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 COMMENTS IN RESPONSE TO THE PROPOSED DECISION ADOPTING CHANGES TO THE AVOIDED COST CALCULATOR

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I. INTRODUCTION

Pursuant to Rule 14.3 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 Proposed Decision ("PD") Adopting Changes to the Avoided Cost Calculator ("ACC"), filed on March 30, 2022. We support the Commission's ongoing efforts to create a tool that accurately values the many benefits of DER, through a transparent process that gives adequate time for stakeholder input. The PD represents a good step forward, particularly with regards to avoided transmission values. The Clean Coalition has a few suggested improvements before the PD is discussed by the Commission:

- If the Commission chooses to move forward with eliminating the Minor Update process, there should be a grievance process to address egregious mistakes and unintended consequences that might arise.
- The Commission should assign a temporary avoided transmission value for SCE, in the same manner as was done for PG&E, until results from a full calculation (or Commission-approved value in the GRC Phase 2) are available.
- The Gas-Burner Tip Forecast should not be switched from the current method solely for the sake of more closely integrating the ACC with the IRP/
- The Commission should consider the Vibrant Clean Energy and the potential benefits of locational adders.

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. Eliminating the Minor Update altogether, without any type of amendment process, opens the door to unintended consequences.

The last Minor Update to the ACC, approved by the Commission in Resolution E-5150 was particularly contentious and saw drastic changes to the outcome of the ACC. Removing this cycle and elongating the schedule for the Major Update process could increase the transparency of the process and give stakeholders more time to go over data and provide meaningful feedback. Equally important, more time to deliberate and validate data would almost certainly result in fewer PDs that recommend waiting until the next cycle to carry out a new calculation methodology or take no action on an issue due to disputed values. Given the necessity of processes to efficiently value and deploy renewable resources, it is essential that the Commission has a robust tool to lead debates on new programs, rather than constantly being the subject of criticism in each proceeding it is used in. There is reason to focus on putting out the best product, rather than conducting a rushed process each year. However, given the short timeline that the state has to achieve climate goals, waiting two years to implement any type of change could force an overly rigid approach to valuing DER. The state needs flexibility when it comes to policymaking and that requires a PUC with built-in procedures to correct errors. Therefore, the PD should be amended to include a grievance process, meant to deal only with egregious errors in data inputs and significant unforeseen consequences. The entire remediation process should take six months at most, to preserve flexibility while not infringing on the two-year cycle.

If the Commission is unwilling to consider adding a grievance process to the ACC, the Clean Coalition supports the proposal made by SEIA to revert to the initial definition of a Minor Update that only includes changes to data points.[1]

b. Transmission Costs

The Clean Coalition appreciates that the Commission continues to work on refining the avoided transmission value in the 2022 update to the ACC. We submit, along with other parties that have raised the issue, that in addition to specified projects avoided by DER, new DER deployments increase the capacity available on existing transmission lines, avoiding the trigger to even consider upgrades. The Commission should require Energy Division staff to consider a methodology for valuing an unspecified avoided transmission value in preparation for the 2024 Major Update process.

We support the avoided transmission value for PG&E proposed by SEIA and urge the Commission to adopt an interim avoided transmission value for SCE. SEIA's methodology for selecting $54.93 per kW-year as the value for SCE is sound; the only difference between the value for PG&E and SCE is that SCE's GRC Phase 2 has not yet been approved by the Commission. SCE has claimed that the GRC value can only considered for illustrative purposes. This argument should be dismissed by the Commission. The $54.93 per kW-year value has been proposed as part of SCE's best effort to get a GRC approved by the PUC, meaning that the number is based on evidence and should not only be used for illustrative purposes. When SCE's GRC is approved, the final number should be applied to the ACC, via a Tier 2 Advice Letter. The Commission should apply the same logic here as it does in response to the Joint Utility proposal on Secondary Distribution Costs. On that subject, the PD states that that including a value in this iteration of the ACC does not preclude work with stakeholders to develop and improved solution.[2] There is nothing wrong with conducting extensive calculations in preparation for the next update to the ACC, but not if the interim approach is to abstain from updating the value for SCE at all. The proposed value would be an increase over the status quo,

[1] SEIA Reply Brief at 4
[2] PD at 63

whereas the PD, in its current form, would kick the can further down the road, to the direct detriment of DER. Given the importance of swift resource deployment over the next decade, we cannot afford to wait another two years before attempting to update the avoided transmission value for SCE.

c. Using the IEPR as an input for Gas Burner Tip Prices loses sight of actual market conditions.

It is important that all inputs used for the ACC accurately reflect price fluctuations, particularly since the Commission is proposing removing the minor update process. With two years in between the adoption of the 2022 ACC and the 2024 ACC, even small errors will have a magnified effect on all the DER-related programs that rely on the ACC. Non-negligible price changes that are not temporary flukes, say for example, a change that spans weeks or months before returning to what can relatively be considered the norm act as price signals to consumers and drive economic actions. Regulation should not ignore these real-world trends in favor of forecasts solely based on past data. In the case of gas burner tip price forecasts, the modeling for the 2022 ACC was carried out in 2021 and thus cannot have measured the significant increase in natural gas prices that has occurred during the last few months. For this reason, relying on the IEPR for both short and long-term forecasting does not achieve the standard of precision that the Commission strives to achieve for other inputs in the ACC.

Using a price-forecasting method that is overly rigid, without the flexibility to change in reaction to actual near-term market prices, is prioritizing harmonizing the ACC with the IRP over creating the most accurate tool possible. Therefore, the Clean Coalition urges the Commission to reject the language in the PD that would completely replace the current Market Reference Price method with the forecast in the CEC Integrated Energy Policy Report.

d. Secondary Distribution Costs

The Clean Coalition supports the recommendation in the PD to deny PG&E's proposal to remove secondary distribution costs. Removing the value from the ACC sends the signal that there is zero value, which would be a complete shift in the opposite direction from past PUC precedent. Moreover, it is not practical to litigate this issue in every DER-related proceeding, pilot, or program that is proposed. In the NEM proceeding, there are enough contested facts and data that adding another issue to the mix would end up creating more chaos than definite answers.

e. **The Commission errs by dismissing the Vibrant Clean Energy study**

The Clean Coalition was surprised that the PD completely dismisses the Vibrant Clean Energy study because the Commission does not incentivize DER deployment based on location. However, it appears that the Commission has missed the point of the study, which demonstrates that if properly incentivized, DER deployment can save Californians significant amounts of money. Since the responsibility of the Commission is to achieve state goals while maximizing ratepayer savings, there is an obligation to consider the conclusions reached in the study and whether applying the model to the planning process would be beneficial to the ratepayers. For the PD to state that because the Commission does not provide location-based incentives, the study is completely ignoring a signal about an extremely valuable policy. Multiple parties have requested location-based adders in proceedings throughout the PUC over the years with little success. For example, the Clean Coalition has recommended them for the NEM, ReMAT, DER Deferral programs, and many others, but has received rejection in every instance, without any real explanation from the Commission. It appears that rather than rejecting the model, it is high time that the Commission give real thought to using locational adders. Using a locational adder does not mean that some deployments will receive no money, but it is an acknowledgement that deployments in some areas are more valuable than others. This is an underlying assumption of the DIDF — that DER could defer distribution upgrades if deployed on the correct feeder — but it has not been applied throughout energy regulation in the way that it should be.

IV. CONCLUSION

The Clean Coalition respectfully submits these opening comments on the PD. We urge the Commission to make the recommended changes before a final decision is made.

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