

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of Pacific Gas And Electric
Company (U39E) for Review of the
Disadvantaged Communities – Green Tariff,
Community Solar Green Tariff and Green
Tariff Shared Renewables Programs.

And Related Matters

Application 22-05-022
(Filed December 2, 2022)

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Application 22-05-024

**CLEAN COALITION REPLY COMMENTS ON ADMINISTRATIVE LAW JUDGES
RULING SETTING ASIDE SUBMISSION OF THE RECORD TO SEEK COMMENTS
ON ASPECTS OF NET VALUE BENEFIT TARIFF PROPOSAL**

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I. INTRODUCTION

Pursuant to Rule 6.2 of the Rules of Practice and Procedure of the California Public Utilities Commission (“the Commission”) the Clean Coalition respectfully submits these reply comments in response to party comments on the *Administrative Law Judge’s* (“ALJ’s”) *Ruling Setting Aside Submission of the Record to Seek Comments on Aspect of Net Value Benefit Tariff Proposal*, issued at the Commission on November 6, 2023. Parties submitted opening comments¹ on important aspects of the Net Value Billing Tariff (“NVBT”) on November 27, 2023, providing information related to grid reliability and capacity payments, potential programmatic guardrails, and interconnection. Each of the questions posed in the ALJ’s ruling has financial or process (time) implications, to a significant enough degree to enable or constrain the potential for a successful community solar market in California. In the Clean Coalition’s opening comments, we framed answers through the lens of ensuring that infill solar projects will be properly valued—according to the full range of benefits created—and not impeded by a requirement to apply via the already congested wholesale interconnection process or unnecessary additions that limit developer certainty. We have commented on this issue extensively in

¹ In addition to the Clean Coalition, comments were submitted by Southern California Edison (“SCE”), Pacific Gas & Electric (“PG&E”), San Diego Gas & Electric (“SDG&E”), the Joint Community Choice Aggregators (“CCAs”), the Coalition for Community Solar Access (“CCSA”), the Solar Energy Industries Association (“SEIA”), the Coalition for California Utility Employees (“CUE”), the Center for Biological Diversity (“CBD”), Valta Energy, Arcadia Power, Solar Landscapes, PearlX, The Utility Reform Network (“TURN”), the California Energy Justice Association/National Resources Defense Council/Vote Solar (“CEJA/NRDC/Vote Solar), the Public Advocates Office (“Cal Advocates”), and Small Business Utility Advocates (“SBUA”).

different proceedings at the Commission over the years² about the need to design a clear and streamlined application and deployment process to garner sufficient developer interest in a program. The lackluster results from past front-of-meter (“FOM”) programs do not need to be repeated here, particularly given the availability of very clear lessons learned from over a decade of trial and error and various pilots. Moreover, with the reduced number of new applications following the transition to the Net Billing Tariff (“NBT”) and the adoption of the Virtual NBT, the NVBT will undoubtedly be the Commission’s best chance of achieving the state’s target for customer-sited solar. Whether it is because of California Energy Commission-driven targets for DER or issues involved with siting remote resources (e.g., land availability constraints, wholesale interconnection delays, and the slow process of deploying new transmission infrastructure), Community Solar represents a huge opportunity that must be utilized. As a result, sending signals to developers through the creation of a program that is streamlined, includes process certainty, and clear modellable economics is more imperative than ever.

In addition, while the ALJ’s Ruling hit at a lot of key issues that have been on the periphery of the proceeding as the basic issues have been considered (e.g., determining how effective the existing programs have been, storage requirements, and what the structure/base compensation rate for a successor program should be), it is important for the Commission to be aware that where the energy storage is allowed to be deployed will significantly impact the siting and cost implications of a successor program. Throughout the proceeding, the Clean Coalition has contended that allowing an option for deployments of unbundled (virtual) storage will lead to the greatest benefits for the ratepayers and maximize siting opportunities, particularly for infill solar projects. On built environments in dense urban areas—including rooftops, parking lots, parking structures)—space is at a premium, and co-locating a 4-hour battery along with on-site solar will drastically reduce the number of potential host sites interested in participating. The Commission’s main responsibility in this regard (e.g., implementing Assembly Bill 2316) is to ensure that one, or many, Green Access Programs (“GAP”) are available to provide options for bill savings through deployments of renewable energy for those unable to participate in other programs. Doing so in a vacuum, without considering the existing housing market, the high cost

