BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding Policies, Procedures and Rules for Development of Distribution Resources Plans Pursuant to Public Utilities Code Section 769.	Rulemaking 14-08-013 (Filed August 14, 2014)
And Related Matters.	Application 15-07-002 Application 15-07-003 Application 15-07-006
(NOT CONSOLIDATED)	
In the Matter of the Application of PacifiCorp (U901E) Setting Forth its Distribution Resource Plan Pursuant to Public Utilities Code Section 769.	Application 15-07-005
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REPLY COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE ON THE ADMINISTRATIVE LAW JUDGE'S RULING REQUESTING COMMENTS ON POSSIBLE IMPROVEMENTS TO THE 2020 DISTRIBUTION INVESTMENT DEFERRAL FRAMEWORK PROCESS

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In accordance with the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission"), the California Energy Storage Alliance ("CESA") hereby submits these reply comments on the *Administrative Law Judge's Ruling Requesting Comments on Possible Improvements to the 2020 Distribution Investment Deferral Framework Process* ("Ruling"), issued by Administrative Law Judge ("ALJ") Robert M. Mason III on November 8, 2019.

I. INTRODUCTION.

The Distribution Investment Deferral Framework ("DIDF") continues to represent an effective mechanism to assess and source cost-effective distributed energy resource ("DER") solutions to defer traditional distribution investments to deliver savings to ratepayers and support the reliability and resiliency needs of the distribution grid. While imperfect and in need of continued improvements, as expressed by some parties in opening comments, the DIDF has yielded several DER procurements over the past two years that can serve as a learning opportunity to make additional improvements to streamline DER deployment, enhance greater access and transparency into the Grid Needs Assessment ("GNA") and Distribution Deferral Opportunity Report ("DDOR") filings, and broaden pathways for viable and cost-effective DERs to provide deferral benefits. As expressed by San Diego Gas and Electric Company ("SDG&E") and Coalition of California Utility Employees ("CUE"), CESA generally agrees that the DIDF should not be designed for or favor DER procurement for its own sake;[1] at the same time, the DIDF should be continuously improved to level the playing field for broad competition from DERs if such solutions can compete with traditional distribution investments and provide distribution services at lower cost to the ratepayers.

To this extent, CESA appreciates the Commission's line of questioning and the Independent Professional Engineer's ("IPE") report that suggested several key areas where the DIDF could be improved, based on its lessons learned and observations from the past DIDF cycles and via the Distribution Planning Advisory Group ("DPAG") meetings. In their comments, the IOUs suggest that the suggested changes, based on the questions in the Ruling, raise concerns and instead recommend against expanding or too drastically changing the DIDF. Pacific Gas and

[1] SDG&E comments at 4.

Electric Company ("PG&E") and Southern California Edison Company ("SCE"), for example, seek smaller, incremental changes to the DIDF that could improve the efficiency, quality, or accessibility of the filings and improve the processes necessary to deploy DER solutions through interconnection improvements.[2] CESA does not disagree with such proposed incremental improvements but believes that more can be done to expand the scope of DER solutions that can compete in the DIDF Request for Offers ("RFO") as well as the scope of projects that could be considered, especially if it is in the interest of ratepayers.

In these reply comments, CESA offers our views on responses from other parties to the questions in the Ruling around potential areas of improvement for the DIDF. In some cases, there are areas of alignment on where things can be reasonably improved, and in other cases, CESA has concerns with mischaracterizations or misunderstandings of DER solutions or the proposed enhancements to the DIDF.

II. SEPARATING OUT DISTRIBUTION SERVICE COMPONENTS BETTER ENABLES THE VIABILITY OF DER SOLUTIONS TO DEFER IDENTIFIED NEEDS.

SDG&E and CUE express concern with separating out the various components of a distribution grid need when a planned investment addresses a number of needs (*e.g.*, capacity and reliability, reliability and resiliency).[3] Such concern is misplaced since CESA and other DER parties would not argue that the DER alternative solution, as a single or portfolio of resources, should not address all the identified needs addressed by the planned investment since, for obvious reasons, the DERs would as a result not be deferring the investment. Rather, the DER community seeks to separate out the needs so that various portfolio-based solutions could be pursued.

[2] PG&E comments at 2 and SCE comments at 2-7.

[3] SDG&E comments at 15.

