

**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 PROPOSED DECISION REVISING NET ENERGY METERING TARIFF AND
SUB-TARIFFS**

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January 14, 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 *Proposed Decision Revising Net Energy Metering Tariffs and Sub-Tariffs* (“PD”), issued by Administrative Law Judge (“ALJ”) Kelly A. Hymes on December 13, 2021. Pursuant to the *Administrative Law Judge’s Ruling Partially Granting the Coalition for Community Solar Access’ Requests for an Extension of Time to File Comments and for an Increase in Page Limits for Opening and Reply Comments* issued on December 17, 2021 by Assistant Chief ALJ S. Pat Tsen on behalf of ALJ Hymes, CESA is timely submitting these reply comments on the PD.

I. INTRODUCTION.

CESA reiterates that the future of the Net Energy Metering (“NEM”) tariff will be crucial as one of the foundational policies supporting the next phase of distributed energy resource (“DER”) deployment, particularly for energy storage. As mentioned by many parties in Opening Comments on the PD, the successor tariff has the potential to enable the growth of behind-the-meter (“BTM”) DERs to contribute to California clean energy and environmental goals by

providing load reduction, exported energy and distribution investment deferral services, and customer-sited resiliency, all while managing land-use considerations and encouraging electrification. However, the successor Net Billing Tariff (“NBT”) as proposed by the current PD does not sufficiently take into account California Public Utilities Code §2827.1(b) to ensure “customer-sited renewable distributed generation continues to grow sustainably” to achieve the aforementioned goals, which was highlighted by CESA and other parties in Opening Comments.

Firstly, many parties, including CESA, raised that the proposed Grid Participation Charge (“GPC”) is discriminatory under the Public Utility Regulatory Policies Act (“PURPA”) since the GPC of \$8/kW was not set based on cost-causation principles and not applied to customers with similar load or cost characteristics. To comply with federal law, other states have rejected these types of charges and adopted charges in Alabama are being challenged in federal court.

Secondly, the lack of certainty in export compensation rates (“ECRs”) beyond the first five years of operation will harm consumer protection in the NBT. As highlighted by the Solar Energy Industries Association and Vote Solar (“SEIA/VS”), solar installers are currently required to estimate bill savings for the first 20 years of operation of their system to ensure customers make well-informed investment decisions and provide financiers with appropriate payback projections.¹ Only providing five years of ECR certainty and no barrier between changes to the Avoided Cost Calculator (“ACC”) and changes to the ECR will make 20-year projections impossible to calculate accurately and so uncertain that they will be unreliable for customers and long-term financing options will likely be reduced.

Thirdly, many parties shared the harm to consumer trust from the shortening of legacy periods for NEM 1 and 2 customers. As Sierra Club summarizes, “[w]ith the PD, the Commission

¹ SEIA/VS Comments at 15-16.

sends the signal to the market and to the million Californians that invested in solar systems that it is an institution that cannot be trusted.”²

CESA urges the Commission to deeply consider the party comments highlighted above and either make significant modifications to the present PD or issue an Alternate PD. Additionally, considering CESA’s focus on energy storage within this proceeding, we offer the following responses to party comments:

- Funding for the Storage Evolution Fund should not be capped.
- Customers installing energy storage should not be obligated to participate in a remote dispatch program.
- The ability to size for future load growth should be maintained.
- Community DERs should have viable tariff options.
- The Joint Utility proposal to eliminate the standby charge exemption for non-NEM generators is out of scope.

II. FUNDING FOR THE STORAGE EVOLUTION FUND SHOULD NOT BE CAPPED.

The Joint Utilities propose that the Commission cap the amount of Storage Evolution Funds made available to NEM 2 customers to transition to the successor tariff at \$300 million over the proposed four-year program.³ However, as highlighted by the Public Advocates Office (“Cal Advocates”), there is no basis for imposing this type of limitation. Cal Advocates shares that a typical residential, NEM 2, solar-only customer that adds storage and moves to the NBT will provide \$1,200 a year in ratepayer savings.⁴ If a residential NEM 2 customer that installed a system

² Sierra Club Comments at 16.

³ Joint Utilities Comments at 19.