² This includes comments on the Renewable Market Adjusting Tariff (“ReMAT”), the Net Energy Metering (“NEM” proceedings (including NEM 2.0 and the Net Billing Tariff), the Microgrid Incentive Program (“MIP”), the Community Microgrid Enablement Program (“CMET”), DER Deferral Pilots, Renewable Portfolio Standards (“RPS”), Renewable Auction Mechanism (“RAM”), etc....

of living in California, the continued rise of electricity bills at rates that far outpace inflation, the unprecedented need for new affordable housing stock, the costs associated with electrification (including Title 24 building standards), and the makeup of how low and medium income (“LMI”) ratepayers are distributed throughout the state risks perpetuating existing policy silos and all but guarantees limited success in developing a robust community solar market. Treating all types of solar as the same and requiring on-site storage deployments will primarily result in deployments of remote-ground mount solar, rather than encouraging all types of deployments, including infill solar located close to the load being served. Therefore, we urge the Commission to:

- Fully value the unique benefits of infill solar.
- Align with other Commission-designed programs and current ratemaking proceedings³ by including adders for locational value.
- Adopt an option for virtual pairings of energy storage (located within the same distribution substation area).
- Disregard comments by SCE on relying on avoided costs under the Public Utility Regulatory Policy Act (“PURPA”) because NVBT resources will not participate in wholesale markets.
- Allow NVBT resources to be included in the CEC’s load forecast to reduce LSE’s local resource adequacy (“RA”) requirements.
- Reject calls to implement a sunset date, program cap, or siting limitations.
- Allow NVBT projects to interconnect via Rule 21 for swift deployments, rather than costly/time-intensive interconnections using the wholesale distribution access tariff (“WDAT”).

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

³ Track B in the Demand Flexibility proceeding (R. 22-07-005) is considering granular options for including locational costs into real time prices.

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 RESPONDING TO QUESTIONS

i. Grid Reliability and Capacity Values

a. SCE

In opening comments, SCE makes a number of assertions claiming that the NVBT may inappropriately compensate resources and uses this as justification for an alternative proposal based on avoided costs under PURPA. The main assertion, made in a purposefully ambiguous manner, is related to the way in which NVBT resources are compensated during on-peak periods. SCE raises the concern that the majority of compensation is based on transmission and distribution capacity, rather than generation capacity, and states that the Commission must, “determine if NVBT projects can defer T&D capacity costs and, if so, how the compensation for those specific NVBT resources could be contracted for and structured to ensure the T&D value is realized.”⁴ There are a few issues to address here. First, the majority of costs in an average ratepayer’s electricity bill now come from delivery related charges—including a significant portion from transmission and distribution costs—not generation costs. It therefore makes sense that NVBT resources, which provide clean local energy and reduce the need for remote-generated energy, lead to reduced transmission and distribution costs (especially during the on-peak period). However, SCE’s comments do raise the important point that DER can have different value based on where on a project is sited. For example, infill solar projects located near electrical loads being served are even more effective than non-infill NVBT projects and should be compensated as such. As will be explained below, this extra value is why CBD, PearlX, Solar Landscapes, Valta Energy, SEIA, and others have urged the Commission to include additional locational values and/or non-energy benefits. The justification for this additional valuation comes directly from the legislature’s mandate in AB 2316, which requires full consideration of costs and benefits of DER. The fact that other FOM resources have been

⁴ SCE Opening Comments at p. 7.

valued in one way in the past does not mean that a program that abides by the legislation should also result in the exact same level of compensation.

Second, the Commission has already developed a methodology to determine avoided costs for the ratepayers from DER, the Avoided Cost Calculator (“ACC”). While it has primarily been used for cost-effectiveness testing, recently the Commission adopted the ACC as a tool for determining compensation levels for the Net Billing Tariff and Virtual Net Billing Tariff. This means that the ACC has been applied to projects on both sides of the meter. Although VNEM projects are sited close to the load being served, they are deployed front-of-meter (“FOM”), making it an appropriate comparison for NVBT projects. Thus, the Commission does not need to determine **whether** NVBT projects defer T&D costs, since past decisions have already specified that T&D costs are avoided. There is no need to re-litigate the issue; even if there were, this is not the correct proceeding to do so. SCE should instead look to R. 22-11-013, where the 2024 ACC is being considered.

