

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Create a
Consistent Regulatory Framework for the
Guidance, Planning, and Evaluation of Integrated
Distributed Energy Resources.

Rulemaking 14-10-003
(Filed October 2, 2014)

**REPLY COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE
TO THE E-MAIL RULING INTRODUCING DISTRIBUTED ENERGY RESOURCES
TARIFF STAFF PROPOSAL AND DIRECTING COMMENTS AND RESPONSES TO
QUESTIONS**

Alex J. Morris
Executive Director

Jin Noh
Senior Policy Manager

CALIFORNIA ENERGY STORAGE ALLIANCE
2150 Allston Way, Suite 400
Berkeley, California 94704
Telephone: (510) 665-7811
Email: cesa_regulatory@storagealliance.org

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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 to the *E-Mail Ruling Introducing Distributed Energy Resources Tariff Staff Proposal and Directing Comments and Responses to Questions* (“Ruling”), filed by Administrative Law Judge (“ALJ”) Kelly A. Hymes on October 6, 2020.

I. INTRODUCTION.

CESA reiterates our appreciation of the Staff Proposal in developing new alternative sourcing mechanisms to leverage the Distribution Investment Deferral Framework (“DIDF”). The proposed tariffs, standard offer contracts (“SOC”), and streamlined Request for Offers (“RFO”) process will create many different options for distributed energy resources (“DERs”) to be sourced to cost-effectively and effectively address identified distribution grid needs. Generally, CESA was pleased to see many parties in support of the proposals, including from Southern California Edison Company (“SCE”) with their willingness to pilot these new and innovative concepts. Though working group processes may be needed to refine the details of each proposal, the Staff Proposal advances the development of new and alternatives sourcing mechanisms that improve upon and streamline the DER procurement process and recognize the different attributes and characteristics of DER technologies and deployment considerations.

However, several parties including Pacific Gas and Electric Company (“PG&E”), San Diego Gas and Electric Company (“SDG&E”), and Coalition of California Utility Employees

(“CUE”) take more negative positions on the various proposals included in the Staff Proposal and recommend the outright rejection or significant limitation to the proposals, particularly those related to the Clean Energy Customer Incentive (“CECI”) Pilot. For various reasons discussed in our reply comments below, CESA believes that these concerns are unfounded,¹ already litigated,² or could be addressed through certain modifications to the Staff Proposal. In the interest of “learning by doing” and identifying cost-effective DER alternatives to distribution planning investments, CESA supports moving forward with the proposed tariff, SOC, and streamlined RFO process for the upcoming DIDF cycle.

Our reply comments can be summarized as follows:

- Each utility should be directed to conduct each tariff pilot type to gain procurement and operational experience with tariffs that supports their adoption of non-pilot tariffs in the future for their service territory.
- Multiple annual pilots should be authorized under the “pilot period” with pilot evaluation thereafter to determine whether to make this into a permanent program.
- When applied on a project-specific basis after screening for best-fit projects, ratable procurement has high viability and has the potential to work well under a tariff structure.
- Tariff budgets should be fixed upon launch and initially based on 100% of the cost cap to adhere to the guiding principles of ensuring a level playing field and learning over time.
- The incrementality rules in the Staff Proposal should be affirmed and broadened to other technology types.
- Utility Distributed Energy Resource Management System (“DERMS”) is not needed as a precursor to launch the pilot since third-party aggregators can provide DERMS functionality.
- The Emergency Dispatch Program (“EDP”) is a near-term priority that warrants further discussion and refinement.

¹ See PG&E comments at 3 regarding how customer aggregation is unproven. Customer aggregation is already in operation today through DRAM, BTM LCR contracts, and more.

² See SDG&E comments at 5 and CUE comments at 21 regarding how cost caps should not be published. This issue has already been addressed via Ordering Paragraph (“OP”) 2 of D.18-02-004 and affirmed through *Administrative Law Judge’s Ruling Resolving Confidentiality Claims Raised by Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas and Electric Company as to Distribution System Planning Data Ordered by Decision (D.) 17-09-026 and D.18-12-004* at OP 1 and 3.

II. EACH UTILITY SHOULD BE DIRECTED TO CONDUCT EACH TARIFF PILOT TYPE TO GAIN PROCUREMENT AND OPERATIONAL EXPERIENCE THAT SUPPORTS THEIR ADOPTION OF NON-PILOT TARIFFS IN THE FUTURE FOR THEIR SERVICE TERRITORY.

