

**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)

**CLEAN COALITION COMMENTS ON PROPOSED DECISION ADOPTING
CHANGES TO THE AVOIDED COST CALCULATOR**

/s/ BEN SCHWARTZ

Ben Schwartz
Policy Manager
Clean Coalition
1800 Garden Street
Santa Barbara, CA 93101
Phone: 626-232-7573
ben@clean-coalition.org

July 16, 2024

TABLE OF AUTHORITIES

Page

Commission Rules of Practice and Procedure

Rule 14.3.....1

California Public Utilities Commission

Decisions

D. 22-05-002.....3, 4

D. 24-04-010.....3

D. 24-07-015..... 4

**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)

**CLEAN COALITION COMMENTS ON PROPOSED DECISION ADOPTING
CHANGES TO THE AVOIDED COST CALCULATOR**

I. INTRODUCTION

Pursuant to Rule 14.3 of the California Public Utilities Commission’s (“the Commission”) Rules of Practice and Procedure, the Clean Coalition respectfully submits these comments on the *Proposed Decision* (“PD”) *Adopting Changes to the Avoided Cost Calculator* (“ACC”), issued at the Commission on June 26, 2024. The ACC is a tool used throughout the Commission for determinations of cost-effectiveness and compensation of distributed energy resources (“DER”) programs including the Net Billing Tariff (“NBT”). Ensuring that the newly adopted ACC is accurate is critical for effective valuation of demand-side resources and promoting the sustainable growth of DER in ways that are beneficial to the ratepayers. The PD includes a number of sharp departures from previous iterations, such as removing the “no new DER” use case and aligning more closely with the Integrated Resources Portfolio (“IRP”), which should reduce complexity and harmonize the ACC with work being conducted in proceedings across the Commission. The PD also acknowledges that a study will be conducted on transmission and distribution values (“T&D”) in time for incorporation in the 2026 update to the ACC. Instead, the PD suggests using updated T&D values based on the existing methodologies. Lastly, the PD defers the consideration of non-energy benefits (“NEBs”) based on the results of a newly adopted Societal Cost Test (“SCT”), despite the fact that the main NEB parties have requested to be included in the ACC, resilience, is not included as an input in the SCT.

Clean Coalition appreciates the opportunity to comment on the PD. We support a number of the proposed changes including the removal of the No New DER use case. However, we request the following changes:

- Include updated avoided transmission values based on the full record, not just the data responses from the investor-owned utilities (“IOUs”).

- Include the cost of policy-driven transmission projects in the avoided transmission values.
- Include a preliminary schedule for the proposed t&d study to ensure that it remains on schedule and will be adopted as part of the 2026 update to the ACC.
- Note in this decision that the updated avoided transmission values are based on the existing methodology and are likely undercounting the full avoided transmission value, which will be determined in the upcoming study.
- Revise the PD to note that NEBs are noting, such as resilience, are not currently included in the adopted SCT and should therefore be considered in the ACC. If not adopted in this update, the word “may” should be revised to “will” consider NEBs in the ACC.

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 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. The avoided transmission values should be updated based on all the data presented, not just the IOU responses to data requests.

One point that came to light clearly on the proceeding record is that the portfolio used to determine avoided transmission values under the existing methodology leaves out a significant amount of the actual spending on transmission infrastructure conducted by the IOUs. While only a few hundred million dollars in spending was reported, the total amount is in the billions of dollars. Part of this difference, as the Solar Energy Industries Association (“SEIA”) explained, is

in the lack of inclusion of policy-driven transmission projects. With policy-driven projects accounting for around \$2.5 billion, a number in the hundreds of millions of dollars is clearly inaccurate.¹ Policy-related transmission costs cannot be considered sunk costs until the projects have actually been approved, permitted, and are in operation, with cost recovery beginning. Therefore, the proposed avoided transmission value is far lower than an avoided transmission value that incorporates the full amount of transmission spending, with policy-driven values included. The t&d study will determine the most accurate methodology for valuing avoided transmission values, but until then the correct portfolio should be used as the input for the existing methodology to ensure that the avoided cost categories are as accurate as is currently possible.

B. The PD should include a preliminary schedule for the t&d study.

The original requirement for a t&d study came in the 2022 update to the ACC, Decision (“D.”) 22-05-002.² However, in the process of the 2024 update—which began in late 2023—and release of the Staff Proposal, the Commission determined that there was not enough time to conduct a study and adopted a decision approving a study in time for use in 2026. If a similar timeline occurs, and the t&d study is not started until mid-late 2025, the results of the study will not be ready in time for inclusion in the 2026 ACC and the Commission will have to wait until 2028. Such an outcome is not in the best interests of the ratepayers. To ensure that the study is completed in time for use in the next biennial update, Clean Coalition advocates that a basic schedule be laid out in this decision, with the possibility of amendment at a later time if necessary. Along with the available funds allocated in D. 24-04-010, a proposed schedule will put the wheels in motion and provide staff with the direction needed to initiate the study in a timely manner, allowing stakeholders to provide multiple rounds of feedback.

