

**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 OPENING COMMENTS ON PROPOSED DECISION REVISING
NET ENERGY METERING TARIFF AND SUBTARIFFS**

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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 on the Proposed Decision (“PD”) Revising Net Energy Metering Tariff and Subtariff, issued at the Commission on December 13, 2021. This PD is the result of over a year of hard work by the CPUC, Energy Division staff, third-party consultants and stakeholders, starting with guiding principles to steer the proceeding in the proper direction, followed by two white papers, party proposals, testimony, and evidentiary hearings and culminating with briefs. The Clean Coalition urges the Commission to reject this PD. We are concerned at a time when California needs to add significant amounts of renewable capacity¹ to reach the SB 100 goal of 60% clean energy by 2030, approving a PD such as this one would not only be unfavorable to the growth of renewables within the state, but it also sends a signal to residential customers that their contributions, whether that is exporting energy or deploying renewable technologies, are not valued. Although the claim is repeatedly made that the PD balances all statutory requirements, it is quite clear that the primary focus of the proposed Net Billing Tariff is to end a purported cost shift rather than considering all factors together. The PD outlines a tariff that shatters the value of solar (decreasing it by almost 70%) and only attempts to make up for it with subsidies that come with the adoption of paired storage. While increasing the amount of distributed storage is important, it is simply unrealistic to claim that the market transition credit will be sufficient to lead to adoption rates high enough to be deemed “sustainable growth”. No empirical evidence suggests that this tariff will be attractive to consumers. The Successor Tariff adopts a severely

¹ The Avoided Cost Calculator demonstrates that the vast majority of this capacity needs to be added during the period 2022-2026.

lowered export rate and implements unavoidable fixed charges, demonstrating a lack of concern for skyrocketing electric rates — led by increasing transmission, wildfire mitigation and insurance costs — inflation and relatively stagnant wages, in a state that already has one of the highest costs of living in the country.² Passing the tariff in its current form would be disastrous for the industry and the future of distributed growth in the state; it would make it more economical to not export to the grid at all than to use NEM. Clean Coalition notes that the following aspects of the proposed Net Billing Tariff are inconsistent with PUC’s ratemaking principles and statutory guidelines:

1. The Grid Participation Charge — the transmission component in particular — is arbitrary, not transparent and not linked to any service that NEM customers actually use.
2. The PD creates a tariff that will be much more detrimental to state electrification efforts than it will be helpful. Lowering the value of standalone solar makes it less likely to be adopted and refusing the Market Transition Credit to ratepayers adopting solar as part of the 2019 Title 24 Building Energy Efficiency Standards makes adding storage a financial burden at current market rates.
3. If approved, the PD would make it more economical to deploy a non-export system than to participate in NEM 3.0.
4. The PD incorrectly states the price per watt of solar.

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,

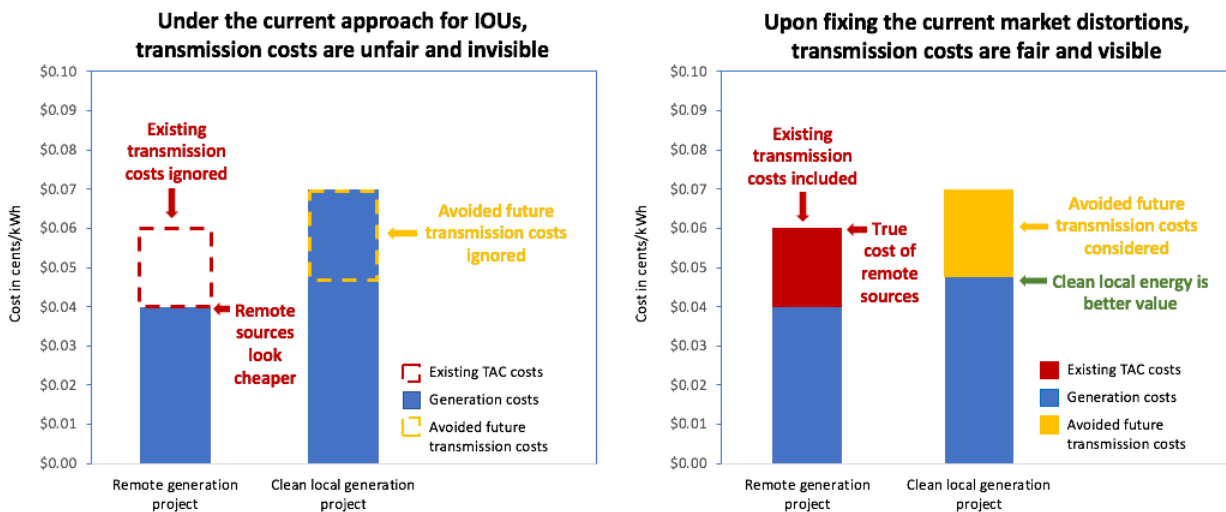
² California has a cost of living of 149.9 compared to a national average of 100.
https://www.bestplaces.net/cost_of_living/state/california

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. The proposed Grid Participation Charge is arbitrary and not transparent.