Consequently, while any single DER resource may only address one need, the collection of DERs procured and contracted as a portfolio can address the multitude of needs. Regarding this matter, CESA agrees with PG&E and Public Advocates Office ("PAO") that reliability and resiliency needs should be presented and specified separately.[4] Presumably, SCE also agrees with this sentiment since they have in practice separated out different types of needs and procured for portfolios of DER solutions in practice, as evidenced from our experience with them in their filings, DPAG meetings, and RFO documents, though parts of their comments seem to indicate otherwise.[5]

Finally, SDG&E and CUE argue that separating out these components would be too complex, impractical, and confuse the selection process,[6] but complexity on its face is not a sufficient reason to not pursue DER alternatives if more cost-effective outcomes can be delivered through deferral. Innovative approaches through solicitation evaluation, contracting, operations, and even sourcing mechanisms (*e.g.*, tariff alternatives) should be considered. Additionally, even if a single DER solution is unable to meet the multiple needs addressed by a single planned investment, as SDG&E noted, the procurement of a portfolio of DER solutions should be pursued if the portfolio-based alternative is more cost-effective than the traditional investment. The other IOUs have been able to procure a portfolio of DER alternatives and is not "inefficient" or "impractical" as SDG&E characterizes. Some DERs or some portions of a DER solution may be better positioned to address one need over the other, even as any single DER resource is unable to

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[4] PAO comments at 5 and PG&E comments at 6.

[5] SCE comments at 11 and 20. On page 11, SCE comments on how separating different needs would change the project scope for deferrals, but later, SCE argues that the DER-only solution should meet both capacity and reliability needs, but in this case, CESA assumes "solution" could mean "portfolio of DERs" that address all the needs of a planned investment. If so, CESA agrees. This is in contrast to how we interpret the comments of SDG&E and CUE.

[6] CUE comments at 4-5.

do so. By segregating out the various needs addressed by a single planned investment, such innovative and cost-reducing alternatives can be discovered and procured.

III. ANY EXCESS CAPACITY PROCUREMENT SHOULD BE VALUED FOR ITS OPTION VALUE AND STILL FALL UNDER THE COST CAP.

CESA believes that the IOUs, PAO, and CUE mischaracterize the Commission's suggestion around excess capacity procurement and interpret the idea as meaning that DERs are inherently unreliable or would impose unnecessary costs on customers.[7] In one sense, CESA agrees that the cost for excess capacity procurements should be factored into the comparisons between the DER versus wires solution. However, "excess" should be clearly defined as being beyond what is needed to mitigate risks or provide additional value. Such excess procurement does not need to be procured. If cost-effective though, excess capacity procurement of DER solutions provides contingency value in mitigating risks of DER deployments not materializing as predicted as well as option value in mitigating load forecast risks. If such excess capacity procurement leads to the DER solution exceeding the cost cap for the deferral opportunity, CESA agrees that such excess capacity procurement should not be pursued; but if such excess capacity procurement leads to the DER solution falling below the cost cap for the deferral opportunity, the DER capacity needed plus contingency/option margin would still be in the ratepayer interest as it reduces costs and should thus be allowed. Despite procuring DER solutions beyond the capacity needed to address an overload, unnecessary costs would not be imposed on customers, as SDG&E has suggested;[8] rather, such excess procurement would be reducing costs but offering greater contingency or option value to ratepayers.

[7] PAO comments at 15, SDG&E comments at 25, and CUE comments at 7.

[8] SDG&E comments at 25.

IV. INSTEAD OF REDUCING THE TIMING SCREEN FOR CANDIDATE DEFERRAL PROJECTS TO BE NOMINATED FOR A COMPETITIVE SOLICITATION, ALTERNATIVE SOURCING MECHANISMS SUCH AS TARIFFS SHOULD BE DEVELOPED AND PILOTED IN THE 2020 CYCLE.

CESA sympathizes with the frustrations and/or concerns expressed in comments of the Green Power Institute ("GPI") and jointly from Vote Solar ("VS") and Solar Energy Industries Association ("SEIA") around how the timing screen eliminates many candidate deferral opportunities, such that they each recommended shortening the timing screen to encourage more DER solutions[9] or using temporary measures such as mobile storage units to encourage more DER solutions.[10] Instead of reducing the current 3-4 year timing screen, which CESA finds to be generally appropriate to provide lead time for an RFO to be run and for DERs to be procured and installed, CESA recommends that the Commission reconsider the number of DER tariff proposals that were introduced in February 2019. As noted in proposals and at the workshop, tariffs have the advantage of incrementally procuring resources over time, thus reducing the lead time required to address certain, though possibly not all, distribution needs.

Furthermore, whether through tariff-based or RFO-based sourcing mechanisms, CESA believes efforts need to be made to expedite the interconnection study process. We agree with SCE that the interconnection process can lead to projects taking 1.5 to 5 years, but this would require reforms that may be outside the purview of this proceeding.[11] Our members consistently report about how the interconnection process can present challenges to meeting a three-year lead time for a deferral opportunity.

[9] GPI comments at 6-7 and VS/SEIA comments at 12.
[10] VS/SEIA comments at 5-6.
[11] SCE comments at 12.

V. THE CURRENT INCREMENTALITY FRAMEWORK LACKS CLARITY AND SHOULD BE REFINED AND ADOPTED TO GUIDE ALL COMMISSION-JURSIDCTIONAL PLANNING AND PROCUREMENT.