C. The PD should be amended to note that the adopted avoided transmission values will be too low prior to the completion of the t&d study.

Clean Coalition supports the Commission revising the PD to note that the adopted avoided transmission values for the 2024 update to the ACC are likely lower than what will be

¹ Reply Brief of SEIA, at p. 9.

² D. 22-05-002, at p. 75.

adopted once there is a unified methodology (from the t&d study) for all three IOUs that includes the full portfolio of transmission projects. Due the long turnaround time required to complete the t&d study, use of the existing methodology has been deemed the best option, despite the fact that it does not include the full avoided transmission value (from avoided unspecified and specified transmission). For example, in D. 22-05-002, the Commission chose to adopt an updated value for PG&E, but did not do so for SCE, instead instructing SCE and SDG&E to use the same marginal cost methodology as 2020 with an updated value for 2022.³ The higher value proposed by SEIA (higher than what was proposed for PG&E) was deemed illustrative and contested in the view of the Commission, leading to rejection in favor of the existing methodology. Conducting a marginal cost study for SCE and SDG&E likely would have led to a higher avoided transmission value for both IOUs. Since the study still has not been completed, Clean Coalition believes it is important for the Commission to note that the existing methodology being used from 2020 is essentially serving as a placeholder and the avoided transmission values are lower than the actual value created by DER.

D. The PD should be revised to notice D. 24-07-015 adopting a SCT and require consideration of NEBs in the future.

The PD suggests that the adoption of a SCT may consider NEBs such as resilience and concludes that, “It may not be necessary to include NEBs or societal costs in the ACC if the Societal Cost Test is adopted...”⁴ Now that the Commission has adopted a decision with a SCT that contains four categories—resilience not among them—for qualitative purposes, it is clear that the subject of valuing NEBs in cost-effectiveness remains unfinished. Clean Coalition continues to support including a system value for resilience, along with other parties including Google, the Center for Biological Diversity, the Protect Our Communities Foundation, PearlX, and others. We request that the Commission note the qualitative SCT that was recently adopted as well as the four categories included in the adopted test in this PD and change references to future work on NEBs as something that “will” occur rather than something that “may” occur.⁵ Since efforts to include a value of resilience and for other NEBs will likely not occur in the 2024

³ *Ibid.*

⁴ PD, at p. 39.

⁵ *Ibid.*

ACC update, we recommend that the Commission utilize the results of the OIIP on NEBs and Social Costs being conducted at the Energy Commission in the process of developing the 2026 ACC update. Likewise, we recommend that the Commission require information on equity-related cost-effective calculations to be ready in time for inclusion in the 2026 ACC update.

IV. CONCLUSION

Clean Coalition appreciates the opportunity to submit these comments and urges the Commission amend the PD to include the full transmission portfolio in the determination of 2024 avoided transmission costs, adopt a preliminary schedule for the t&d study, find that the existing avoided transmission methodology likely results in a lower avoided transmission values than the t&d study will, and require the proceeding to address NEBs such as resilience in the 2026 ACC update.

/s/ BEN SCHWARTZ

Ben Schwartz
Policy Manager
Clean Coalition
1800 Garden Street
Santa Barbara, CA 93101
Phone: 626-232-7573
ben@clean-coalition.org

Dated: July 16, 2024

RECOMMENDED CHANGES

Findings of Fact

16. The Avoided T&D Costs Study will not be completed in time for the results to be incorporated into the 2024 ACC. As a result, the 2024 avoided transmission values will be less than an updated and accurate value.

17. The 2024 avoided transmission value should include the full portfolio of transmission projects, including policy-driven transmission projects.

18. Non-energy benefits, such as resilience, will be incorporated into the ACC in time for the adoption of the 2026 ACC.

19. Information on cost-effectiveness for equity programs will be ready in time for incorporation in the ACC during the 2026 update.

Conclusions of Law

9. It is reasonable to continue to use the current methodology and the full portfolio of the most current T&D cost data to calculate avoided T&D costs in the ACC.

10. The Commission finds that the avoided transmission values for the 2024 ACC update using the existing methodology are known to be less than the avoided t&d values calculated in the upcoming t&d study, but increased accuracy is not possible at this time.

~~12. It is reasonable to deny all motions related to the issues considered in this decision that were not ruled on~~