Third, SCE argues that because the existing Rule 21 and WDAT queues for each IOU are being utilized by applicants, renewable energy resources are being properly compensated and have fully adapted to the CAISO market structure.⁵ This is the logical equivalent of claiming that because a pathway exists that some resources utilize, it must be sufficient for all resources going forward. In a colloquial manner of speaking, SCE’s argument is that if the existing process that has worked before then there is nothing to fix; that is an issue to take up with the legislature about the reasoning behind AB 2316, not the Commission in its implementation of the law. AB 2316 clearly states that the existing GAPS must be evaluated, and a decision needs to be made about whether the creation of a new program with the specifications included in the legislation is needed. Moreover, the congested queues and long delays/high interconnection costs clearly demonstrate that changes are necessary. In particular, the streamlining of Rule 21 interconnection the Commission has achieved via the Rule 21 interconnection proceeding (“R. 17-07-007”) was always intended to be applied to the WDAT process, but the lessons learned have not crossed over thus far. This is part of the reason why interconnecting projects via Rule 21, rather than WDAT, is so important to the success of the new program.

Finally, SCE offers an alternative proposal based on PURPA avoided costs, called the Community Renewables program. Such a program flatly does not comply with AB 2316, which

⁵ SCE Opening Comments, at p. 19.

requires compensation, “as determined by the commission’s methods for calculating the full set of benefits of distributed energy resources,” and allows the Commission to, “use actual wholesale market prices for the energy supply portion of an avoided cost calculation or credit value.”⁶ The avoided costs included in PURPA are the incremental costs for a marginal unit to the utility, which is vastly different from what the ACC was designed for—determining the avoided costs to the ratepayers from a marginal DER deployment. PURPA was designed for wholesale resources participating in wholesale markets, which does not accurately describe NVBT projects. Furthermore, the state already has PURPA compliant programs, including the ReMAT and the Standard Offer Contract (for projects 20 MW and under). The Commission is under no obligation from the federal government to create a Community Solar program using PURPA avoided costs and the legislative mandate from AB 2316 specifically refers to the Commission’s existing methodology. If the legislature was interested in another PURPA compliant program, such language would have been explicitly included in the law. From a practical standpoint, SCE’s proposal for a capped feed-in tariff (“FIT”) with a size limit of 3MW will not be appetizing for developers, nor will it enable the state to achieve meet the procurement targets. ReMAT, which is most like SCE’s proposal, has had very limited success, even after reforms the Commission has approved over the last few years. The PURPA prices are simply too low to garner any significant amount of interest and combined with the 3MW cap, being cost competitive is extremely difficult. From a practical, logical, and legal standpoint, SCE’s proposal is subpar and does not compare with the NVBT. Therefore, the Commission should reject SCE’s proposal outright.

b. The Joint CCAs

In opening comments, the Joint CCAs focus on the successes of the existing GAPs for disadvantaged communities (“DACs”), advocating that both the DAC-GT and CSGT programs should continue, irrespective of the Commission’s determination on the need for a new program.⁷ We agree that there are opportunities to improve the effectiveness of the two existing programs but argue that these programs are not sufficient to meet the needs to all disadvantaged and vulnerable populations. Firstly, SCE’s comments that only 38% of the low-income

⁶ Section 769.3(C)(5). <https://legiscan.com/CA/text/AB2316/id/2606963>

⁷ The Joint CCA’s Opening Comments, at p. 3.

customers located within the service territory reside in DACs⁸ provide essential insight about policymaking in the state. Simply having a requirement that a project must be sited within a DAC is not sufficient to enable a majority of the LMI customers in the state to achieve bill savings through the existing GAPS. Acknowledging the actual way in which these ratepayers are distributed should inform policy, namely allowing deployments outside DACs that still benefit LMI ratepayers.

