



MEMORANDUM

To: LGSEC Distributed Generation Committee and LGSEC Board

From: Jody London, Regulatory Consultant

SUBJECT: New CPUC Proceeding on Distribution System Planning; Summary of Net Energy Metering Comments

DATE: September 2, 2014

This memo outlines a new proceeding at the California Public Utilities Commission (“CPUC”) on distribution system planning (R.14-08-013), and summarizes comments submitted last month on the successor to the Net Energy Metering tariff (R.14-07-002). For those of you participating in the call on September 9 with Solar City, I hope you will take some time to familiarize yourself with the summary of the NEM comments provided below, as well as my notes, which are attached.

Distribution Resources Plans (R.14-08-013)

Last year’s AB 327 included many new tasks for the CPUC, among them: redesigning residential rates, developing a successor to the Net Energy Metering (“NEM”) tariff, and requiring the investor-owned utilities to submit to the CPUC “distribution resources plans” that identify “optimal locations for the deployment of distributed resources.”¹ The utility proposals must:

- (1) Evaluate locational benefits and costs of distributed resources located on the distribution system. This evaluation shall be based on reductions or increases in local generation capacity needs, avoided or increased investments in distribution infrastructure, safety benefits, reliability benefits, and any other savings the distributed resources provides to the electric grid or costs to ratepayers of the electrical corporation.
- (2) Propose or identify standard tariffs, contracts, or other mechanisms for the deployment of cost-effective distributed resources that satisfy distribution planning objectives.
- (3) Propose cost-effective methods of effectively coordinating existing commission-approved programs, incentives, and tariffs to maximize the locational benefits and minimize the incremental costs of distributed resources.

¹ Public Utilities Code Section 769(b).

(4) Identify any additional utility spending necessary to integrate cost-effective distributed resources into distribution planning consistent with the goal of yielding net benefits to ratepayers.

(5) Identify barriers to the deployment of distributed resources, including, but not limited to, safety standards related to technology or operation of the distribution circuit in a manner that ensures reliable service.

The CPUC on August 20 issued a new rulemaking for the Distribution Resources Plans, [R. 14-08-013](#). Administrative Law Judge David Gamson is the assigned ALJ, and the Assigned Commissioner is Michael Picker. Gamson has for several years been the lead ALJ on the long-term procurement planning proceedings. Prior to that, he worked on energy efficiency for several years.

The new Rulemaking states that the goal of the distribution resources plans is “to begin the process of moving the IOUs toward a more full integration of DERs [distributed energy resources] into the distribution system planning, operations and investment.” The Rulemaking outlines 11 activities that the Commission believes are in the scope of the proceeding. It also asks parties to comment on a list of 15 questions about criteria to use, elements that should be included in a distribution resources plan, data, monitoring, safety, ownership of distribution. It also solicits input on a white paper developed by the Resnick Sustainability Institute, *More Than Smart*. This white paper outlines four key principles for distribution grid planning, buildout, and operations, and is attached to the Rulemaking.

Parties are asked to file comments on the scope, schedule, categorization, or need for hearing by September 5, with replies due September 22. The CPUC has scheduled a workshop on September 17, 9:30 – 4:30 in San Francisco at which it expects to discuss:

- Section 769 of the Public Utilities Code
- Current utility distribution planning processes
- Discussion of the Resnick Institute’s *More than Smart* whitepaper and alternatives
- Open Forum: What should go into the Distribution Resources Plan? Members of the public will be given an opportunity to make a brief statement to present their inputs for the Distribution Resources Plan.

It is my recommendation that the LGSEC submit brief comments supporting the direction of the proceeding, mainly to establish ourselves as a party. I believe that this proceeding will be important to our goals around distributed resources, and is related to the ongoing Net Energy Metering proceeding (see below). Our successful participation will require input from our membership, so I hope you are ready for the challenge. Please advise.