A Grid Participation Charge is an unavoidable \$/kW monthly charge based on the size of a NEM system, a charge that penalizes ratepayers for having a large electric load (and wanting to deploy a photovoltaic system to offset that load). The PD explains that need for a Grid Participation Charge is to ensure that all NEM customers pay for the cost to serve them, particularly distribution and transmission infrastructure costs. The Clean Coalition has opposed this concept since it was first proposed in the proceeding, mainly because it is a punitive fee and NEM customers do not use the transmission grid (the electrons from NEM exports never leave the distribution grid). Charging NEM customers for use of the transmission grid, regardless of whether that infrastructure is being used artificially depresses the value of distributed energy resources (“DER”), as can be seen by the chart below.



Existing transmission costs, assessed as TAC and currently averaging 2¢/kWh, should be added to the cost of remote generation that requires use of the transmission grid to get energy from where it is generated to where it is used, which is almost always on the distribution grid where people live and work. Future transmission investments, currently averaging 2.5¢/kWh in the evenings, can be avoided via dispatchable local generation, and that value should reduce the evaluated cost of local generation. When correctly considering ratepayer impacts of transmission costs, dispatchable local generation provides an average of 4.5¢/kWh of better value to ratepayers than is currently assumed in the majority of instances.

i. There is no direct linkage, or nexus, between the service and ratepayer benefit.

Just as concerning is the fact that a Grid Participation Charge hides the way that a NEM customer will be charged for transmission costs. Normally transmission costs (called Transmission Access Charges, or TAC) are charged on a volumetric basis (\$/kWh) based on total imports of energy; the Grid Participation Charge, on the other hand, is based on average onsite consumption (\$/kW), which does not follow the same pattern. Translating from a \$/kWh charge to a \$/kW charge requires a complex mathematical formula that was barely understandable even when explained by multiple expert witnesses during the NEM evidentiary hearings. Herein lies the problem; the Grid Participation Charge cannot be considered a legal tax. In the Supreme Court case *Complete Auto Transit vs. Brady*, the court ruled that for a state tax to not be considered a burden on interstate commerce it must meet the following four criteria:

1. Be based on an activity connected to the state;
2. Be fairly apportioned to be based on intrastate commerce;
3. Be nondiscriminatory, and;
4. Be related to state services provided.

Of these, the transmission costs in the Grid Participation Charge listed in the PD appears to only meet two of the four criteria. Transmission costs, passed onto ratepayers as TAC are based on investment in transmission infrastructure within the state and are apportioned by CAISO based on gross system kWh. As explained above, because the Grid Participation Charge is a flat \$/kW fee, it is a significant change from the \$/kWh charge normally assessed to ratepayers. On a separate note, such a change will require FERC approval before it can be implemented.

This reformatting of the way TAC is assessed removes the direct link that demonstrates exactly what a ratepayer is paying for. Moreover, the Grid Participation Charge also appears to be discriminatory by forcing NEM customers to pay more than their fair share of TAC. The PD states, “we find Public Advocates Office’s calculation method to be reasonable,” and continues, “However, we revised the adopted charges to be easy to understand and uniform across all utility

service territories.”³ Although the Commission intends to make the Grid Participation Charge easy to understand by making it a simple round number, it has the exact opposite effect. The proposal by the Public Advocates Office contained costs which were carefully calculated and properly scrutinized during the testimony and evidentiary hearing process. On the other hand, the PD rounds each of the charges up to \$8.00 with absolutely no explanation as to why this is reasonable. This increases the proposed Cal Advocates Grid Participation Charge by \$0.34/kW for PG&E, \$1.86/kW for SDG&E and \$2.24/kW for SCE. Whereas it was already difficult to understand how a \$/kWh TAC could be converted to a \$/kW Grid Participation Charge, the arbitrary rounding completely obfuscates any remaining link between a NEM customer and the transmission costs they are supposed to be responsible for. Moreover, increasing the charge by different amounts for each utility, without any relation to intrastate commerce, leads to NEM customers being forced to pay more for transmission costs than non-NEM customers, a result that can only be described as discriminatory.

ii. A Grid Participation Charge is neither clear nor is it explainable and is certainly not the most accurate mechanism to collect grid costs.

