

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

Order Instituting Rulemaking to Consider
Distributed Energy Resource Program Cost-
Effectiveness Issues, Data Access and Use, and
Equipment Performance Standards.

Rulemaking 22-11-013
(Filed November 17, 2022)

**OPENING BRIEF OF
THE CLEAN COALITION**

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I. INTRODUCTION

Pursuant to Rule 13.12 of the Rules of Practice and Procedure of the California Public Utilities Commission (“the Commission”) and the May 31, 2023, *Assigned Commissioner’s Scoping Memo and Ruling*, the Clean Coalition respectfully submits this Opening Brief on the 2024 update to the Avoided Cost Calculator (“ACC”).

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 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.

The ACC is a key tool for determining DER cost-effectiveness and more recently, to set compensation levels for DER programs, including the Net Billing Tariff, Virtual Net Billing Tariff, and the proposed Net Value Billing Tariff. Ensuring an update that increases the accuracy of inputs and outputs from the ACC will have a direct impact on DER adoption rates over the next two years. The Clean Coalition urges the Commission to improve the accuracy of the avoided transmission value and to include non-energy benefits as a category of the ACC.

**II. WHAT UPDATES ARE APPROPRIATE FOR THE AVOIDED COST
CALCULATOR, IN ACCORDANCE WITH DECISION D. 22-05-002?**

A. Issues Included in the Staff Proposal

2. Integrated calculation of generation capacity and GHG avoided costs
 - e. Calculation of certain transmission costs in the IRP/PSP

The Clean Coalition supports the proposition in the Staff Proposal to include the avoidance of on peak and off-peak transmission upgrade costs association with resource transmission impact factors. The California Independent System Operator (“CAISO”) updated the methodology and transmission zones, a change that should be reflected in the ACC, given the focus of increasing harmony between the ACC and the IRP.

8. Avoided Transmission and Distribution Costs

- a. Use current T&D avoided costs for 2024 cycle and update for 2026 ACC following completion of T&D avoided cost study.

As was included in the Clean Coalition’s direct and rebuttal testimony, we support the updating the avoided transmission value in the ACC as soon as possible and believe that the Commission provides appropriate justification for doing so in D. 22-05-002.¹ The update should include both a unified methodology for avoided transmission as well as a holistic study of the complete value stack (e.g. avoided transmission access charges due to market optimization and reduced congestion, avoided unspecified transmission, and avoided specified transmission). However, the ALJ Ruling adding an addendum to the Staff Proposal² makes quite clear that the proposed T&D study will be completed in time for outputs from an updated methodology to be included in the 2026 update to the ACC. Thus, the best interim step for the 2024 ACC is to ensure that all three investor-owned utilities (“IOUs”) are using the same methodology. Even a small difference in the way an output is calculated can result in a significantly different result, which can, for example, have a large impact on resource compensation. D. 22-05-002 adopted a new avoided transmission methodology for PG&E but declined to do the same for SCE and SDG&E; we believe that harmonizing output by updating the values for SCE and SDG&E is appropriate at this time.³ As Cal Advocates witness James Ahlstedt explains during a cross examination by the Protect our Communities Foundation (“PCF”), “To the extent that transmission costs or any other costs or benefits are included in any analysis, they should be as

¹ See D. 22-05-002, at page 74.

² Email Ruling Adopting an Updated 2024 Avoided Cost Calculator Staff Proposal, filed on October 13, 2024. <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M520/K556/520556190.PDF>

³ SEIA-01, at p. 22.

accurate as possible.”⁴ NRDC witness Eric Borden concurs.⁵ Since the T&D study cannot be conducted in a manner expedient enough for inclusion in the 2024 ACC update, the Clean Coalition strongly recommends that the Commission promote accuracy within the existing framework, which will make the ACC more workable/understandable for potential users.

b. Calculation of certain transmission costs

The Clean Coalition is concerned by SEIA’s discovery that policy-related transmission projects from the 2022-2023 CAISO TPP are considered “zero cost” or a sunk cost in the RESOLVE modeling.⁶ These projects will not officially be in service until 2027-2032 and many (if not all) have not received the needed permits to begin construction, nor a certificate of convenience and public necessity. The Clean Coalition notes that while the projects have been approved in the Transmission Planning Process (“TPP”), there are two reasons why they should not be registered as a sunk cost. First, the project costs have not actually been incurred. If funds had been allocated, the cost recovery for these policy-related projects would be incorporated into the high voltage Transmission Access Charges (“TAC”) to be collected from the ratepayers. Similarly, if no funds have been allocated in the General Rate Case (“GRC”) and approved by the Commission, the cost is not yet sunk. Second, policy projects recommended in the Transmission Plan are categorized into Category 1 and Category 2 projects. While category 1 projects are intended to “minimize the risk of constructing under-utilized transmission capacity while ensuring that transmission needed to meet policy goals is built in a timely manner,” category two projects, “that may be needed to achieve the relevant policy requirements and directives, but for which final approval is dependent on future developments and should therefore be deferred for reconsideration in a later planning cycle.”⁷ Projects that will be reconsidered in a subsequent TPP have not yet been conclusively listed as required to achieve state policy goals and are prime candidates for deferral via load forecast reductions, energy efficiency, demand response, energy storage, or other DER. While all policy-related projects should not be considered a sunk cost, Category 2 projects cannot be considered sunk when the

⁴ Cross of Cal Advocates Witness James Ahlstedt by Andrea White of PCF, at p. 221, lines 14-16.

⁵ During cross by SEIA’s Jeanne Armstrong, NRDC witness Eric states, “If transmission can reasonably be deferred or avoided by DERs, it should be included,” on 1/23/2024 at p. 92, lines 12-14.

⁶ SEIA-01, at p. 18.

⁷ CAISO 2022-2023 Transmission Plan, at p 22-23. <https://www.caiso.com/Documents/ISO-Board-Approved-2022-2023-Transmission-Plan.pdf>

CAISO has not yet provided final approval. We agree with SEIA on the need for a policy-transmission adder in the ACC.

- B. Other issues related to the ACC updated not included in the Staff Proposal
 - 1. Whether and how to account for non-energy benefits, resiliency, and social costs in the ACC.

The Clean Coalition supports the addition of non-energy benefits, including resiliency, in the ACC. We agree with the Center for Biological Diversity that just because there is not currently a standardized dollar value associated with several non-energy benefits, the value should not be set at zero dollars.⁸ We also support Google’s proposed adder.

III. WHAT MODIFICATIONS TO THE ACC BIENNIAL UPDATE PROCESS ARE APPROPRIATE?

No comment at this time. We reserve the right to reply to other party comments.

IV. SHOULD THE COMMISSION ADOPT GUIDING PRINCIPLES FOR THE ACC, INCLUDING PRINCIPLES THAT ENSURE ALIGNMENT WITH R. 20-05-003 (INTEGRATED RESOURCE PLANNING OIR- AND OTHER DER-RELATED PROCEEDINGS)?

No comment at this time. We reserve the right to reply to other party comments.

V. HOW SHOULD EQUITY ISSUES BE CONSIDERED IN EVALUATING DER COST-EFFECTIVENESS?

No comment at this time. We reserve the right to reply to other party comments.

VI. CONCLUSION

The Clean Coalition respectfully submits this opening brief and urges the Commission to update the avoided transmission value as an interim step, adopt categories of non-energy benefits, and study social costs to determine standard values in time for the 2026 ACC update.

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⁸ Cross of the Center of Biological Diversity of Cal Advocates Witness James Ahlstedt, at p. 22, lines 2-5 (on 1/24/2024).

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