CESA strongly disagrees with SDG&E’s recommendation that the Commission only have one investor-owned utility (“IOU”) conduct a pilot of each type being proposed.³ Each pilot type is different and each IOU will likely not pursue a new, innovative concept, program, tariff, or rate unless they have tested or gained experience themselves. For example, the fact that SDG&E has tested out some new microgrid concepts and shared those lessons learned does not mean that the other two IOUs will simply move to establish a commercially-available, non-pilot version of the tariff. CESA has observed similar trends as it relates to real-time rate options, new technology procurement, or new frameworks such as the Distribution Investment Deferral Framework (“DIDF”). Along these lines, based on our observations in other proceedings and issue areas, SDG&E would likely not proceed to make one tariff option that was tested as successful by another IOU until they have tested them out themselves. The IOUs often cite their service territory differences, IOU-specific policy and procurement preferences, and desire to conduct their own internal analysis. Taking this into account, CESA believes it is vitally important for each IOU to test out each of the new and/or refined sourcing mechanisms as proposed in the Staff Proposal.

III. MULTIPLE ANNUAL PILOTS SHOULD BE AUTHORIZED UNDER THE “PILOT PERIOD” WITH PILOT EVALUATION THEREAFTER TO DETERMINE WHETHER TO MAKE THIS INTO A PERMANENT PROGRAM.

Public Advocates Office (“PAO”) and SCE expressed a need to establish pilot evaluation metrics and process.⁴ CESA generally agrees. However, PG&E and SCE also recommended that a single pilot be conducted and to not launch an additional pilot until the first pilot’s evaluation results are completed, submitted, and analyzed.⁵ CESA disagrees. The long time period between pilot launch and evaluation will limit the opportunities for tariff-based sourcing mechanisms to be tested, and having multiple pilots during the pilot period will produce a more robust dataset that will identify key lessons learned and improvement areas without having any single project deem

³ SDG&E comments at 4.

⁴ SCE comments at 14 and PAO comments at 5.

⁵ PG&E comments at 17 and SCE comments at 13.

the entire tariff concept to be unsuccessful, given a number of confounding factors that could lead to such results. The DIDF experience has been one where project-specific factors and uncertainties have led to DER procurement to be unsuccessful, often due to causes outside their control or because of refinements needed. Rather than taking one shot at testing the tariff proposals, CESA believes it is more aligned with the staff-proposed “learning by doing” principle to iterate on tariffs in successive DIDF cycles to ascertain more actionable pilot results. As noted in our opening comments, there is precedent for such an approach when it comes to the Integrated Distributed Energy Resources (“IDER”) Incentives Pilots as well as with the Demand Response Auction Mechanism (“DRAM”), where, in the latter case, multiple pilots in multiple years have allowed for refinements to be made over time.

Moreover, CESA sees value in conducting multiple pilots across the pilot period in order to inform the planning area pilot. Whereas the CECI Pilot 1 is targeted toward specific planned investments, the assessment of the aggregate of these individual pilots could be assessed against the aggregate of the planned capital investments. This type of assessment, if structured in a thoughtful and meaningful way, could inform the development of a planning area tariff (*i.e.*, CECI Pilots 2 and 3). For example, even as some individual tariffs lead to upfront payments made to DERs for unsuccessful deferrals, other tariffs may have led to successful deployments such that, on balance, the tariffs as a collective is more cost-effective and right-sized to the wires investment portfolio.

IV. WHEN APPLIED ON A PROJECT-SPECIFIC BASIS AFTER SCREENING FOR BEST-FIT PROJECTS, RATABLE PROCUREMENT HAS HIGH VIABILITY AND HAS THE POTENTIAL TO WORK WELL UNDER A TARIFF STRUCTURE.

Like CESA, Sunrun and California Solar and Storage Association (“CALSSA”) support the ratable procurement concept while Southern California Edison Company (“SCE”) expresses openness to the concept, with modifications to ensure sufficient buffer for the traditional planned investment.⁶ Specifically, as expressed in both CESA’s and Sunrun’s opening comments, project-specific acceptance triggers will leverage the ratable procurement concept and allow deployment incentives to be paid when distribution grid needs are appropriately deferred for some additional time (*e.g.*, one or more years) rather than upon meeting a non-specific and arbitrary threshold that

⁶ CALSSA comments at 1; Sunrun comments at 7-8.

may not align with the specific need.⁷ In turn, this will ensure reliability of the distribution grid while also supporting customer subscriptions with greater certainty of deployment payment.⁸