Net Energy Metering (R.14-07-002)

In July, the CPUC opened a new rulemaking specific to the successor to the Net Energy Metering tariff, another activity directed in AB 327. The new rulemaking will focus on two areas: 1) development of a successor to existing NEM tariffs, and 2) issues related to existing NEM tariffs, including but not limited to questions about or modifications to specific provisions of the NEM tariffs. At a workshop on August 11, the CPUC and its consultant (E3) presented the proposed design and input options to be included in a public tool that will evaluate the costs and benefits of alternative NEM rate structures. The CPUC is developing the NEM tariff tool in anticipation of the new tiered rates being adopted in early 2015.

The CPUC took opening comments on R.14-07-002 on August 18, and reply comments on August 26. The LGSEC's comments recommended:

- The Commission consider the best tariff mechanism for deploying more distributed generation – we suggested this should be a simple feed-in tariff;
- Barring adoption of a true feed-in tariff, any NEM successor tariff should include an option specifically for local governments;
- A simple evaluation tool that incorporates costs and benefits, both the traditional utility metrics and others such as local job creation;
- Opportunity for local governments to develop projects up to 5 MW; and
- Learning from ongoing work in other states, particularly around microgrids, monthly fixed charge options, and utilities as distribution system platform providers.

Most of the comments from other parties focused on whether the scope of the proceeding is properly defined. The solar industry, represented through several trade groups, supports the idea that more than one standard contract or tariff may need to be available for different customer groups. Other parties supported this idea as well. The California Farm Bureau Federation reminded the CPUC that there are forms of distributed generation in addition to rooftop solar. Many parties, including the utilities, called for robust public involvement in developing the public tool for evaluating rate structures. PG&E and Southern California Edison are definitely the most feisty in the reply comments, arguing that several parties (including the LGSEC) advanced ideas in opening comments that are beyond the scope of the proceeding. PG&E also argues that the CPUC should be looking at consumer protection issues, based on a report by Navigant consulting. This was heavily rebuffed by solar interests in the reply comments.

I was contacted by Solar City asking about the LGSEC's advocacy for a feed-in tariff ("FiT"). Solar City has found in other markets that FiTs introduce volatility and have adverse tax implications. Solar City supports NEM. We have set up a call for September 9 to share views. Solar City is particularly interested in learning from the LGSEC how the current challenges with NEM could be overcome short of moving to a FiT. These concerns were not expressed in the written comments. Please let me know if you would like to join this conversation.

Please contact me with any questions or comments.

ATTACHMENT

OPENING COMMENTS - August 18, 2014

PG&E

The Commission Should Determine That Hearings Are Likely To Be Necessary – disputes claims by solar advocates that there is no cost shifting with NEM. Need hearings on this topic.

The Commission Should Clarify That All Subsidies Associated With NEM Customers Should Be Addressed In This Rulemaking - special benefits not available to other customers, in addition to a full retail credit for exports. These include waiver of standby charges, waiver of many interconnection charges, and waiver of many non-bypassable charges (NBCs), including public purpose program (PPP) charges. However, standby, NBCs, and interconnection charges are not mentioned in the OIR. The legislature did not intend for any of the existing subsidies to apply to new NEM customers after the transition period without further consideration in this proceeding.

The Exemptions From Standby And Interconnection Charges For Non-NEM Solar Projects Should Be Reconsidered In This Proceeding;

The Extensive List Of Proposed Guiding Principles Discussed At The April 23 Workshop Are Not Necessary – all you need is what the Legislature said: create a successor tariff that would allow the solar market to continue to grow, address the disadvantaged community, and to base the successor tariff on the costs and benefits of solar and ensure that the costs equal the benefits to all customers and the electrical system.

This Proceeding Should Address Consumer Protection Issues.

Southern California Edison

Hearings may be needed. Hold them summer 2015.

San Diego Gas & Electric

Scope should be expanded to include:

- Proposals designed to ensure that NEM customers pay for the services they receive to “ensure that the standard contract or tariff made available to eligible customer-generators is based on the costs and benefits of the renewable electrical generation facility;” and,
- Whether a transparent incentive or subsidy would best enable the Commission to ensure, “that the standard contract or tariff made available to eligible customer generators ensures that customer sited renewable distributed generation continues to grow sustainably and include specific alternatives designed for growth among residential customers in disadvantaged communities,” while concurrently developing an NEM tariff that accurately reflects the costs associated with services received by NEM customers.

