

**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 THE
SOCIETAL COST TEST**

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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 the Societal Cost Test* (“SCT”), issued at the Commission on May 24, 2024.

The PD adopts a SCT with four inputs—an air quality adder, a methane leakage value, a social cost of carbon (“SCC”), and a social discount rate—for use in cost-effectiveness determinations of distributed energy resources (“DER”) programs across the Commission’s jurisdiction. The Commission chooses to retain the Total Resource Cost (“TRC”) test as the primary cost-effectiveness test, relying on the SCT for informational purposes only to provide an additional input that more effectively balances the existing tests.¹ Analysis in the PD notes that adoption of the SCT allows the Commission to, “promote, where appropriate, broader social goals, such as those outlined in the DER Action Plan 2.0 and the [Environmental and Social Justice] ESJ Action Plan.”² This is an important step forward to actively consider externalities that disadvantaged communities have historically shouldered at a far higher level than other communities, leading to inequities that modern policymaking is working to overcome.

The Clean Coalition supports the adoption of the SCT for use in cost-effectiveness tests for all DER programs, though we continue to believe that the SCT should be relied on as the primary cost-effectiveness test. One reason is the lack of clarity on how use of the SCT will be balanced against results of other tests. For example, in the context of the debate over Net Energy Metering

¹ Besides the TRC, other cost-effectiveness tests include the Ratepayer Impact Measure (“RIM”), the Participant Cost Test (“PCT”), and the Program Administrator Cost (“PAC”).

² PD, at p. 24.

(“NEM”) 2.0, one of the major factors in the adoption of the Net Billing Tariff (“NBT”) was low RIM scores. Though the TRC scores were high, and the Commission has re-affirmed here the use of the TRC as the “CPUC’s primary test,”³ the rationale in the decision adopting the NBT included reliance on balancing the different test scores. How will use of the SCT impact the existing cost-effectiveness balance? To be conservative, with the assumption that NEM 2.0 would have scored reasonably high using the SCT scores, might the addition of the SCT to the balance of cost-effectiveness tests have led to a different outcome, such as higher compensation? Or would the result have been the same, with the results of the RIM having the most significant impact? The Clean Coalition supports the development and implementation of the SCT and lauds the work the Commission has done thus far. Yet, part of the process of adopting the SCT should include analysis (or use cases) that support exactly **how** the results will be utilized and balanced against other cost-effectiveness tests. There is less clarity with adoption of the SCT as an information-only test compared to use as a primary cost-effectiveness test.

The main portion of these comments will address the importance of including additional inputs for use in the SCT, even those that have not yet been precisely quantified. Of primary consideration should be the use of a standard value of resilience. Resilience in the context of societal value is separate from an avoided resilience value, which the Commission has previously addressed in D. 20-04-010.⁴ In the case of the SCT there is a value of DER deployments that enable resilience at critical community facilities (“CCFs”)—to the benefit of the local community and the broader region—as well as smaller incremental installations of generation and storage (and other DERs) that help set the stage for broader grid resilience solutions such as Community Microgrids deployments in load pockets. In both cases, the increased resilience reduces the impact of grid outages on society, minimizing losses and other expenses that might be incurred in a situation where emergency services are not available (or are only available due to use of fossil-based solutions) and improve overall climate resilience.

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

³ *Ibid.*, at p. 4.

⁴ See D. 20-04-010, at p. 67.

development expertise. The Clean Coalition drives policy innovation to remove barriers to procurement and interconnection of distributed energy resources— 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. Resilience must be included as an input in the SCT adopted by the Commission.

The PD cites Public Utilities Code (“PUC”) § 701.1(c) as rationale for the adoption of the inputs for the SCT, but fails to note the importance of PUC § 701.1(a)(1), which states, “*a principal goal of electric and natural gas utilities’ resource planning and investment shall be to minimize the cost to society* of the reliable energy services that are provided by natural gas and electricity, and to improve the environment and to encourage the diversity of energy sources.”