Furthermore, CESA also echoes Sunrun’s comments around how ratable procurement concepts can support tranches for not only multiple tariff subscription periods but also an approach where the tariff subscriptions could create a longer timeline for wires investments to be made to address the partial need – *i.e.*, “DERs plus wires” solution.⁹ We agree, and building on this idea, CESA believes that the ratable procurement approach can also enable “DER plus DER” solutions whereby BTM resources sourced through a tariff mechanisms can push out needs to enable more manageable lead times and broader competition in RFOs for in-front-of-the-meter (“IFOM”) resources.¹⁰ With IFOM resources generally competing more effectively in RFOs, as observed in recent DIDF RFOs, the additional lead time will create less time pressure to achieve interconnection and (in some cases where Resource Adequacy [“RA”] benefits are sought) and deliverability.

However, several parties cast doubt on the ratable procurement concept as leading to inappropriate or higher ratepayer costs (“ratepayers are left holding the bag”) or degradation of reliability and safety, if DERs are unable to be sufficiently procured to meet 100% of the need (not just up to the acceptance trigger) or if payments are made despite not being ultimately needed.¹¹ CESA disagrees and believes that the tariff can be structured to minimize and mitigate these risks through the selection of best-fit projects for ratable procurement concepts during the Distribution Planning Advisory Group (“DPAG”) process and by limiting the deployment incentive to a portion of the tariff budget to help initiate new DER build but have sufficient budget remaining to provide incentives for performance and operations. As discussed at length in our opening comments, the ratable procurement concept is feasible and affords more optionality for additional DERs to be deployed and/or for the wires investment to be made as a contingency solution on a project-specific basis in line with the forecasted year-by-year needs, thus addressing any concerns regarding

⁷ Sunrun comments at 10-11 and 15.

⁸ Sunrun comments at 15 and CALSSA comments at 2.

⁹ Sunrun comments at 7-8.

¹⁰ *Proposal of the California Energy Storage Alliance in Response to Administrative Law Judge’s Ruling Directing Proposals for Distributed Energy Resources Tariff* filed on February 15, 2019 in R.14-10-003 at 10-11. <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M268/K464/268464401.PDF>

¹¹ SDG&E comments at 12-13; PG&E comments at 10-11; and CUE comments at 9-10.

reliability and safety to address the deferral need. Prescreening processes and performance payment structures will provide reasonable protections and incentives to deliver on the operational requirements as well. Rather than opposing the ratable procurement concept altogether, CESA supports SCE's more reasoned approach to how it could be implemented, recognizing the IOU's typical design, engineering, and construction timelines for contingency solutions (e.g., 12-18 months).¹² Such suggestions are more constructive, and CESA therefore recommends that the Commission hold working group processes to further refine how contingency solutions could be incorporated into a ratable procurement concept for a CECI pilot.

Finally, CESA echoes the comments by Sunrun that a deployment payment does not mean the payment is lost due to the original distribution grid need not materializing or because insufficient DERs were deployed to meet the full need. Specifically, Sunrun points to the multiple-use application ("MUA") potential of DERs to be supported for deployment and to be positioned to deliver on other grid-service needs.¹³ CESA agrees, and adding to this point, the Commission should also refer to its proposed guiding principle that DERs or traditional investments should not be inherently favored. There are undoubtedly instances where traditional capital investments were pursued and constructed even as the load growth or additions did not materialize in accordance with their forecasts, such that the "wires" capacity is oversized or not in line with the specific need. In these instances, the "problem" with overpaying for the distribution grid solution is present. A level playing field must be maintained, where DERs have certain advantages to modularly address needs over time.

V. TARIFF BUDGETS SHOULD BE FIXED UPON LAUNCH AND INITIALLY BASED ON 100% OF THE COST CAP TO ADHERE TO THE GUIDING PRINCIPLES OF ENSURING A LEVEL PLAYING FIELD AND LEARNING OVER TIME.

CESA recommended that the Commission establish tariff budgets based on 100% of the cost cap based on the planned investment, at least for pilot purposes, and possibly moving toward a lower percentage in the future to better ensure cost-effectiveness (e.g., 95%, 90%, etc. over time). Sunrun made similar arguments, focusing instead on how the level playing field principle should

¹² SCE comments at 7-8.

