

**Order Instituting Rulemaking to Revisit Net Energy Metering Tariffs Pursuant to Decision 16-01-044 and to Address Other Issues Related to Net Energy Metering, R.20-08-020**

*Local Government Sustainable Energy Coalition Public Comment*

The Local Government Sustainable Energy Coalition (LGSEC) represents 14 cities and 23 counties, jurisdictions that govern nearly three-quarters of the state's population and constitute two-thirds of California's electricity demands. Deeply connected to their agency's and community's energy portfolio and resiliency initiatives, LGSEC members serve as administrators, designers and lead implementers of a host of energy efficiency, demand response, building decarbonization, transportation electrification (TE) and other energy management programs. In consultation with members, LGSEC respectfully submits these comments for consideration by the California Public Utilities Commission (CPUC) in regard to the Net Energy Metering Tariff proceeding.

Local Governments' (LGs') interest in this proceeding originates from their life, safety, environmental, and economic responsibilities to, for, and within their communities. LGs are the principal governmental entities charged with ensuring resiliency through policies and actions that allow their community to adapt and respond to a changing climate and energy landscape. More than 90 LGs in California have adopted climate action plans with greenhouse gas (GHG) emission reduction targets. These targets will be achieved through a myriad of conservation, efficiency, renewable and distributed energy, transportation, and policy strategies. Two of the state's major focus areas, TE and decarbonization, are principally implemented at the local level, prompting the need for larger and greater numbers of solar generating systems, optimally with accompanying storage due to increasingly challenging environmental and grid instability conditions .

LGs need state policy and funding support to advance their goals, the achievement of which are essential if the state is to meet its climate action aspirations. Net Energy Metering (NEM) tariffs have been an important tool to engage community members in the necessary shift to renewables; without it or similar policies many LGs' climate action plans would be rendered aspirational rather than implementable.

There is a particularly pressing need for financial support for storage as integrated into renewable systems. Demand flexibility and grid-interactive efficient buildings, as well as a decarbonized building stock, require batteries that are optimized with controls to help address a plethora of societal and environmental needs, including associated with resiliency, reliability, and affordability, particularly for low- and moderate-income Californians.

Nevertheless, the storage market has not yet reached the inflection point at which costs begin to dramatically fall and storage systems become financially accessible, as is happening with solar, in large part because of NEM. California's initiative to advance adoption of solar photovoltaics (PV) at a range of sizes, despite initial capital cost, has been wildly successful; solar now outcompetes fossil fuel generation. The state's NEM policy has coincided with

dramatic suppression of the state's peak loads over the last 15 years. Peak load last August was 3,000 megawatts less than the 2006 peak despite record weather conditions. The storage market will likely require a similar push to that of the solar market to achieve high adoption rates.

There is a continuing need to enable residential and non-residential energy users to contribute to creating an energy system that is more resilient, dispersed, community-based, climate-sound, and affordable. In this context LGSEC recommends the CPUC adopt the following findings in this proceeding:

- **Retain the NEM Aggregation (NEM-A) Program** as a separate tariff, thereby enabling LG and college campuses to leverage costs savings associated with larger scale PV projects. Economies of scale allow these project configurations to realize greater savings than other forms of distributed generation and often make implementing solar more streamlined and thus, feasible.. NEM-A participants contribute to other utility costs through demand and customer charges. In any event, this program is protected in state law in its current form.
- **Retain the Virtual NEM (VNEM) tariff.** VNEM is one of the state's most effective tools in enabling low-income customers to benefit from solar, particularly in multifamily housing. VNEM delivers rate stability to lower income customers in multi-family housing that is otherwise unavailable, while higher-income, single family customers can gain those assurances with their behind-the-meter NEM arrays. The VNEM tariff should be maintained as a means to continue to facilitate community members' participation in the state's energy transition. Likewise, the distinction between VNEM and NEMA should be retained.
- **Offer geographic adders to NEM compensation that reflect the value the CPUC places on fostering equity and that serves to avoid transmission and distribution costs.** To address equity issues, additional energy payments could be made in disadvantaged communities or other underserved regions with low solar penetration, Enhanced compensation should be provided to solar plus storage installations located in high fire threat or grid-constrained zones as a cost-effective alternative to undergrounding the existing distribution system.
- **NEM 3.0 compensation should reflect a 15- to 20-year term , particularly associated with storage investments.** Customers should have reasonable surety that they will recover the costs of investments made at the behest of state policies to decrease GHG emissions and increase resiliency and reliability by distributing resources through the grid. A long-term commitment to the underlying policies that support these investments is required if the CPUC wants to encourage investment in technologies intended to achieve the state's environmental goals. For this reason, a 15- to 20-year term should be associated with the NEM 3.0 tariff.

- **A glidepath is needed to support a transition to a time where solar installations are generally paired with energy storage.** Presently, the solar market relies principally on the sale and installation of solar-only projects to sustain itself. Energy storage costs remain high, and its technology and market advancement are in its infancy. The CPUC should consider the ramp-up time that will be needed for energy storage to become widely adopted and recognize that drastic changes to the NEM tariff structure during this time will have a chilling effect on the solar market. An appropriate glidepath will allow residents and businesses investing in solar and energy storage technologies to count on an expected return on their investment (ROI) from their systems that is not dramatically different from the ROI for a current system. Moreover, a glidepath is critical to support the state's requirement for new construction to include solar and/or storage. This preferred approach will provide the necessary transparency and predictability for participants to be confident in making these investments.
- **Align NEM modifications with the July 30th Governor's Emergency Proclamation for long term grid stability.** The ability to charge a storage system from the grid should be allowed for critical facilities. D.20-06-017 set this precedent by authorizing energy storage systems to charge from ( export to) the grid in advance of a Public Safety Power Shutoff event. This would allow for the reduction or elimination of stranded capacity in physical assets that could otherwise be made available during peak hours. At a minimum, energy storage systems should be authorized to charge from the grid for a specified period of time after receiving a California Independent System Operator notification of potential capacity shortfall in order for the grid reliability value of these assets to be fully utilized. Ideally, energy storage systems should also have the ability to export to the grid, which would enhance grid reliability.
- **Maintain existing solar agreements without modifications.** Residential and especially non-residential customers who entered the NEM 1.0 or 2.0 program should be exempt from NEM 3.0 program modifications. LGs entered into solar agreements with the expectation that tariff parameters would remain stable. They would have to divert funds away from other public services to absorb increased fees imposed by a modified NEM 3.0. This in turn would erode trust between LGs and the state and discourage future investments in distributed energy.

LGSEC acknowledges that recent studies have characterized NEM tariffs as suboptimal from a systems perspective. They served their purpose at the time they were adopted, reflecting a reasonable risk-reward balance. Circumstances have changed more dramatically than envisioned, both in terms of reducing renewable power costs and catastrophic events, such as wildfires. Even so, evidence presented in the proceeding demonstrates that medium and large commercial customers impose quite modest cost shifts, if any, to other ratepayers.