The statute specifically addresses the cost to society, not just the cost of electricity for ratepayers. Therefore, properly valuing increased resilience, which reduces outage hours, improves reliability, and limits the negative impacts to society, must be a critical part of the equation when it comes to cost-effectiveness and societal value. Adopting a SCT without addressing resilience in the equation fails to comply with PUC § 701.1(a)(1).

Let’s consider the questions of resilience and the SCT in the context of two Commission-adopted resilience programs. First, is the Joint Settlement Agreement between Liberty Utilities CalPeco Electric LLC (“Liberty”) and the Public Advocates Office (“Cal Advocates”), adopted by the Commission in D. 23-11-004.⁵ In the Decision, the Commission approves the purchase of temporary diesel generators—to be phased out by 2035—and the choice by the settling parties to withdraw the option for behind-the-meter (“BTM”) battery energy storage systems (“BESS”). The Commission approved the use of a fossil-based option, noting, “that the BTM BESS program has cost effectiveness issues and may not be fully ready for deployment at this time,”⁶ a

⁵ The Decision was adopted on November 8, 2023.

<https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M520/K777/520777175.PDF>

⁶ D. 23-11-004, at p. 9.

rationalization that was presented even though diesel generators have significant usage constraints and BTM BESS can be used throughout the year for a variety of value creation options. Without an ability to consider the resilience benefits, even for a program designed to promote resilience, the fossil fuel option that was clearly understood to be investing in a sunk cost was selected. Indeed, three years earlier in the microgrids proceeding, the Commission had noted in multiple instances, “Again, diesel generation cannot be a long-term resiliency strategy.”⁷ Yet, when the chance came to test that logic, the lack of an ability to value resilience led to the selection of fossil fuel solutions over a non-fossil BTM BESS solution. With the ability to properly value resilience via the SCT, the Commission’s decision-making framework can evolve to more effectively judge the value creation of DER programs.

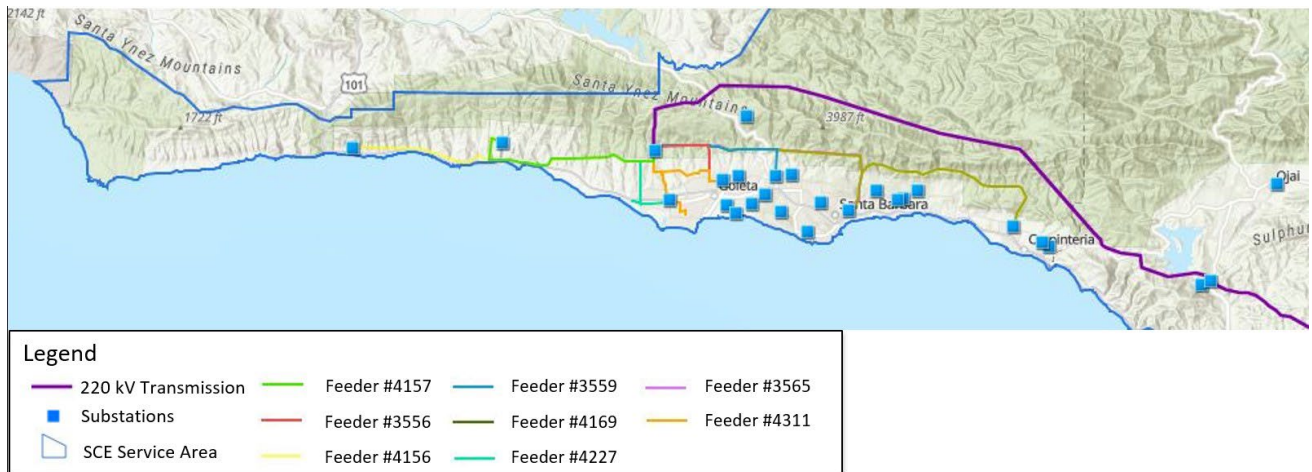
Second is the necessity of considering the value of resilience in the context of a program like the Microgrid Incentive Program (“MIP”). In adopting the MIP, the Commission allocated \$200 million for the purpose of deploying Community Microgrids in ESJ communities historically at risk for outages (or with reliability issues). When evaluating the success of the MIP, the Commission does not have the ability to value the resilience benefits from a successful Community Microgrid deployment without an SCT that includes a resilience input. Cost-effectiveness tests will therefore consider the benefits from the individual DER deployments (not the Community Microgrid as a whole) and perhaps reliability metrics, ignoring the primary reason that the program was adopted in the first place.

