

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

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April 25, 2022

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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 reply comments in response to the Proposed Decision (“PD”) Adopting Changes to the Avoided Cost Calculator (“ACC”), filed on March 30, 2022. Our comments discuss:

- Focusing on accuracy over alignment with the IRP,
- Properly valuing avoided transmission costs, and
- Retaining the status quo for avoided distribution values

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. Accurate inputs should be promoted over a sole focus on alignment with the IRP.

In opening comments, parties made persuasive arguments about the need for transparency and data validation for both the ACC and the IRP, as opposed to focusing on aligning the ACC with the IRP for the sake of alignment itself. Transparency for the sake of transparency, that is to say focusing on an open process for stakeholder input without proper consideration of the feedback being offered, does not move the needle in the right direction. Relying on data from IRP modeling to produce outputs for the ACC naturally calls into question the validity of inputs in the IRP. In other words, if harmonizing the ACC with the IRP trumps any questions about IRP inputs, neither the IRP nor the ACC will end up as effective as they otherwise might have been. Take for example, CLECA's comments about the absurdity of including 20-year contracts for battery storage in the IRP. CLECA provides evidence from utility contracts as well as information from SEIA.¹ Clean Coalition agrees with these parties. Based on our experience, energy storage replacement is necessary around year 13, depending on the number of times the device has been fully cycled. Concurring information provided by utilities, developers, non-profits, and government reports should be more than enough to meet the merit discussion about fixing the input. However, if the Commission continues to find that this proceeding is not the appropriate forum to litigate these details, the least that should be done is to require that Energy Division staff compile a list of topics (raised during the ACC update process) to be addressed during the next IRP process.

B. Avoided transmission costs should be properly valued

a. An unspecified avoided transmission value should be added to the current ACC

CUE calls for the creation of an unspecified transmission value in place of the current specified value.² While the Clean Coalition agrees with the need for an unspecified avoided transmission value, we believe that it should be in addition to, rather than in place of, the current specified transmission value. As explained in our opening comments on the PD, unplanned DER deployment reduces the need for energy imported from the transmission system, lowering the amount of transmission-congestion, and pushing back the date when a capacity-related upgrade will be required, if it is ever necessary. These potential transmission projects which never make

¹ CLECA Opening Comments on PD at 10

² CUE Opening Comments on PD at 7

the list for upgrades are not currently included as part of the avoided transmission value, despite requiring fewer capital investments. This is directly attributable to DER and should be included in an unspecified avoided transmission value.

CUE's suggestion to use an unspecified transmission value in place of a specified value does not take into account the fact that DER can directly result in the avoidance of planned transmission projects. DER can avoid all four major drivers of transmission investment: load growth, reliability, policy, and economics. In the 2017-2018 Transmission plan the CAISO canceled 18 projects and changed another 21, totaling \$2.6 billion in ratepayer savings, attributed directly to energy efficiency and other DER.³ Given the increase in generation necessary to support electrification and decarbonization over the next decade, forecasts for local area load growth will change based on the number of unplanned DER deployed since the previous system plan was released, resulting in a different configuration/reduction in transmission projects needed. All of this is true without considering the development of distribution-level markets — that are just beginning to be discussed at the CPUC — for services that can increase the efficiency of the existing grid, including frequency and voltage stability. Therefore, the best way to make the ACC reflective of market conditions and actual grid benefits is to add an unspecified transmission value to the existing specified avoided transmission value.

b. The Commission should not consider CUE's proposal for derating the avoided transmission value.

The Clean Coalition urges the Commission to reject CUE's analysis about changing the current avoided transmission rate. CUE proposes a 1.2% derate value for both the transmission system and the distribution system without offering any economics that would substantiate the claim that the distribution and the transmission system should be treated equally. This seems overly general and has not been properly litigated in this proceeding.

c. PG&E's request to remove the word "uncontested" from the record should be denied.

PG&E's request to remove the word "uncontested" from the record is an attempt to preserve the debate about reducing the avoided transmission value during future iterations of the

³ <https://www.utilitydive.com/news/efficiency-ders-saving-26b-in-avoided-transmission-costs-caiso-says/519935/>

ACC that should not be enabled by the Commission. Changing the record based on an unsubstantiated generalization is not productive; PG&E's protest would not change the final avoided transmission value or any analysis of evidence which occurred during this process. As noted in the PD, PG&E does not oppose the methodology used or the actual proposed value, only adding a cautionary warning about, "an extreme overestimation," taking place.⁴ This verbiage is at odds with the conclusion PG&E reaches in opening comments. If PG&E truly believes that the underlying assumptions were extremely incorrect, it is inexplicable that PG&E would not strongly oppose either the methodology or final value that was calculated. Yet, there was no actual characterization of what constitutes "an extreme overestimation" in this situation, nor did PG&E propose an alternative value. Therefore, the Clean Coalition believes that removing the word "uncontested" from the record would incorrectly reflect the debate that took place and urges the Commission to reject PG&E's proposal.

d. The Commission should include an interim avoided transmission value for SCE.

We wish to restate our support of the avoided transmission value that SEIA proposed for SCE. The proposed value uses the same methodology as the value adopted in the PD for PG&E, although there is a difference in how recently a GRC was approved for SCE compared with PG&E. Choosing not to adopt a new avoided transmission value for SCE sends an inaccurate signal to the market that will persist for the next two years until the 2024 update to the ACC begins. On the other hand, the proposed value provides an interim value that can be revised when it is properly substantiated and approved by the Commission. SCE's comments that the value proposed by SEIA can only be used for illustrative purposes should not be supported by the Commission. The GRC value has been used for ratemaking design purposes since it was proposed and is based on basic cost causation principles; to suggest that it is only a best-guess for illustrative purposes makes it seem more like an estimate than what it is — a specific value based on utility data. To best maintain both the accuracy of the ACC and parity among the IOUs, the Commission should adopt SEIA's proposed value for SCE, while mandating that the process to determine the most up-to-date value occurs before the start of the next update to the ACC.

⁴ PD at 74

C. The Commission should not find arguments about reducing the avoided distribution value persuasive.

In opening comments, CUE claimed that there is no evidence of DER avoiding short-term distribution costs and offered 1.2% as the proper value, which would cut the avoided distribution valuation by 98%. In other words, CUE is suggesting that even when considered time-varying distribution values, DERs have almost no avoided distribution value. Yet, the records on this update to the ACC and on prior updates do not reflect the conclusion that CUE has reached.

Given the lack of analysis on the subject, it would be an egregious error to adopt any radically changed avoided distribution value for the 2022 ACC. It is possible that the avoided distribution value requires further refining, particularly the long-term value and the Clean Coalition supports evidence-based changes that improve accuracy. However, completely devaluing the avoided distribution input in the ACC is not the answer and CUE provided no better methodology to capture either short-term or long-term avoided distribution values. Moreover, CUE's argument is backward looking rather than forward looking; as the number of DER on the grid increases, the number of avoided distribution upgrades will increase as well. Improved functionality and a market for distribution services will lead to a grid better able to value the range of services DER can provide, e.g., reactive power management, frequency regulation, peak load shifting, etc.

IV. CONCLUSION

The Clean Coalition respectfully submits these reply comments and requests that the Commission adopt an amended PD.

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