**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 RESPONSE TO THE JOINT PETITION FOR MODIFICATION OF DECISION 22-05-002

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I. INTRODUCTION

Pursuant to Rule 16.4(f) of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission"), the Clean Coalition respectfully submits this response to the *Joint Petition* ("the Petition") *of the Solar Energy Industries Association and the California Solar & Storage Association to Modify Decision 22-05-002,* filed October 3, 2022. The Petition requests that the Commission change the way the No New DER case is calculated to properly align with the Integrated Rate Plan ("IRP") and ensure that the portfolio of resources selected for would be capable of meeting the load without DER installed after 2018. While previous iterations of the Avoided Cost Calculator ("ACC") have only considered load reducing DER (e.g., generation, storage, etc.), D. 22-05-002 also includes all load increasing DER (e.g., electric vehicles and demand response). The Petition addresses a number of issues caused by this shift; the Clean Coalition agrees with these issues and believes that there was not a sufficient amount of time to address the reason for the change to the No New DER case in the normal regulatory process. We urge the Commission to reconsider the No New DER case section of D. 22-05-002 and do away with language requiring that load increasing DER be removed. Our response will address the following issues:

- Reducing the total load (by removing all load modifying DER) changes the load that the Preferred System Plan must meet. This is a concerning trend as the state's gross load is projected to significantly increase as the pace of electrification increases.
- If the PFM is not approved, the No New DER case approved in D. 22-05-002 will result in undercounting.

- In D. 22-05-002, the Commission rejected making a change to the avoided transmission values for SCE and SDG&E because the methodology has not been fully applied. Using the same logic, it is most appropriate to leave the No New DER case unchanged from the last iteration of the ACC until the impact of changing the No New DER case can be fully analyzed.

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. Removing load increasing DER will lead to an overly conservative portfolio of resources for the Preferred System Plan.

California is currently in the midst of a push to solicit significant amounts of new capacity — more than 11,000 MW — to ensure system reliability, particularly during peak periods. It is essential that the signals sent by state policymakers and regulators reflect the urgency of the push for new capacity. Removing all load increasing DER as part of the No New DER case does the exact opposite; reducing the gross load that the IRP needs to meet will result in a PSP that is overly conservative. The inequity between the actual portfolio required and the portfolio selected for based on a No New DER case that removes load increasing DER will increase over time. With each passing year, the more electrification measures that are deployed, the greater the IRP shortfall will appear. The Staff Proposal explicitly lays out this argument, suggesting that, "With electrification load growth removed, by 2040 the total load in the No New DER scenario will be lower, instead of higher, than the PSP portfolio."[1] By 2050, the change will result in a 10% inaccuracy of almost 30,000 GWh. Moreover, while D. 22-05-002 states that, "The Staff Proposal contends this revision is necessary to properly value the avoided costs of distributed energy resources," upon revisiting the Staff Proposal, this statement is not completely true.[2] The Staff Proposal does suggest removing load increasing DER but **does not** make any justification about the need to do so or the value that the proposal adds. In other words, while the inaccuracies the proposal adds are quantifiable, especially in the long-term, the benefits are hazy at best.

B. If the PFM is not approved, D. 22-05-002 will result in undercounting.

In D. 20-04-010, the Commission described the No New DER case as crucial to the greenhouse gas value, marginal greenhouse gas emissions, and energy and ancillary services prices.[3] Therefore, while the No New DER case is a counterfactual that does not completely represent the real world, the inputs require a careful consideration to avoid unintended consequences, namely undercounting. The allegation in the PFM that the No New DER case in D. 22-05-002, "fails to approach the desired goal that all resources – whether demand-side or supply-side – be valued fairly," is one that the Commission should take seriously. Afterall, in the 2020 iteration of the ACC, when the No New DER case was first implemented, the Commission acknowledged, "Recognizing that distributed energy resources are at the top of the loading order, in comparison to traditional energy resources, we find that the value overestimation is a preferable outcome rather than underestimation."[4]

C. The Commission has set precedent in this proceeding that it is better to fully understand the consequences of a policy change before action is taken.

In regard to avoided transmission values in the 2022 iteration of the ACC, the Commission chose to adopt a specific value for PG&E and to wait until the full methodology is completed for SCE and SDG&E rather than adopting a uniform value for all three investor-owned utilities ("IOUs"). In addition, D. 22-05-002 also calls for an in-depth study about the accuracy of avoided transmission values. Applying the same logic to the No New DER case, ensuring certainty about

[1] Staff Proposal at p. 29
[2] D. 22-05-002 at p. 43
[3] D. 20-04-010 at p. 38
[4] Ibid at p. 37-38

the consequences (in the short-term and long-term) of removing DER that increase load would be the most prudent course of action. If after a detailed study the Commission finds it appropriate to change the No New DER case, including the change in the next iteration of the ACC makes the most sense, after all the change will have less effect in the short-term than the long-term.

IV. CONCLUSION

The Clean Coalition respectfully submits this response and requests that the Commission adopt the Petition for Modification. Given that the ACC is now being used as a cost-effectiveness measure to determine appropriate compensation for DER, promoting an ACC that aligns with state climate change goals and the IRP is especially important.

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