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 ON THE PROPOSED DECISION ADOPTING PILOTS TO TEST TWO FRAMEWORKS FOR PROCURING DISTRIBUTED ENERGY RESOURCES THAT AVOID OR DEFER UTILITY CAPITAL INVESTMENTS

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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 *Proposed Decision Adopting Pilots to Test Two Frameworks for Procuring Distributed Energy Resources that Avoid or Defer Utility Capital Investments* ("PD"), filed by Administrative Law Judge ("ALJ") Kelly A. Hymes on January 5, 2021.

I. INTRODUCTION.

CESA reiterates our support and appreciate of the PD in advancing much of the progress made in the Distribution Investment Deferral Framework ("DIDF") to pilot new mechanisms by which to deliver ratepayer cost savings through the deferral of traditional distribution investments by distributed energy resources ("DERs"). In these reply comments, we respond to some specific points made by the Coalition of California Utility Employees ("CUE"), San Diego Gas and Electric Company ("SDG&E"), Southern California Edison Company ("SCE"), and The Utility Reform Network ("TURN").

II. <u>COMMENTS MADE TO COMPLETELY DISMISS THE PILOTS ARE UNSUBSTANTIATED AND SHOULD BE DISMISSED</u>.

CUE offered several comments to the PD that have already been addressed in previous comments and workshop discussions and/or are unsubstantiated. Their comments should be viewed within the context of challenging the entire distribution deferral use case itself, such as when they argue that the DIDF program has shown that distribution deferral is largely not cost-effective due to the lack of selection of DERs.[1] A quick assessment of some of the actual successful procurements easily dismisses this claim, and the lack of selection in other cases point to a number of other factors, such as changing needs, changing cost caps, tight solicitation timelines, etc. The purpose of the competitive solicitation process is to identify and only select for where DERs are actually cost-effective, so the process is working as intended and is not an indictment on whether this use case should be pursued altogether.

First, CUE argues that the record shows ratable procurement as putting ratepayers at risk of wasting money.[2] While there is some risk of stranded payments, guardrails have been put into place with annual procurement goals and a procurement margin within the cost cap, which serves to reduce ratepayer risks while still ensuring cost-effectiveness. Furthermore, this is the very purpose of the pilot to test whether the ratable procurement concept can work.

Second, regarding incrementality, CUE recommends that DERs only be paid for their marginal costs and finds issue with paying the same levels under the proposed Partnership Program despite differing incremental costs.[3] However, the very goal of the Partnership Program is to pilot a simple-pricing approach that pays for the same services and benefits, whereas a structure that

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[1] CUE comments at 2.
[2] CUE comments at 3.
[3] CUE comments at 4.

pays differentiated marginal-cost bids would simply be reverting to a competitive solicitation structure – an approach that is already in place. Regardless, what matters is that the totality of service payments under the Partnership Program is less than the traditional planned investment, as reflected in the cost cap and tariff budget. Other incrementality concerns are addressed in the PD with the ineligibility of the deployment incentive if claiming other technology incentive funds, such as those provided through the Self-Generation Incentive Program ("SGIP").

Third, CUE argues that publicizing cost caps cause harm and would lead to uncompetitive outcomes.[4] CESA disputes this assertion as already being litigated and dismissed. Despite the publication of cost caps, the competitive solicitations have not led to this very outcome.

Fourth, like CUE, SDG&E disputes the incrementality rules established in the PD, with a focus on how it may be premature to allow Net Energy Metering ("NEM") customers to be eligible for additional compensation around distribution deferral services without making a determination in R.20-08-020.[5] This is unnecessary at this time, and there is sufficient reasons at present to affirm the current incrementality provisions for NEM resources focused on "material enhancements" – a determination that does not have to be contingent on determinations made in R.20-08-020 but could be revisited *after* R.20-08-020 concludes, if found necessary.

Finally, SDG&E argues in favor of competitive solicitations for its ability to maximize customer savings,[6] but CESA underscores the goal of distribution deferral to provide any level of ratepayer savings – an outcome that cannot be realized without considering DERs in a comparison with the traditional planned investment and that may increase in feasibility with alternative

[4] CUE comments at 5.
[5] SDG&E comments at 2.
[6] SDG&E comments at 4.

sourcing mechanisms (*e.g.*, tariffs, programs) due to various challenges and barriers inherent in competitive solicitation processes, particularly for behind-the-meter ("BTM") DERs.

III. IMPLEMENTATION TIMELINES AND DETAILS FOR THE PARTNERSHIP PROGRAM WILL NEED TO BE CLARIFIED.

CESA appreciates the helpful comments offered by SCE on the Partnership Program and the Standard-Offer Contract ("SOC") Pilot. We agree and support the need to clarify conflicting dates of the Partnership Program implementation timeline and how prescreening is not needed for proven sourcing mechanisms, such as competitive solicitations and SOCs.[7] In particular, CESA appreciates SCE's consideration of potential unintended or complicating issues related to the establishment of program budgets and compensation rates as needs fluctuate on a year-by-year basis, where "smoothing" approaches may be needed to ensure equity of payment levels.[8] We support the intent or reasoning behind this suggestion and recommend flexibility be maintained in the PD to establish percentages of the cost cap for each type of payment tier but not to prescribe anything beyond this level of guidance, where "smoothing" approaches or budget allocation on a year-by-year basis could be more deeply considered. This should be addressed in the Distribution Planning Advisory Group ("DPAG") or in follow-up working group meetings.

IV. THE ONE-WAY COST ADJUSTMENT SHOULD BE MAINTAINED FOR THE PURPOSES OF THE PILOT.

SCE and The Utility Reform Network ("TURN") argue against the prohibition of the downward adjustment to the cost cap for the planned pilots, finding them to violate the principles around cost-effectiveness. TURN added that these downward adjustments are likely with these planned investment costs generally being inflated from the beginning and eventually adjusted

[7] SCE comments at 1-2 and 10-11

[8] SCE comments at 7.

downward.[9] While the logic of these claims are understandable, though requiring further substantiation (*e.g.*, TURN's assertion of upward bias of initial cost estimates), there is significant risk that the program fails to procure BTM DERs without cost certainty in the form of the tariff budget and incentive levels. Fluctuating budgets and compensation rates deters market participation, regardless of sourcing mechanism. CESA is thus inclined to maintain the one-way cost adjustment for the purposes of the pilot and seeks ways that some of these risks could be mitigated, such as through a prioritization of more accurate cost estimation for the target handful of planned investments that are shortlist candidates for pilots to reduce the likelihood of downward adjustments being needed.

V. CONCLUSION.

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

Respectfully submitted,

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[9] SCE comments at 2-3 and TURN comments at 3-4.