As the Clean Coalition has explained in prior comments on the SCT, resilience has been acknowledged as a nonzero value stream, but due to the lack of consideration in cost-effectiveness tests, the effective value is zero. This guides decision making in a different way than a process with a standard value of resilience, limiting the Commission’s ability to design programs that achieve the highest number of ratepayer benefits. We therefore urge the Commission to include resilience as an input in the SCT that is adopted in this proceeding. Doing so, even with a placeholder value, provides a clear venue to address the societal value and ensures that the full DER value stack will be considered in cost-effectiveness testing. Considering that the Commission intends to adopt the SCT as a test for informational use, having additional informational inputs will improve the usefulness of the test.

⁷ D. 20-06-017, at p. 82.

B. Tangible societal benefits exist from increased resilience, especially on a locational basis.

As mentioned above, there are two unique societal values of resilience that should be considered in the SCT. The first is any deployment that increases resilience at CCFs. CCFs coordinate the response and provide key services during emergencies that benefit the individuals who use those services, the local community (which has access to the services, if needed), and the broader region (in the event of a widespread outage). Renewables-driven DER solutions provide an unparalleled trifecta of economic, environmental, and resilience benefits that cannot be matched by fossil-based solutions, which often only have a couple days’ worth of fuel onsite. Second, deployments of DER increase the opportunities to deploy a Community Microgrid, which provides benefits beyond resilience to individual host customers. This value can increase depending on the location (e.g., grid topology and environment). For example, the Goleta Load Pocket (“GLP”) is a grid vulnerable region at the end of Southern California Edison’s (“SCE’s”) service territory. The GLP spans 70 miles of coastline, from Point Conception to Lake Casitas, encompassing the cities of Goleta, Santa Barbara, and Carpinteria.



Map of feeders in the GLP

The GLP’s only connection to the transmission system is routed through the heart of fire, landslide, and earthquake zones via the Goleta Substation. The highly vulnerable transmission route is shown as a purple line in the maps above and below, and as can be seen in the fire risk map below, the GLP’s transmission connection is routed through a treacherous fire zone.



Map of the GLP overlaid with fire threat districts in the region

The Clean Coalition has worked to size a Community Microgrid capable of sustaining the most critical loads in the region for an extended period. Achieving indefinite renewables-driven backup power that provides 100% protection to the GLP against a complete transmission outage (“known as an “N-2 event”) will require 200 MW of solar and 400 MWh of energy storage to be sited within the GLP and a tariff that enables the deployment of a Community Microgrid of that size. Local energy storage projects, as well as NEM and Community Solar projects are critical to hit those targets and enable the deployment of a regional Community Microgrid. With a transmission outage potentially causing an extended outage of two weeks or longer, a resilience input in the SCT can help guide procurement and DER program decisions that promote a long-term strategy based on the unique grid conditions in the region.

