics do not pencil out for ratepayers in any other income brackets. As was revealed during the SEIA/Vote Solar cross examination of IOU witness Dr. Tierney, no other state has implemented a NEM tariff with all the changes that the IOUs are proposing. Even in the case of South Carolina and New York, the changes have not yet come into effect (they will begin in 2022), so there is no way to predict how the markets in those states will change, nor can it be aptly connected to the market in California.

b. The Successor tariff should be transparent.

The Successor Tariff should be easily explained to an average customer, following one of the key tenets of ratemaking: simplicity. It is extremely unlikely that this will be the case for the proposals by the Joint IOUs, Cal Advocates, TURN, NRDC, or any party that proposed a Grid Benefits Charge (GBC). During evidentiary hearings, when asked about the mechanics of how the proposed GBC would appear on a customer bill, IOU witness Molnar suggested that it would likely appear as multiple charges together, similar to what is done with NBCs currently.⁴ As a follow up, when asked about the likelihood of a customer understanding the GBC or what part of it caused a price increase, Ms. Molnar suggested that a customer could look on the website, read the NEM tariff, or do further research beyond bill messaging. However, when pressed further, Ms. Molnar admitted that only about 10% of customers ever use the website to do further research.⁵ In addition, the Joint IOUs specified that they have not made a final decision to notify customers that storage would provide the most savings under their proposal or that a customer taking service under the NEM Successor Tariff would be assessed an unavoidable GBC.

In each of these proposals with a GBC, and especially in the case of the Joint IOUs, the customer would be forced to do further research, and even then, will not be guaranteed a straight answer one way or another. An increase in the GBC would have to be taken at face value instead of a specific breakdown on a bill to determine exactly which component led to the increase. The

⁴ Clean Coalition Cross of Ms. Molnar on July 29, 2021, at 665

⁵ Ibid at 666-667

lack of transparency will only serve as a deterrent to market entry, or it will cause confusion for ratepayers that end up with higher bills than expected and receive a lackluster explanation.

c. A Grid Benefits Charge should not be included in the final tariff.

The Clean Coalition has opposed a GBC since it was first proposed for a number of reasons, including the negative price signal that it sends to potential market participants. While the terminology is clever, almost making it sound like a NEM generator is paying for a myriad of benefits associated with interconnection to the grid, it was revealed during evidentiary hearings that the so-called GBC is actually a solar access charge. When asked whether a hypothetical NEM customer that exports 100% of its energy to the grid would be assessed a GBC (since the GBC is allocated based on on-site consumption), IOU witness Morien stated, “They [NEM customer] benefit from just being connected to the grid.”⁶ An access fee that is unique to NEM customers reduces bill savings and disparages ratepayers from taking service under the tariff, pushing them toward another tariff that does not include an access charge. More importantly, the mechanism of a GBC was not thoroughly researched before the Joint Utilities decided upon an unavoidable charge based on system size. The same is true with other proposals that include a GBC; each proposal uses the same style of charge. This is problematic because it is unnecessarily imprecise; The SEIA/Vote Solar cross of Ms. Morien that the GBC was crafted using the ratemaking principle of averages, meaning some customers will be charged more than others, potentially causing significant disparities. Under current rate design some will pay more, and some will pay less. However, regardless of this inequity, the Joint Utilities did not consider other methods that might allocate these costs much more effectively. They did not model a GBC as a fee based on individual consumption or adding infrastructure costs as a nonbypassable charge. This is also true of NRDC and Cal Advocates. The focus was on mitigating a cost shift rather than accuracy, transparency, or sustainable growth.

Just as important, a GBC shields the fact that NEM customers would be forced to pay Transmission Access Charges (“TAC”), despite not using the transmission system. For an average customer that consumes some energy on-site, exports energy, and imports a small percentage of energy, the use of the transmission system is not part of the picture. Even if, and it

⁶ Clean Coalition Cross of Ms. Morien on July 28, 2021 at 511

is a big if, part of the energy imported from the grid happens to come from the transmission system, it is unreasonable and unfair for a NEM customer to pay TAC on 100% of the energy consumed. A GBC attempts to blindly assess a NEM customer with TAC regardless of cost causation; TAC is a \$/kWh charge, making it unreasonable to allocate costs based on on-site consumption, rather than what actually uses the transmission system. Approving such a charge would further lower the value of DER and ignores the fact that DER can defer all four major drivers of transmission buildout: peak load, reliability, economics, and policy.

VII. ISSUE #5: Which of the analyzed proposals should the Commission adopt as a successor to the current net energy metering tariff and why? What should the timeline be for implementation?

As mentioned in reply testimony, due to the importance of NEM and the variety of generating facilities that can take service under the tariff, the Commission should adopt more than one proposal. The Clean Coalition supports proposals by CALSSA, PCF, Grid Alternatives, and CCSA for low-income and residential customers. This customer class has been the most heavily debated part of this proceeding and has a great deal of evidence with which to make a decision. However, larger customer classes, including the C&I market segment have largely been ignored, particularly in evidentiary hearings. This realization became clear with the cross examinations by Steve Sherr and the lack of focus on the testimony provided by Foundation Wind Power, LLC. It is for this reason that the Clean Coalition urges the Commission to consider a separate program for larger customers, a Feed-in Tariff (“FIT”) model, such as the one we proposed in our proposal and testimony. For larger customers, who have the ability and interest to export energy when it benefits the grid, a FIT, like the Los Angeles Department of Water and Power (“LADWP”) FIT+ program would send a price signal to incentivize exports during peak hours of the day, maximizing the benefit of this customer class to the grid.

VIII. ISSUE #6: Other issues may arise related to current net energy metering tariffs and subtariffs, which include but are not limited to the virtual net energy metering tariffs, net energy metering aggregation tariff, and the Renewable Energy Self-Generation Bill Transfer

The Clean Coalition continues to argue for our fix to the NEM-A tariff, to allow the credits to be fully valued with TOD multipliers. Credits should flow down from the primary meter to sub

meters as they are accrued based on exports. Furthermore, all exports should receive exemptions from demand charges. We also believe that the Ivy Energy proposed amendments to the V-NEM tariff are important and should be adopted.

IX. CONCLUSION

The Clean Coalition appreciates the opportunity to submit this reply brief.

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

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