

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

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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 reply comments on the *Proposed Decision* (“PD”) *Adopting Changes to the Avoided Cost Calculator* (“ACC”), issued at the Commission on June 26, 2024. Clean Coalition recommends:

- The IOUs incorrectly suggest that the avoided transmission projects excluded in 2022 should be excluded from the 2024 ACC. Their request to modify the definition of “methodology” should be rejected.
- The PD should be modified to require consideration of resilience in the 2026 ACC update.
- Clean Coalition supports SEIA’s proposal to include \$2.5 billion in policy transmission costs in the Integrated Calculation.

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 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 IOUs incorrectly suggest that the avoided transmission projects excluded in 2022 should be excluded from the 2024 ACC. Their request to modify the definition of “methodology” should be rejected.

The Joint IOUs incorrectly conflate the inputs and procedure when discussing the methodology for calculating avoided transmission costs in the 2024 ACC. The methodology refers to the procedure which the Commission has determined should be used, e.g., the marginal cost methodology, **not the inputs**. This comes from the Commission-adopted definition of “method, or methodology”, from the R. 14-08-013 Staff Proposal White Paper, which clearly states, “A method or methodology is a set of mathematical or conceptual relationships that prescribe how to develop a set of output information from a set of input information.”¹ Therefore, Clean Coalition recommends that the Commission should adopt the most accurate set of inputs for use in the 2024 ACC based on the 2022 method and reject calls by the IOUs to exclude projects that were excluded in the 2022 ACC update. In the event that the Commission disregards the adopted definition of “method, or methodology,” in D. 20-03-005 and chooses to agree with the Joint IOUs that methodology includes input criteria, it is worth noting that D. 20-04-010 notes, “that refinements to the avoided transmission method will be needed.”² D. 22-05-002 adopts a new value for PG&E based on the same marginal cost methodology initially adopted in 2020, and requires SCE and SDG&E to use the same marginal cost methodology as was performed in 2020.³ Continuing with the exact same inputs and “methodology” from 2020 in 2022 and again in 2024 ignores the Commission’s own guidance. In the last four years, the number of proposed projects and self-approved projects have skyrocketed, leading to significant rate increases; the ACC should reflect those changes. The comments of Center for Biological Diversity (“CBD”) and the Protect Our Communities (“PCF”) and Solar Energy Industries Association’s (“SEIA”) testimony (SEIA-01) underscore this issue, showing that SCE’s avoided transmission values in 2022 were based on a single circuit upgrade and one new substation project, despite a far longer list of transmission projects eligible to be avoided by DER.⁴ Just as the Commission strives to avoid double counting, knowingly undercounting value must also be avoided. Updating the

¹ Energy Division Staff Proposal on Avoided Cost and Locational Granularity of Transmission and Distribution Deferral (White Paper), at p. 6.

² D. 20-04-010, at p. 61.

³ D. 22-05-002, at p. 75.

⁴ CBD and PCF Opening Comments on PD, at footnote 24 and 25 and p. 7.

inputs used to determine the avoided transmission value for the 2024 ACC update based on the full portfolio of transmission projects is reasonable for the sake of increased accuracy and is in the best interest of the ratepayers. This is a change that can be completed in time for the current ACC update, prior to the avoided T&D study that will be completed in time for the 2026 ACC update. PearlX’s comments explain, “Specifically, locally sited DERs avoid distribution and transmission system losses.”⁵ Each DER deployment reduces the amount of transmission-interconnected energy that is required to be imported to a local distribution grid area, reducing the amount of energy required at the peak period. This has significant capacity and reliability benefits, reducing line losses and congestion and enabling more optimal economic outcomes to occur. These benefits accrue to the ratepayers in the form of avoided capacity-driven transmission projects as well as reducing the amount of policy-driven transmission that is needed to meet the state’s midterm reliability goals.

B. The PD should be modified to require consideration of resilience in the 2026 ACC update.

Similar to the Clean Coalition, California Large Energy Consumers Association (“CLECA”) also requests that the Commission revise the PD to direct consideration of a resilience adder in the 2026 ACC update. They write, “The PD also errs in declining to order that the next update explore the adoption of a resiliency adder for the ACC. As the PD acknowledges, several parties indicated support for Google Nest’s proposal that future ACCs include the value of resiliency benefits, so that demand response (DR) programs are not undervalued.”⁶ Now that a Decision adopting a Societal Cost Test (“SCT”) has been issued by the Commission, it is clear for all stakeholders that a resilience value has not been included in the list of societal benefits. Clean Coalition concurs with CLECA that, “Section 10.1 of the PD must be revised clarify that the SCT does not measure system-wide benefits during a grid emergency.”

C. Clean Coalition supports SEIA’s proposal to include \$2.5 billion in policy transmission costs in the Integrated Calculation.

⁵ PearlX Opening Comments on PD, at p. 2.

⁶ CLECA Opening Comments on PD, at p. 3.

We concur that the PD should reflect the methodology proposed in the Staff Proposal, which should include the transmission-related costs associated with deploying resources in the Integrated Resources Portfolio (“IRP”). The Commission is attempting to harmonize the ACC with the IRP; failing to include infrastructure-related costs overvalues supply-side resources while undervaluing DER, at the expense of the ratepayers.⁷ The integrated calculation brings the IRP one step toward including DER. However, doing so requires putting all resources on a level playing field. For the sake of consistent treatment, these policy-related transmission costs must be included.

IV. CONCLUSION

Clean Coalition appreciates the opportunity to submit these reply comments. We urge the Commission to reject the IOU’s claim on excluding projects that were not used in the 2022 ACC from the inputs used in the avoided transmission value in the 2024 ACC and require use of the entire transmission portfolio. In addition, the Commission should direct consideration of a resilience adder in the 2026 ACC update.

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⁷ SEIA Opening Comments on PD, at p. 6-7.