c. Center for Biological Diversity

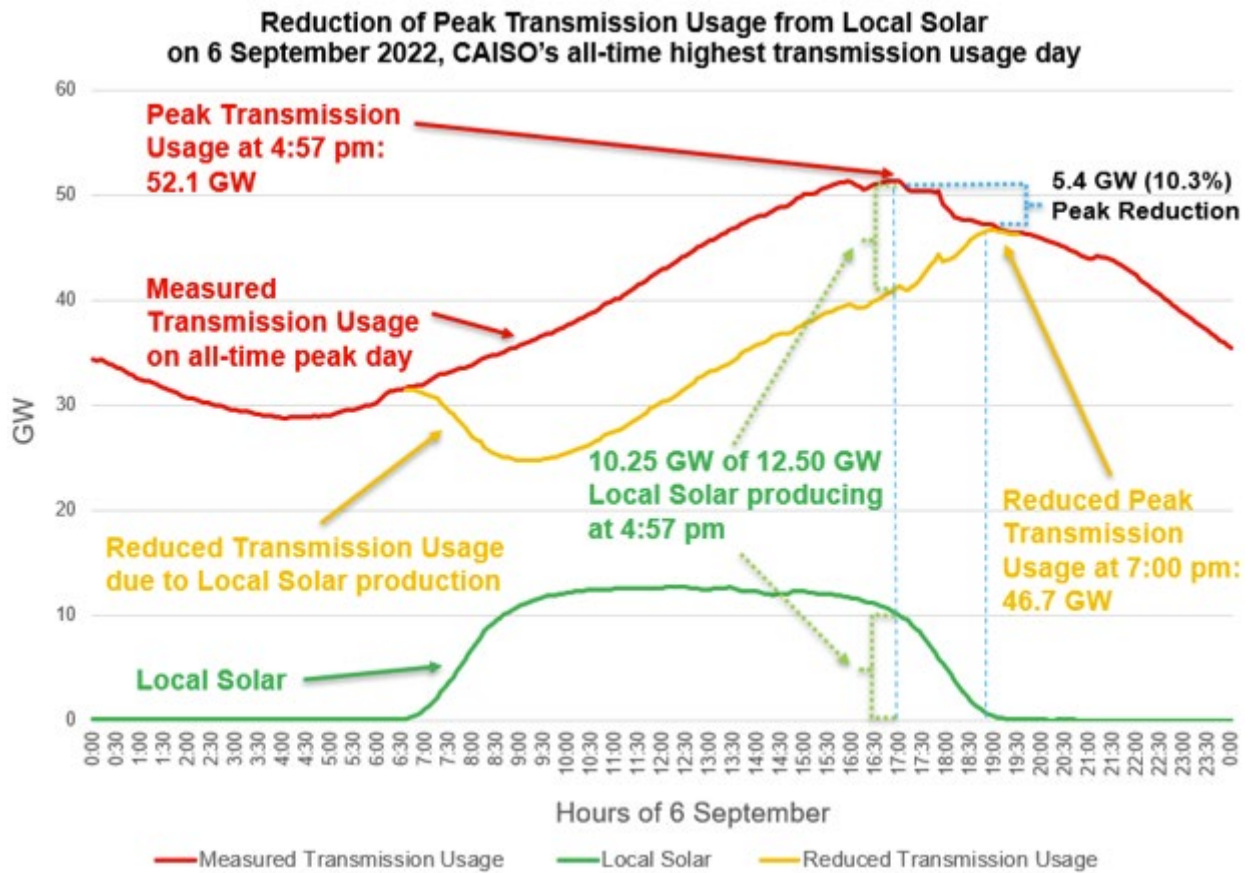
CBD's opening comments provide important historical context on the value of distributed generation as a contributor to system reliability and peak reduction. Over the last 17 years, 6,500 MW of capacity additions have been deferred by NEM deployments, helping the state move toward a decarbonized future, rather than using expending capitol on a polluting fossil fuel generator with limits on annual run time and that is destined to become a stranded.⁹ While they are far smaller in scale than a massive gas peaker plant, NEM deployments benefit the grid and create economic benefits for the customer, offering dual benefits. The Clean Coalition wishes to emphasize for the Commission that deploying resources sited close to load centers is the most effective way to reduce peak grid usage (e.g., peak transmission usage), creating both reliability benefits as well as helping to lower electricity rates for all ratepayers—whether rich or poor—by reducing requirements for new infrastructure projects. This value is becoming more apparent as the grid vulnerabilities associated with aging infrastructure, climate change, extreme weather events, fires, and other natural disasters are revealing the true costs of maintaining a safe and reliable electric system. From a practical standpoint, it is worth pointing out that this additional value is not ambiguous or impossible to properly value. CBD explains, “NEM solar—even without accompanying storage—reduces peak load by 35% of installed capacity. Solar-plus-storage reduces peak load by 70% of installed capacity.”¹⁰ As a case study, the Clean Coalition has previously commented on the example of grid conditions on 6 September 2022, which was the day when the California Independent System Operator (“CAISO”) recorded the highest all-time peak system demand. The graphic below shows that if the 12.5 GW of transmission-