¹³ Sunrun comments at 11.

be upheld.¹⁴ However, CUE and SDG&E contend that the tariff should be rejected because it does not minimize costs, which is better achieved through a competitive process or through an even lower percentage of the cost cap for the tariff budget (e.g., 70%).¹⁵ A cost-minimization standard is not appropriate for a tariff and is unnecessary to deliver ratepayer savings, which is already being achieved through DER alternatives with a predetermined fixed percentage below the cost cap.

Additionally, SCE recommended that it be allowed to adjust the cost cap up or down to ensure cost savings up until contracts are executed,¹⁶ but such an approach would lead to fluctuating tariff budgets and thus different payment levels that will make it challenging to support customer acquisition and project financeability. Similar to how revised cost estimates can create a “moving target” issue for DERs in the DIDF RFOs, DERs subscribing under a tariff mechanism would face the same barriers. The same best practice for DIDF RFOs and tariffs should be pursued.

Finally, as CESA understands the Staff Proposal, the 20% procurement margin above the identified distribution grid need is intended to stay within the cost cap. As it relates to DIDF RFO contracts, the May 11, 2020 Ruling concluded that “it would be reasonable to include options in contracts for excess procurement if it remains cost effective in comparison to the traditional solution,”¹⁷ such that the procurement margin would never exceed the cost cap if similarly applied to tariffs, contrary to PAO’s suggestion.¹⁸ Even if DERs are procured in terms of capacity and energy beyond what is needed, if this DER procurement falls below the cost cap, it is still cost-effective relative to the traditional capital investment and would support optionality due to forecast changes and/or some DER project failure or attrition.

¹⁴ Sunrun comments at 13-14.

¹⁵ SDG&E comments at 4-5, 7, 18, and 25; and CUE comments at 13.

¹⁶ SCE comments at 9.

¹⁷ *Administrative Law Judge’s Ruling Modifying the Distribution Investment Deferral Framework – Filing and Process Requirements* issued in R.14-08-013, et al. on May 11, 2020 at 84.
<https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M337/K288/337288441.PDF>

¹⁸ PAO comments at 7-8.

VI. THE INCREMENTALITY RULES IN THE STAFF PROPOSAL SHOULD BE AFFIRMED AND BROADENED TO OTHER TECHNOLOGY TYPES.

The Staff Proposal appropriately affirms an incrementality rule that was adopted for the DIDF at large, mainly for the DIDF RFOs but also presumably extended to the proposed tariffs,¹⁹ which will apply a consistent framework across different sourcing mechanisms. Regardless of sourcing mechanism, the incrementality rules should be the same, with the May 11, 2020 Ruling in Rulemaking (“R.”) 14-08-013 making the right determination that programs like the Self-Generation Incentive Program (“SGIP”) and tariffs such as the Net Energy Metering (“NEM”) tariff are not a payment for contracted grid services.

Yet, despite these determinations made for the DIDF RFO and the affirmation made in the Staff Proposal regarding its similar applicability to the proposed tariffs, some parties frame DERs as being heavily subsidized or overpaid based on their enrollment or participation in SGIP and NEM. SDG&E, for example, continues to present their view that SGIP and NEM systems would be double compensated if paid through their tariff subscription and participation. They add that the incrementality of NEM should only be considered after the current NEM proceeding, R.20-08-020.²⁰ Such characterizations of SGIP and NEM incrementality has already been ruled upon, and awaiting for changes to NEM structure should not delay moving forward with the proposed tariffs with the current incrementality guidance and rules; rather, the Commission may wish to revisit and update the incrementality rules as other DER programs and tariffs change, but until those changes are finalized and take into effect, no changes or hold-up are needed at this time. Furthermore, SCE’s request to be able to follow its preferred methodology,²¹ but the aforementioned Ruling has already affirmed that “the [incrementality] approach among the three utilities should be consistent.”²²

Finally, as expressed in our opening comments, CESA believes that the incrementality rules should be broadened to consider other DER types, including demand response (“DR”),

¹⁹ *Administrative Law Judge’s Ruling Modifying the Distribution Investment Deferral Framework – Filing and Process Requirements* issued in R.14-08-013, *et al.* on May 11, 2020 at 77-80.

²⁰ SDG&E comments at 9 and 20-21.

²¹ SCE comments at 11.

