

**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 COMMENTS ON THE 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 reply comments on the *Proposed Decision* (“PD”) *Revising Net Energy Metering Tariff and Subtariffs*, issued at the Commission on November 10, 2021. Clean Coalition comments will underscore the following:

- The PD underestimates the benefits of NEM and overestimates the costs.
- The PD should mandate annual collection of NEM statistics and allow for swift reform, if necessary.
- The PD does not go far enough to incentivize deployments for renters.
- EWG raises an important point about aggregated distributed generation providing value that is on par with utility-scale generation.
- The oversizing allowance for NEM systems should be 75%, not 50%.
- The payback period for non-export systems should be used as a litmus test to evaluate the Net Billing Tariff.
- The Commission should wait to pass a Successor Tariff until a full up-to-date analysis is completed.

II. COMMENTS

A. There is consensus that the PD should include greater monitoring and evaluation requirements.

In our opening comments, the Clean Coalition stressed the need for an effective evaluation to determine whether the Net Billing Tariff is going in the proper direction, regardless of the final structure that the Commission decides to improve. Given the importance of rooftop solar and NEM as a policy that will help the state make the transition to electrification, ensuring continued sustainable growth of renewable generation is essential (in addition to the statutory requirement). As part of this evaluation, we requested that the Commission mandate the use of a Societal Cost Test (SCT) as the main cost-effectiveness test.

Other parties, including 350 Bay Area¹ and the Joint IOUs² believe it is more appropriate to monitor NEM on an annual basis, especially since the three-year evaluation will occur in the middle of the proposed glide path, making it difficult to craft any reform in time to affect the early adopters of the Net Billing Tariff. We support more stringent data collection on an annual basis and request that the Commission allow for pre-year three reform if the data suggests that market demand for new NEM deployments is adversely impacted by implementation of the Net Billing Tariff. The PD relies entirely on cost-effectiveness and cost-shift metrics to justify the value of transitioning from NEM 2.0 to the Net Billing Tariff, a frame of reference that does not consider any empirical analysis on the impact that the PD will have on market growth. Of the many assumptions the PD relies on to conclude that the Net Billing Tariff will lead to sustainable growth, a key flaw is that the cost of solar and storage will continue to fall rapidly, which is why CALSSA³ and other parties request that the PD be modeled using current values for solar and storage.⁴ The Clean Coalition supports this assertion; in our opening comments we specifically requested that the corrected inputs be used to model all party proposals, in order to give the Commission the best opportunity to evaluate the positive and negative aspects of the PD.

B. EWG raises an important point about aggregated distributed generation providing value that is on par with utility-scale generation.

Part of the value of distributed generation is the broader value that can be provided when it is aggregated. In discussing the values of distributed generation that the PD erroneously does not consider — resilience, land-use benefits, and GHG reduction — EWG addresses the benefits of microgrids, a trifecta that the Clean Coalition has dubbed as economic, environmental, and resilience benefits. Through the deployment of physical microgrids as well as virtual power plants (“VPPs”), a small NEM deployment has the potential to provide a service to a broader distribution area. For example, past analysis by the Clean Coalition (see the image below) found that solar+storage and Community Microgrids are more cost-effective than gas peaker plants.

¹ 350 Bay Area Opening Comments at p. 2

² Joint IOU’s Opening Comments at p. 5-6

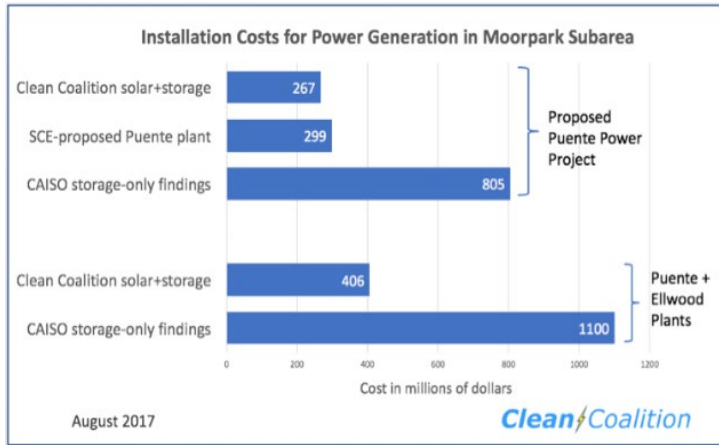
³ CALSSA Opening Comments at p. 3-4

⁴ SEIA and Vote Solar Opening Comments at p. 3

Community Microgrids cheaper than gas peakers



- Leveraging our technical and economic expertise, the Clean Coalition conducted an analysis to determine the viability of solar+storage as a better alternative



Moreover, as most gas peaker plants are sited in DACs, obviating existing peaker plants (through early retirement) and ensuring that no more are built, depends on having sufficient penetrations of local resources (e.g., NEM systems). Thus, overstating NEM costs while understating benefits — in part, by considering each NEM deployment to only have static benefits — is ignoring the way that the system is changing and the potential of aggregated solution.