⁸ SCE Opening Comments, at p.32.

⁹ CBD Opening Comments, at p. 4.

¹⁰ Ibid, and Application of the Center for Biological Diversity, the Protect Our Communities Foundation and the Environmental Working Group for Rehearing of Decision 22-12-056, at p. 26.

interconnected solar generated that day had instead come from local solar, the peak transmission usage on that all-time historic-peak day would have been reduced by over 10%. Such a significant reduction in peak transmission usage would have been more than enough to ensure that California was not in danger of rolling blackouts. In fact, the local solar would have had a nearly 5 times greater impact in reducing peak transmission usage than the record-setting 1.2 GW of demand response on that day.



Essential in the context of this proceeding is the fact that deploying larger chunks of distributed solar under the NVBT will increase the cost-effectiveness of peak reduction by distributed generation beyond that a typical small-scale NEM project, especially with the addition of unbundled storage.

d. Locational Value

The Clean Coalition strongly concurs with comments made by CBD and PearlX¹¹ about the importance of including locational benefits in the value stack, particularly for infill solar projects. Just as there are costs for upgrades associated with deploying projects at certain points on the distribution grid, costs that are shouldered by the developers, there are also clear benefits, which should also be allocated appropriately through a proper valuation. We continue to support a modified version of the NVBT that includes commensurate value based on the total benefit to the grid, including locational value. For infill projects, compensating for avoiding usage of transmission infrastructure and a close proximity to the subscribers being served can feasibly occur through avoiding Transmission Access Charges (“TAC”) and the Power Charge Indifference Adjustment (“PCIA”). With that being said, we are open to other options for compensating this value creation, so long as the value is properly included in the value stack and believe. In adopting a successor program according to AB 2316, the Commission will be confirming that the full range of costs **and** benefits have been included. Discussion on cost-effectiveness and cost shifts have certainly addressed the cost component, but to ignore locational value—a departure from past Commission decisions—is very clearly undercounting the benefits.

Past Commission decisions in the Integrated Distributed Energy Resources (“IDER”) proceeding¹² proved that it is possible to effectively value locational benefits on the distribution grid—via the adoption of a Locational Net Benefits Analysis (“LNBA”) methodology. If the Commission is concerned about how to effectively value locational benefits in this context, the Clean Coalition is not entirely opposed to having the IOUs publish a list of feeders where deployments will be compensated for locational benefits. We, however, do oppose TURN’s proposal to limit deployments based on feeder hosting capacity and thus wish to distinguish our suggestion as a permissive option to maximize locational benefits, rather than as a requirement leading to unnecessary limitations. SBUA provides a spot-on summary, explaining that, “encouraging smaller, in-fill projects has particular potential for providing clean, renewable

¹¹ CBD Opening Comments, at p. 4, and PearlX Opening Comments, at p. 2. PearlX explains, “The location of a DER project also has environmental and land-use implications. For example, there are innumerable rooftops available to host solar plus storage facilities without disrupting natural habitats or changing the land use. The Commission should consider such avoided environmental costs in comparison to other forms of renewable generation. Additionally, the location of DER projects is important as it directly relates to property values. Including the location as a component of the NVBT value stack helps low and middle income property values as property value can increase from the presence of DER projects”

¹² Originally R. 14-10-003, which is now a part of the High DER proceeding (R. 21-06-017).

