

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

Order Instituting Rulemaking to  
Revisit Net Energy Metering Tariffs  
Pursuant to Decision D.16-01-044, and  
to Address Other Issues Related to  
Net Energy Metering.

Rulemaking 20-08-020  
(Filed August 27, 2020)

**REPLY COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE ON  
THE ADMINISTRATIVE LAW JUDGE'S RULING SETTING ASIDE SUBMISSION OF  
THE RECORD TO TAKE COMMENT ON A LIMITED BASIS**

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July 1, 2022

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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 Setting Aside Submission of the Record to Take Comment on a Limited Basis* (“Ruling”), issued by Administrative Law Judge (“ALJ”) Kelly A. Hymes on May 9, 2022.

**I. INTRODUCTION.**

As stated by the Commission in its new Advanced Demand Flexibility Management Whitepaper and Staff Proposal, behind-the-meter (“BTM”) Distributed Energy Resources (“DER”) can provide significant support to “address the challenges associated with the State’s energy transformation, help integrate renewables, reduce [greenhouse gas (“GHG”)] emissions, improve system reliability, and reduce or minimize cost of service.”<sup>1</sup> Similarly, the California Energy Commission (“CEC”), at its workshop launching the new Order Instituting Information Proceeding on DERs, emphasized that “DERs are essential for achieving state goals for decarbonization, reliability, resilience and energy justice.”<sup>2</sup> In order to maximize the value of these resources, the Commission has also opened a Rulemaking (“R.”) planning for a “High DER

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<sup>1</sup> *Advanced Strategies for Demand Flexibility Management and DER Compensation* published by Energy Division on June 22, 2022 at 1. Available at: <https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/electric-costs/demand-response-dr/demand-response-workshops/advanced-der-and-demand-flexibility-management-workshop>

<sup>2</sup> *DER Workshop and Proceeding Overview* presented by the CEC on June 1, 2022 at slide 4. Available at: <https://efiling.energy.ca.gov/Lists/DocketLog.aspx?docketnumber=22-OII-01>

Future”, R.21-06-007. All of these agency efforts will focus on a wide variety of DERs; however, there has been a particular focus on “advanced flexible demand and DER management”<sup>3</sup> or dispatchable resources that can be controlled or respond to price signals to achieve particular load shapes. Energy storage is the ultimate flexible and dispatchable resource that can be used to shift and shape load by providing electricity for any end use, not merely loads that have energy management strategies (e.g., air conditioning). Additionally, energy storage can provide increased benefits beyond a single customer site by exporting energy to the local grid.

The majority of BTM storage systems installed today have been installed through the Net Energy Metering (“NEM”) program, which has been foundational for the DER industry generally. In order to ensure that California keeps on pace to deploy the physical storage assets we need to achieve our grid goals, there must be a smooth transition from NEM 2 to the successor Net Billing Tariff (“NBT”). The energy industry generally has been facing deployment challenges due to “interconnection queue limitations, supply chain issues being faced as a result of the COVID-19 pandemic, high global demand for battery storage, and challenges with skilled labor availability for engineering and construction of new energy resources,”<sup>4</sup> which are threatening near- and mid-term reliability. In order to sustain the market to achieve near- and long-term goals, glidepaths will be necessary. In reply comments, CESA emphasizes that solar + storage NBT customers should be eligible for a glidepath incentive, including the avoided cost calculator (“ACC”) Plus glidepath should this approach be adopted.

## **II. STORAGE SHOULD BE ELIGIBLE FOR AN ACC PLUS GLIDEPATH, SHOULD THIS GLIDEPATH APPROACH BE ADOPTED.**

Overall, CESA believes that a Market Transition Credit (“MTC”) glidepath approach with a fixed incentive will provide more value for NBT customers with storage compared to an ACC Plus approach, given that customers with storage export less than solar-only customers. In comments, the Public Advocates Office at the California Public Utilities Commission (“Cal Advocates”) highlights this fact, stating that “solar plus storage customers are likely to use their

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<sup>3</sup> *Advanced Strategies for Demand Flexibility Management and DER Compensation* published by Energy Division on June 22, 2022 at 38.