C. It is appropriate to consider the societal value of resilience in this proceeding.

One of the difficulties of discussing the value of resilience has been finding the appropriate venue where the Commission is willing to have an in-depth conversation about resilience and ways to value resilience on the record. After an exhaustive search, the Clean Coalition continues to believe that this is the correct venue, and that including a value of resilience as an input in cost-effectiveness is essential for the true valuation of DERs. In D. 20-10-005, the Commission declined to consider the value of resilience, “at this time,”⁸ in the context of the Renewable Market Adjusting Tariff (“ReMAT”) and again in D. 20-04-010 in relation to the 2020 update to

⁸ D. 20-10-005, Conclusion of Law 40, at p. 65.

the Avoided Cost Calculator (“ACC”), suggesting that a proposal for, “resiliency should be addressed in a resource-specific proceeding.”⁹

Thus, the Clean Coalition moved to address the issue in the microgrids proceeding (“R. 19-09-009), where the Commission acknowledged, “It is reasonable to... account for the Commission’s commitment toward utilizing additional technologies and activities to maintain energy grid resiliency at just and reasonable rates,”¹⁰ in the Track 1 Decision, even prior to the official scoping of the value resilience into the schedule of the proceeding. In the same proceeding, in D. 21-07-011, the Commission clarified that, “the value of resilience is scoped for Track 4.”¹¹ In the almost one-year long hiatus that followed, the Clean Coalition sought to address the issue in the NEM 2.0 successor tariff proceeding (“R. 20-08-020), where the Commission found, “While declining to quantify resiliency benefits here, the Commission recognizes that evolving analysis and changing grid conditions may result in more persuasive arguments in favor of quantifying resiliency benefits in the future, especially locational ones; the Commission may consider this issue at a future time.”¹² Then in 2023 on the subject of emergency reliability in the microgrids proceeding, the Commission clearly addressed the decision to push any discussion on the value of resilience further down the road, stating, “The remaining Track 4, Phase 2 issues pertaining to the microgrid multi-property tariff and the value of resiliency shall be resolved in the next track of this proceeding.”¹³ Again in D. 23-04-034, the Commission reiterated the intention to address the value of resilience in the microgrids proceeding with the unimpeachable statement that pre-empted any party arguments about the need for value resilience in Track 4 Phase 1:

We remind these parties that the next phase of this proceeding will consider the appropriate form of a multi-customer microgrid tariff as well as the value of resiliency. Issues raised by parties regarding these matters will be addressed through the litigation process in the next phase of this proceeding, and not here.¹⁴

⁹ D. 20-04-010, at p. 67.

¹⁰ D. 20-06-017, Conclusion of Law 1, at p. 104.

¹¹ D. 21-07-011, at p. 27.

¹² D. 22-12-056, at p. 70-71.

¹³ D. 23-04-034, at p. 11.

¹⁴ *Ibid*, at p. 14-15.

With such a clear assurance on the future scope of the proceeding, parties acquiesced and waited earnestly for discussions to begin. Yet, an amended scoping memo¹⁵ removed the issue from Track 4 Phase 2 and Track 5 entirely; likewise, no discussion from the informal Resiliency and Microgrids Working Group (“RMWG”) was ever included on the official proceeding record. This has left no clear forum to address an important concept like resilience in a state that has struggled with outages, wildfires, and mitigating the impacts of climate change.

A substantive discussion on the most effective way to create a standard value of resilience remains necessary. However, in this context the Clean Coalition strongly believes that the SCT provides an opportunity to include resilience as a nonzero input into cost-effectiveness test and impact the Commission’s decision-making process with respect to DER programs. Without any precise venue scoped to address the subject of creating a standard value of resilience, the greatest impact is to the ratepayers, for whom an important consideration is being overlooked. We urge the Commission to include resilience as an input in the SCT and work to quantify the value in the next phase of this proceeding.

IV. CONCLUSION

We respectfully submit these comments and urge the Commission to adopt the SCT, ideally as a primary cost-effectiveness test, with the inclusion of the value of resilience as an input. Resilience must be included to properly comply with PUC § 701.1(a)(1). Doing so will align the Commission’s cost-effectiveness tests with the goals in the DER Action Plan 2.0 and the ESJ Action Plan.

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¹⁵ Amended Scoping Memo was adopted on July 18, 2023.
<https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M514/K106/514106634.PDF>