With the translation of TAC from a \$/kWh charge to a flat \$/kW Grid Participation Charge that is arbitrarily rounded up to \$8.00/kW, there is absolutely no way to explain how the final Grid Participation Charge amount was reached or even what a relatively accurate assessment of each subcomponent. The PD does not include an appendix with calculations and does not even contain a breakdown of the components as proposed by the Public Advocates Office or the Joint Utilities. It is not a stretch to say that even a forensic accountant would be unable to provide these answers, much less an average consumer. Ratemaking principles suggest that rates are an average, meaning that while there will be some overcharging and some undercharging, on average, the customer class, as a whole, will be responsible for their fair share. Yet, whenever possible, it is the responsibility of the Commission to be as accurate as possible when assessing costs. This was not the case during the creation of the Grid Participation Charge. During cross examination, parties admitted that the focus was creating a fixed charge based on onsite consumption, rather than assessing TAC as a nonbypassable charge or a \$/kWh charge based on imports (the way TAC is assessed in all other situations). A PD that includes the second-best cost

³ PD at 127

allocation mechanism — an average fixed fee — rather than striving to charge NEM customers for infrastructure costs in the most accurate method possible, should not be adopted, especially after the Grid Participation Charge was arbitrarily raised to a different number than what parties originally suggested.

iii. The Grid Participation Charge does not have a consumer protection measure preventing significant increases after the lock-in period ends.

The PD mandates a lock-in period of ten years for the Grid Participation Charge when a customer takes service under the Net Billing Tariff. While this delays the potential of a significant price increase, the Clean Coalition is concerned that it does not remove the possibility that it will occur after the ten-year period is completed. With a 15-year grandfathering period and skyrocketing transmission costs, an increased Grid Participation Charge will likely be a huge price shock to ratepayers. To comply with the guiding principles, the PD should include a consumer protection mechanism to mitigate significant increases. We suggest removing transmission costs, which are one of, if not the largest contributing factors to rising rates.

B. The Successor Tariff does not have sufficient allowances for oversizing to meet electrification needs.

The Successor Tariff proposes that facilities preparing to electrify be allowed to oversize by an extra 50% as compared to existing load. This is a step forward, albeit a small one because the PD suggests that facilities be compensated at the Net Surplus Compensation (“NSC”) rate, rather than the normal Avoided Cost export rate. This is simply untenable. First, the proposed policy is not much different than the way oversizing is treated under NEM 2.0, which allows facilities to size their generation greater than onsite load, but only compensates any excess energy at the NSC rate. Second, with an NSC rate that is \$0.02-\$0.03 lower than the Avoided Cost rate and the additional \$8.00/kW/month Grid Participation Charge, any ratepayer that chooses this option will be losing money. As a result, a solar+storage facility would not achieve the ten-year payback period promised in the PD. The Commission needs to offer more, whether that is compensation at the Avoided Cost rate or waived Grid Participation Charges, or the Net Billing tariff cannot possibly be labeled as encouraging electrification.

C. This PD will reduce the number of ratepayers that choose to use NEM by making it more economical to deploy a non-export system.

If this PD is adopted, it will be more economical for ratepayers to deploy a non-export system than to take service under the Net Billing Tariff. Clean Coalition modeled the payback period for a 7.5 kW photovoltaic system under the Net Billing tariff versus a non-export system of the same size using Energy Tool Base. The payback period for a non-export system is 7.4 years, compared to 8.3 years with the Net Billing Tariff. For a solar+storage sized at 7.5 kW and 13.2 kWh, the payback period is 10.2 years for a non-export system compared with the 10-year payback period with the MTC (as the PD claims). Despite taking 0.2 years longer to break even on a solar+storage system in a non-export situation, the total bill savings over the lifetime of the project would be significantly greater than that of a NEM customer, particularly when the Grid Participation Charge increases after ten years. **In neither case does NEM provide any tangible benefit. The PD actually disincentivizes ratepayers from exporting and benefiting the grid.** *Rather than creating sustainable growth of renewable technologies, the only thing the Successor Tariff will achieve is convincing ratepayers not to use it.*

D. The PD uses an incorrect value for the price per watt of solar.

The PD states that the Commission-approved value per watt of solar is \$2.34. The Clean Coalition disagrees with this value; it is much too conservative, especially given locational differences in cost. Energy Sage puts the current price of solar in 2022 at \$2.66/watt.⁴ The most recent price should be reflected in the PD, along with the changes to all payback periods.

IV. CONCLUSION

The Clean Coalition appreciates the opportunity to submit these opening comments and urges the Commission to reject this PD. If the goal of the Commission is to push ratepayers away from exporting energy that can benefit the grid by destroying the economics of NEM then this tariff is a success. Otherwise, a significant change is necessary. California needs a functional NEM program capable of increasing the amount of distributed generation and bringing the state

⁴ <https://news.energysage.com/how-much-does-the-average-solar-panel-installation-cost-in-the-u-s/>

closer to clean energy and electrification goals. In its current form, the Net Billing tariff does not come anywhere close to achieving this and it certainly does not abide by the statute and guiding principles.

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