Clean Coalition

Need a workshop in 2014 to clarify ZNE requirements. Community level? Individual building? Also need a workshop re Section 769 requirement that utilities must “Propose cost-effective

methods of effectively coordinating existing commission approved programs, incentives, and tariffs to maximize the locational benefits and minimize the incremental costs of distributed resources.” Notes new OIR (8/14/14) that calls for utilities to develop distribution resources plans. Recommends that successor program support different customer classes differently.

Interstate Renewable Energy Council

IREC is especially interested in modifications that could expand access to renewable energy to more energy consumers, such as modifications to the virtual net metering and NEM aggregation programs. Also disadvantaged communities. Need to look at total benefits of NEM to all customers.

The Alliance for Solar Choice (rooftop solar developers)

They represent the vast majority of the rooftop solar market. Issues identified in the scoping memo are okay, broad enough to include whatever may be needed. They “support the idea that there may be more than one standard contract/tariff option that will need to be made available to fully effectuate the legislative requirement that customer-sited renewable DG continues to grow sustainably. For example, such an outcome may be necessary to meet the requirements in Section 2827.1 that the tariff support expansion of customer-sited renewable DG to disadvantaged communities and customers utilizing projects greater than 1 MW in size.” Support continuation of virtual net metering and meter aggregation that are important for “schools, farms, and other energy consumers who have multiple meters.” Read AB 327 as clear call to expand customer-sited distributed generation. Need broader cost-benefit methodologies to capture the benefits that accrue beyond the utilities.

The Utility Reform Network

Premature for OIR to say hearings are not required. TURN anticipates that calculation of avoided costs will raise factual issues.

Developing the Public Tool should be an iterative process. Make sure the tool the CPUC is developing is actually what parties want, and that parties agree on the assumptions, etc. In the near term, the focus should be on developing proper assumptions, methods and functionalities of the Public Tool, rather than soliciting comments about “guiding principles.”

Farm Bureau

Focus with NEM has been on solar, however there are other eligible forms of generation including wind, biomass, biogas, and small hydro. Need to look at attributes of all these technologies. Developing the public tool is really important. Need to think about NEM as it applies to all technologies.

Community Alliance with Family Farmers

Need coordination with other proceedings, particularly the residential rate proceeding. Need timely release of the Public Tool. Some parties that are not overly resourced may need outside help in accessing the tool. CPUC needs to think about impact of the successor tariff on all existing tariffs. Those tariffs were developed to meet specific customer needs.

Marin Clean Energy

- (1) The Commission should ensure that any Net Energy Metering (NEM) Tariffs enact are competitively neutral in regards to Community Choice Aggregators (CCAs);
- (2) New NEM policies must prevent cross-subsidization of bundled customers by CCA customers; and
- (3) The Commission must allow CCAs to retain their autonomy in their own NEM programs.

Local Government Sustainable Energy Coalition

The LGSEC recommends:

- The Commission consider the best tariff mechanism for deploying more distributed generation; we believe this to be a simple feed-in tariff;
- Barring adoption of a true feed-in tariff, any successor tariff should include an option specifically for local governments;
- A simple evaluation tool that incorporates costs and benefits, both the traditional utility metrics and others such as local job creation;
- Opportunity for local governments to develop projects up to 5 MW; and
- Learning from ongoing work in other states, particularly around microgrids, monthly fixed charge options, and utilities as distribution system platform providers.

REPLY COMMENTS – August 26, 2014

The Alliance for Solar Choice

Really important to have a robust and transparent process in developing the Public Tool. Not sure hearings are needed. Definitely need to develop guiding principles, contrary to PG&E's opening comments. The guidance in AB 327 is not enough. Reject PG&E's call to include consumer protection issues here.