²² *Administrative Law Judge’s Ruling Modifying the Distribution Investment Deferral Framework – Filing and Process Requirements* issued in R.14-08-013, *et al.* on May 11, 2020 at 77.

energy efficiency, electric vehicles (“EVs”), and electric vehicle supply equipment (“EVSEs”).²³ While behind-the-meter (“BTM”) energy storage, whether paired or standalone, are well-positioned to deliver dispatchable distribution grid services, a number of other DERs, including managed EV charging (“V1G”) and vehicle-to-grid (“V2G”), are viable DER options for the proposed tariffs. Given the various DER deployment programs for which they may be eligible, a broadened set of incrementality rules, in coordination with other proceedings, will support a wider range of DER participation.

VII. UTILITY DERMS IS NOT NEEDED AS A PRECURSOR TO LAUNCH THE PILOT SINCE THIRD-PARTY AGGREGATORS CAN PROVIDE DERMS FUNCTIONALITY.

CESA agrees with multiple commenters that third-party aggregators can provide DERMS functionality,²⁴ whereas the investor-owned utilities (“IOUs”) are at different stages of rolling out and demonstrating these functionalities.²⁵ In fact, some of the IOUs even acknowledge that IOU DERMS are not needed, at least at this stage of DER penetration, to enable DER aggregations to address distribution deferral needs, with manual communications being made to have DERs respond to IOU instructions or pre-defined dispatch signals based on grid conditions.²⁶ Finally, the Commission should reject CUE’s suggestion that DERMS costs should be subtracted from the cost cap,²⁷ as DERMS investments are ratebased investments made by the IOUs as part of their broader grid modernization plans.

VIII. THE EMERGENCY DISPATCH PROGRAM IS A NEAR-TERM PRIORITY THAT WARRANTS FURTHER DISCUSSION AND REFINEMENT.

CESA agrees with a number of parties that commented on the importance and urgency of developing an EDP,²⁸ which was proposed as a high-level concept in the Staff Proposal but likely requires additional discussion to refine and develop the program. Especially in light of the recent

²³ California Efficiency and Demand Management Council (“CEDMC”) comments at 2-3 and Advanced Energy Economy (“AEE”) comments at 7.

²⁴ 350 Bay Area comments at 9-10; Sunrun comments at 18; and CEDMC comments at 4.

²⁵ Public Advocates Office (“PAO”) comments at 12-13 and 18; SDG&E comments at 22; SCE comments at 12; and PG&E comments at 14.

²⁶ SCE comments at 22; PG&E comments at 14; and SDG&E comments at 22.

²⁷ CUE comments at 5.

²⁸ 350 Bay Area comments at 5; Sunrun comments at 15; and CALSSA comments at 6.

experiences with historic heat waves, particularly those starting on August 14, 2020, the EDP proposal is timely to support the need to address a critical resource supply shortage in California that led to the California Independent System Operator (“CAISO”) to declare a Stage 3 emergency and trigger rolling outages. However, while supportive, additional discussion is needed since the state’s emergency needs have been due to supply-side resource shortages as opposed to distribution-related reliability needs. In this context, it is unclear how compensation would be established and whether this proceeding could address these matters.

Specifically, CESA agrees with the California Solar and Storage Association (“CALSSA”) that the EDP concept may have many similarities with existing emergency load reduction, or DR programs, such as the Base Interruptible Program (“BIP”).²⁹ Many DERs can enroll in such programs today, and it is likely a question for the DR proceedings to address whether reliability caps should be increased, or whether modifications are needed to these programs. The critical gap is one around how emergency exports from BTM resources can be realized, enabled, and compensated to address critical supply shortages.³⁰ Under limited emergency situations, exports could be enabled through several technical solutions and work to complement the Resource Adequacy (“RA”) Program. In R.19-11-009, CESA and a number of other parties submitted a Track 3A Proposal to identify different pathways for BTM export capacity.³¹ Commission staff in this proceeding should coordinate closely with those in the RA proceeding and identify clear pathways to address various issues in the appropriate proceedings.

IX. CONCLUSION.

CESA appreciates the opportunity to submit these reply comments to the Ruling and the Staff Proposal and looks forward to working with the Commission and other stakeholders in this proceeding.

Respectfully submitted,

²⁹ CALSSA comments at 6.

³⁰ *Ibid.*

³¹ *Resource Adequacy Track 3.A Proposal of the California Energy Storage Alliance, Sunrun, Inc., Enel X North America, Tesla, and Center for Energy Efficiency and Renewable Technologies* filed in R.19-11-009 on September 1, 2020 at 14.

<https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M346/K259/346259731.PDF>



Alex J. Morris
Executive Director
CALIFORNIA ENERGY STORAGE ALLIANCE

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