Across the IOU comments, it becomes clear that incrementality policies are IOU-specific even though they should be statewide. For example, while SDG&E argues that Net Energy Metering ("NEM") and Self-Generation Incentive Program ("SGIP") resources are not incremental, SCE allows for partial incrementality of such resources with the caveat that bidders must make a showing and demonstrate their incremental value.[12] First, CESA finds this inconsistent incrementality policy by IOU to be unreasonable, as it creates uncertainty to bidders. Second, if some argue that incrementality policies have reliability planning impacts, the incrementality assessment should be made consistent across the IOUs and in a much more granular fashion. Finally, as noted in our opening comments, CESA disagrees with the current incrementality assessment methodologies of the IOUs, which are either opaque and unclear and place a significant burden on bidders (PG&E, SCE) or are unduly discriminatory and contrary to Commission policy[13] in making NEM/SGIP resources ineligible altogether (SDG&E). CESA urges the Commission to expeditiously develop and establish a more refined incrementality methodology in line with some of the proposed ideas and concepts from our opening comments.

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[12] SCE comments at 36 and SDG&E comments at 27.

[13] See Resolution E-4889 at 27: "Services offered by existing DERs that are above and beyond what is expected under other programs should be considered incremental. An example would be if a resource is compensated through a different program but in the IDER bid is expected to be operated in a different manner than business-as-usual, then this resource should be considered incremental." Outright ineligibility is contrary to Commission policy since there is no consideration of how the *operations* of the NEM or SGIP resource could be operated differently than their *expectations*. Such nuance is lost through outright ineligibility.

VI. PG&E'S PROPOSED APPROACH TO ASSESS DER ALTERNATIVES FOR COMPONENTS OF PRE-APPLICATION PROJECTS IN THE APPROPRIATE PROCEEDING IS REASONABLE AND SHOULD BE EXPLORED.

Several Commission processes and requirements (*e.g.*, GO 131-D) will likely need to be reviewed and possibly modified before integrating pre-application projects to some degree in the DIDF process. Understandably, PAO seems to express that it is premature for such projects to be part of the DIDF process.[14] PG&E and SCE seem to generally agree on the principle that pre-application projects should be dealt with in the appropriate proceeding.[15] However, CESA seeks to explore PG&E's proposed idea/concept: " As a general principle, the determination of whether a project or project component can be addressed by DERs should be addressed in only one proceeding, rather than multiple proceedings… This means that a distribution component identified in the DIDF proceeding as appropriately addressed with DERs (i.e., designated Tier 1) should not be subjected to an alternatives analysis during the California Environmental Quality Act (CEQA) review or administrative review in the licensing proceeding."[16] In this way, CESA sees potential for the Commission to leverage the DIDF process and stakeholder expertise to assess the relevant components of a pre-application project, which could then better inform the DER alternatives analysis in the GO-131-D process that many stakeholders may otherwise be unable to participate in due to time and resource constraints.

VII. THE COMMISSION HAS ALREADY RULED ON HOW THE TRADITIONAL UNIT COST OF MITIGATION IS PUBLIC INFORMATION.

CESA disputes SDG&E's contention that redactions include specific project costs for planned investments and locational net benefits analysis ("LNBA") variables, which could result

[14] PAO comments at 10.

[15] SCE comments at 27.

[16] PG&E comments at 13-14.

in offers clustered just below the cap.[17] The Commission has already ruled on this issue through a July 24, 2018 Ruling that discussed how this information does not fit within the definition of "trade secrets" and how the Commission already ordered in D.18-02-004 that actual cost of distribution system upgrades be considered public information as part of the ongoing DIDF.[18]

VIII. VALUE STACKING OPPORTUNITIES SHOULD BE ASSESSED QUALITATIVELY AS PART OF THE PRIORITIZATION PROCESS.

CESA agrees with SCE and SDG&E that the assessment of value stacking should be conducted in the RFO bid evaluation stage and that it is up to the DER provider to actually stack value and monetize multiple revenue streams.[19] However, CESA still finds merit in including value stacking opportunities as part of the qualitative assessment in the prioritization process. Rather than taking a siloed procurement approach, there could be value in considering how the IOUs' other needs could also be addressed in a joint procurement effort.

Lastly, CESA does not believe that CUE's contention regarding how value stacking blurs the cost comparison[20] has merit. As PG&E explains, any value stacking by DIDF bidders "should be used to reduce the DER contract prices bid into the DIDF solicitations."[21] Alternatively, in the case of SCE where other grid value (such as Resource Adequacy ["RA"]) is also being bought as part of the DIDF RFO, this additional value can be reflected in their net market value ("NMV") evaluation. CESA does not see how these approaches are "blurry" or inapplicable.

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[17] SDG&E comments at 6-7.

[18] See July 24, 2018 Ruling at 21-22.
http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M218/K401/218401051.PDF

[19] SDG&E comments at 16 and 30.

[20] CUE comments at 6.

[21] PG&E comments at 13.

IX. CONCLUSION.

CESA appreciates the opportunity to submit these reply comments to the Ruling. We look forward to working with the Commission and stakeholders in this proceeding.

Respectfully submitted,

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