C. The Net Billing Tariff does not make a large enough allowance for oversizing (for electrification). The Commission should change it to 75%.

We appreciate that the Commission is choosing to adopt a portion of the SEIA/Vote Solar proposal for system oversizing in preparation for electrification. The proposal would allow a customer that attests that usage will increase over the next year, to oversize a deployed system by 50%. However, based on conservative estimates of the load that a transition to electrification adds, a 50% addition is not enough. The Clean Coalition urges the Commission to increase the oversizing allowance from 50% 75%, especially because a customer attestation will be required, eliminating any chance of unintended consequences. The PD models payback periods based on an average system usage of about 7,500 kWh-year. Consider, on average, the increased electrical usage from adopting an EV is around 2,300 kWh-year and for an electric heat-pump water heater it is around 3,250 kWh-year (for a total of 5,550 kWh-year). Thus, a 50% allowance is not sufficient, whereas a 75% oversizing allowance would be most appropriate.

Moreover, we urge the Commission to amend the PD and value the NSC for the year of electrification at the avoided cost rate, as originally proposed by SEIA/Vote Solar, rather than at the wholesale NSC rate. Albeit only in place for a year before system usage increases, the slightly higher compensation rate will create greater up-front bill savings, serving as a price-signal that encourages customers to adopt electrification measures around the same time they take service under the Net Billing Tariff. In other words, this proposal is a way for the Commission to definitively promote a Net Billing Tariff that encourages electrification, strengthening the existing trend between NEM customers and electrification.

D. The Commission should wait to pass a Successor Tariff until a full up-to-date analysis is completed.

As the Center for Biological Diversity eloquently writes in opening comments, “There is no reason that the Commission must radically amend the long-standing NEM program now, without an adequate factual foundation. Adequate balancing of costs and benefits is central to AB 327.”⁵ Years have passed since the initial OIR began and with it, new information exists that must be considered in the creation of an effective Successor Tariff. An analysis of NEM 2.0 **must** consider how costs have changed (in 2021 and 2022) as well as the number of deployments (and a breakdown by income). It is a fact that the number of low- and medium-income NEM deployments rose in 2021, a trend that is contrary to the results of the Lookback Study.⁶

In addition, party proposals were modeled using the 2021 ACC (and 2021 inputs), which had a radically lowered value, as compared to the 2020 ACC. The most precipitous drop from the 2020 ACC to the 2021 ACC was the value of standalone solar. In comparison, the 2022 ACC is more of a middle ground, particularly considering the higher adopted value of avoided transmission for PG&E, though a value still has not been adopted for SCE and SDG&E. Therefore, the Clean Coalition urges the Commission to conduct all modeling again, using the most updated inputs. That should include the updated ITC following the passage of the IRA, a cost per watt of solar — closer to \$3.80 or \$3.87 — (as proposed by the solar industry), and updated storage costs. Currently, it will be difficult for the Commission to evaluate the Net

⁵ Center for Biological Diversity Opening Comments, at p. 1

⁶ Report from LBNL Study, as seen in the Los Angeles Times. <https://www.latimes.com/opinion/story/2022-11-18/editorial-california-regulators-new-plan-to-slash-rooftop-solar-incentives-is-still-too-extreme>

Billing Tariff against other party proposals because the cost-effectiveness tests and cost-shift reduction tests are all based on different numbers. Moreover, there has been no analysis on what the impact of this Successor on the market will be or what kind of sustainable growth it will lead to. On the other hand, Enphase Energy states, “Based on data from other states, cutting solar value proposition by more than half - four months from now - will lead to a deluge of installation requests in the first quarter of 2023, followed by a precipitous curtailment. This will not only fail to sustainably grow the solar market, but it also risks debilitating it, exacerbating supply chain issues, disrupting small business cashflows, and jeopardizing roughly 65,000 California solar jobs.”⁷ The onus is on the Commission to underscore why such a drastic cut in compensation rates will still result in a NEM program with sustainable growth.

It feels as if the Commission is rushing to pass a Successor Tariff quietly before the year ends, as is evident by a PD that was released just two days after the midterm elections. Rather than focusing on having a Successor in place, it would behoove the Commission to have accurate results about the benefits of such a Successor and what the real impact will be on the market.

III. CONCLUSION

The Clean Coalition appreciates the opportunity to submit these reply comments and requests that the Commission wait to pass the PD until a full accounting, with proper costs and benefits as well as current data, can be completed. As is, the regulation that would be put into place is far more focused on a cost-shift than the achieving long-term goals that will require increasing numbers of NEM deployments. Given the Commission’s focus on affordable rates and preventing cost-shifts, we hope to see swift action on the real drivers of electric rates: transmission spending, wildfire mitigation costs, insurance costs, and victim funds California ratepayers are footing the bill for (despite legal rulings finding the utilities at fault). Up to this point, the sole focus on NEM appears to be scapegoating distributed generation as the cause of high electric rates, when all the data says otherwise.

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⁷ Enphase Energy Opening Comments at p. 5

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