California Solar Energy Industries Association

CALSEIA agrees that the Public Tool will be more valuable if it is able to incorporate the total benefits to all customers associated with net metered generation, and not limited to the benefits that may be imbedded in rates. Even if the Public Tool does not incorporate the total benefits to all customers, this proceeding is still statutorily obligated to determine the total benefits to all customers.

Need a public process for developing the Tool. Make sure everyone knows the schedule, has opportunity to participate.

Agrees with Interstate Renewable Energy Council that this is a good proceeding in which to incorporate energy storage issues. Be forward looking in this, and consider what will expand storage opportunities.

Don't need to decide now on whether to hold hearings. Complete work to develop guiding principles. Consider consumer safety elsewhere.

Solar Energy Industries Association

Agrees that need a good public process to develop the Public Tool. Need input beyond what was provided at the August 11 workshop. Agrees that may need more than one tariff for the many potential customer-generators in California. This proceeding needs to coordinate with the residential rate design proceeding and the distribution resource planning proceeding. Says the CPUC should reject PG&E's assertion that AB 327 provides all the guiding principles needed. There are not enough benchmarks in AB 327 to provide meaningful guidance. Also disagrees with PG&E that this proceeding should address consumer protection issues. SEIA and other parties argue that the Navigant report PG&E quotes as the source for needing to address consumer protection actually draws a different conclusion than that reached by PG&E.

California Environmental Justice Alliance

Represents disadvantaged communities, who are specifically named in AB 327. Supports robust public input to the Tool. Particular concern for how "disadvantaged communities" will be defined in the context of the Public Tool. Shares LGSEC concern that may need alternatives for certain customer groups in the successor NEM tariff.

Interstate Renewable Energy Council

Disagrees with PG&E that consideration of standby charges, "non-bypassable" charges, interconnection charges and the third-party ownership model should all be within the scope of this proceeding. Agree that it is important to value storage capability of a system in the NEM successor.

Office of Ratepayer Advocates

Generally agrees with the procedural comments regarding scope, schedule, need for input to the Public Tool.

PG&E

Says several parties made suggestions in opening comments that are beyond the scope of this proceeding. They call out the LGSEC for our suggestion that the CPUC look at microgrids and the option of utilities becoming a Distribution System Platform Provider. Suggests these issues belong in the new OIR that requires utilities to develop distribution resource plans (R.14-08-013). Similarly says the storage issues raised by the CA Energy Storage Alliance are beyond the scope of the proceeding, and not related to NEM tariffs. The parties who asked for this proceeding to look at Zero Net Energy are similarly asking the CPUC to expand the scope beyond what it should be by asking the CPUC to develop ZNE rules. According to PG&E, that task belongs to the Energy Commission. Also says that the rate design issues raised by the LGSEC do not belong in this proceeding.

PG&E does agree with Marin Clean Energy that the proceeding should look at how NEM applies to community choice aggregation customers.

Southern California Edison

Says the CPUC should disregard comments by several parties, including LGSEC, California Energy Storage Alliance, The Alliance for Solar Choice, Marin Clean Energy as being substantive, not procedural. Let those parties bring their arguments later, at the appropriate time.

Disagrees with Clean Coalition that this proceeding should design the NEM successor tariff to meet Zero Net Energy requirements. Also says the Storage Alliance is wrong to ask for rehearing of May decision on pairing storage with DG (D.14-05-033). Agrees need robust public input in developing the Public Tool.

WalMart

Plans to install a lot of DG in California. Disagrees with PG&E's interpretation of Section 2827.1, regarding DG subsidies. Where PG&E argues that AB 327 calls for eliminating all DG subsidies, WalMart reads the legislation as continuing current subsidies and adding new subsidies as long as they support the legislation's goals. Also disagrees with PG&E that exemptions from standby fees and interconnection costs established in Decision 01-07-027 should be eliminated in this proceeding.

Agrees with CA Energy Storage Alliance that the CPUC should "abandon all sizing limitations for generation and energy storage equipment that meet the essential parameters of the NEM program."