<sup>4</sup> Decision (“D.”) 21-12-015 at 19.

battery to primarily serve their own consumption during the evening time-of-use (TOU) peak period.”<sup>5</sup>

However, Cal Advocates then goes on to suggest that “If the Commission goes forward with the ACC Plus approach, it should be limited to solar-only customers as the approach would not benefit customers who have paired storage.”<sup>6</sup> CESA is unclear whether Cal Advocates is suggesting that storage customers be ineligible for any glidepath incentive should ACC Plus be adopted, given that Cal Advocates supports storage deployment.<sup>7</sup> At a minimum, CESA believes that storage should be eligible for a glidepath incentive, given the benefits that storage can provide to the grid, California’s climate goals and ratepayers, paired with the current high costs to adopt this technology.

Given this, CESA urges the Commission to adopt a glidepath for solar + storage across market segments (both residential and nonresidential) and believes that, if the Commission chooses to use an ACC Plus Glidepath approach in lieu of the MTC, solar + storage customers should be eligible for this increased export compensation. An ACC Plus glidepath approach can be designed to help achieve the desired payback period of 10 years for solar + storage customers, but this will require: 1. Separate adders for solar and solar + storage and 2. More careful consideration of the solar + storage adder design. As shown by the California Solar and Storage Association (“CALSSA”), to achieve payback periods of 9 years, higher adders will be needed for solar + storage compared to solar only systems.<sup>8</sup> Multiple parties have also highlighted that dynamic adders or multiplier approaches that further increase off- vs on-peak differentials and export compensation during critical peak hours will further incentivize storage adoption and dispatch to help the grid.<sup>9</sup> Southern California Edison Company (“SCE”), Pacific Gas and Electric Company (“PG&E”), and San Diego Gas and Electric Company (“SDG&E”) (collectively “Joint Utilities”)

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<sup>5</sup> Cal Advocates Opening Comments at 2.

<sup>6</sup> Ibid.

<sup>7</sup> See Cal Advocates Opening Comments at 1, “The Commission should retain the market transition credit (MTC) glidepath approach as it is superior to the ACC Plus approach at encouraging storage adoption.”

<sup>8</sup> CALSSA Opening Comments at Table 2.

<sup>9</sup> See Independent Energy Producers Association Opening Comments at 3; East Bay Community Energy, Redwood Coast Energy Authority, San Diego Community Power, and Peninsula Clean Energy Authority, (“Joint CCAs”) Opening Comments at 7; Natural Resources Defense Council (“NRDC”) Opening Comments at 3-4.

oppose a multiplier approach, stating it may cause customers to “charge and discharge their batteries during the peak period.”<sup>10</sup> While the Joint Utilities suggest that customers may charge from the grid and export that same energy for NBT export credits, there are metering methodologies and other measures in place to maintain “NEM integrity” and prevent export compensation for grid charged energy. Additionally, the economics of time-of-use rates incentivize storage charging from the grid during off-peak periods to avoid high import rates, particularly when paired with solar or other NBT generators, which provide charging energy for no additional marginal cost.

Other novel glidepath approaches could also incentivize storage deployment through combinations of increased export compensation rates and static MTC incentives, such as the ACC Plus approach suggested by CALSSA for SCE solar + storage customers.<sup>11</sup> CESA prefers a pure MTC approach for its simplicity and ability to be easily understood by customers and installers. However, an ACC Plus glidepath can be tailored to storage to help the industry overcome near-term high storage prices and ensure that we are deploying the BTM energy storage systems that will be needed to meet our state’s needs.

### **III. CONCLUSION.**

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

Respectfully submitted,



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Date: July 1, 2022

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<sup>10</sup> Joint Utilities Opening Comments at 11.

<sup>11</sup> See CALSSA Opening Comments at Table 2 proposing an ACC Plus adder of \$0.125 with a \$200 upfront MTC incentive.