power within “reasonable proximity to the enrolled participant” as required by Public Utilities Code, section 2833, and best meets the legislative purposes of GAP.”¹³

ii. Guardrails

While there was not complete consensus amongst parties, the majority of parties agreed for various reasons that neither a sunset date nor a program cap are beneficial additions to any successor program.¹⁴ Of these parties, SEIA notes that adding either a program cap or a sunset date is premature. CUE and Arcadia Power both took far more oppositional stance; CUE described a program cap as unnecessary and argued that including a sunset date could actively hinder the success of the program. Similarly, Arcadia Power asserted that if implemented, a program cap would lead to negative consequences. The Clean Coalition supports these arguments and believes that the alignment amongst parties clearly demonstrates that the record does not reflect the need for a program cap or sunset date. Likewise, parties agreed with the Clean Coalition that TURN’s proposal to limit the number of feeders where NVBT projects can be deployed is unnecessarily restrictive, without any justification for why such a proposal is needed. SEIA provides some context, explaining that TURN’s proposal is more related to interconnection delays than grid upgrades, and lambasts the proposal with the statement, “First, TURN provides no criteria by which the IOUs would determine whether the interconnection of an NVBT project on a certain circuit would cause problems for other new customers or for increased customer loads.”¹⁵ The vagueness of the proposal would only serve to reduce certainty for potential applications, adding complication where it is not needed. TURN attempts to justify the proposal by suggesting that the cost of upgrades be shouldered by the ratepayers, but this is not the case with distribution-level upgrades triggered by the deployment of a project. CCSA explains, “Under the NVBT proposal, developers will pay for all costs to upgrade a distribution circuit to accommodate their facility.” Hence, there will be no cost impact to energy consumers from interconnection of resources that participate in the NVBT. Further, cost responsibility for interconnection provides a strong incentive to developers to site projects at distribution circuits

¹³ SBUA Opening Comments, at p. 2.

¹⁴ Parties that do not support a program cap or a sunset date include SEIA, CBD, CEJA/NRDC/Vote Solar, PearlX, CCSA, TURN, and CUE. Arcadia Power’s comments focus on the problems with a program cap.

¹⁵ SEIA Opening Comments, at p. 19.

that can accommodate interconnection without causing significant upgrades.”¹⁶ As explained in our opening comments, TURN’s proposal might have some legitimacy if it were in regards to a program focusing on deploying transmission-interconnected projects since transmission upgrades are recovered from all ratepayers, but that is not the case for this program, which is intended for distribution-level projects. Therefore, we urge the Commission to align with the Clean Coalition and a majority of parties in rejecting TURN’s proposal for limiting siting opportunities for NVBT projects.

iii. Interconnection

The last critical driver of a successful program is streamlined interconnection. New York has a standardized interconnection process for systems up to 5MW for all utilities within the state, which is utilized in the VDER program. It requires utilities to respond to pre-applications within 10 business days and interconnection applications within 60 business days and clearly defines the application fees. Having a clearly defined process with short timelines significantly speeds up the interconnection process and motivates developers to more aggressively pursue project development opportunities.

Of the two existing processes for distribution-interconnected resources, Rule 21 has a far more iterative process with clear timelines/deadlines than WDAT. In opening comments, SDG&E notes that Rule 21 can be used for FOM interconnection, in addition to BTM interconnections¹⁷, and CUE clearly argues that Rule 21 is the appropriate interconnection procedure to use for NVBT projects. In opening comments, CUE states, “Rule 21 governs BTM projects that can export most of their output to the distribution system. NVBT projects will be the same and, therefore, it is appropriate to treat NVBT resources similarly.”¹⁸ We agree with CUE that Rule 21 is the best way to deploy projects in an efficient manner and point to the New York VDER process as an example of streamlined interconnection the Commission can look to in terms of encouraging a fledgling Community Solar market.

IV. CONCLUSION

¹⁶ CCSA Opening Comments, at p. 23.

¹⁷ SDG&E Opening Comments, at p. 14.

¹⁸ CUE Opening Comments, at p. 5.

The Clean Coalition respectfully submits these reply comments. We urge the Commission to adopt a modified version of the NVBT that fully compensates infill solar projects and includes an option for deployments of unbundled storage. Finally, we request that NVBT projects reduce RA requirements, urge that the Commission does not pass unnecessary guardrails (including a program cap, sunset date, or siting limits), and point to support for NVBT projects interconnecting via Rule 21 rather than WDAT.

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