⁴ Cal Advocates Comments at 6.

in 2017 transitions to the successor tariff in 2027, the last year of the current proposed Storage Evolution Fund, they will provide \$6,000 in ratepayer savings under the 15-year grandfathering provisions proposed in the PD. Given that residential customers will typically be receiving less than \$2,000 worth of incentives,⁵ the incentives given out via the Storage Evolution Fund will be more than cost effective. To this end, CESA also supports Cal Advocates proposal to extend the Storage Evolution Fund for additional years “so that the time from the expiration of the SE Fund to the end of the legacy period is no more than three years.”⁶ However, CESA does not support Cal Advocates proposal to shorten NEM grandfathering/legacy periods. CESA and numerous other parties have highlighted that maintaining the original 20-year period for both NEM 1 and 2 customers is not only fair to those customers but also crucial to maintaining customer trust in Commission programs and to avoid retroactive policymaking.⁷

III. CUSTOMERS INSTALLING ENERGY STORAGE SHOULD NOT BE OBLIGATED TO PARTICIPATE IN A REMOTE DISPATCH PROGRAM.

In Opening Comments, The Utility Reform Network (“TURN”) proposes that, “any customer with paired energy storage taking service under the Net Billing Tariff should be required to accept remote dispatch of their storage system to support grid reliability under emergency conditions caused by generation supply insufficiency.”⁸ NEM and the NBT are tariffs that allow for customer management of onsite electricity needs and to compensate customers for electricity exports from eligible systems for some established value, but it does not (and should not) require

⁵ Cal Advocates Comments at 6.

⁶ Cal Advocates Comments at 6.

⁷ See CESA Comments at 14, California Solar and Storage Association (“CALSSA”) Comments at 19, Center for Sustainable Energy (“CSE”) Comments at 9, SEIA/VS Comments at 17, Sierra Club Comments at 16.

⁸ TURN Comments at iii.

the provision of specific grid services or dispatch patterns. NEM or the NBT is not a payment for grid services, which has been affirmed in past Commission decisions, and does not establish values or price the emergency reliability services that TURN is proposing to require without adequate or fair compensation. The value of DERs to be committed to specific operational requirements represent a grid service beyond what is valued in retail rates under NEM or in avoided costs under NBT, such that it should not be included as a condition for participation in the successor tariff. Like customers in general who face dynamic rate signals, *voluntary* response is incentivized through time-differentiated import rates and through more granular ECR, which is wholly distinct from committed responses for emergency grid conditions.

Instead, Demand Response (“DR”) programs, such as the Base Interruptible Program (“BIP”), or other economic DR programs with associated resource adequacy (“RA”) compensation and must-offer obligations, have been the most appropriate way for NEM and other DERs to provide additional capacity during times of grid stress. Enrolling in DR programs also obligates customers to respond in specified terms, so responses are more dependable and predictable. While TURN’s proposal states that storage systems shall be remotely dispatched to support reliability, there is no obligation or specified terms/conditions for these storage systems to be in a state of charge that would be useful for dispatch. Instead, it may lead to ineligibility to other DR or load reduction programs such as the Emergency Load Reduction Program (“ELRP”), which have terms and conditions and means to specifically measure incremental load performance to support this very purpose, if customers wish to do so. It does not make sense for the Commission to have customers forego DR enrollment in favor of an ill-defined remote dispatch program under NBT.

Additionally, customers invest in energy storage for a variety of reasons, including to have reliable backup power during a grid outage event. Customers should be able to maintain control

over their own systems while participating in NEM/NBT. Each customer situation is different and vulnerable customers, such as medical baseline customers, or non-residential customers that provide critical community services, should not be obligated to dispatch at the risk of having their storage capacity be depleted in the face of an outage.

IV. THE ABILITY TO SIZE FOR FUTURE LOAD GROWTH SHOULD BE MAINTAINED.

The Joint Utilities state that the sizing provisions proposed in the PD of allowing sizing up to 150% of customer load will make these customers net seller qualifying facilities (“QFs”) under PURPA, making these systems federally jurisdictional and forcing all exports to be compensated at the current Net Surplus Compensation (“NSC”) rate set by day ahead market prices. However, customers have an economic incentive to have oversized systems serve on-site load in the NBT outlined in the PD. Reducing export compensation to avoided cost values and maintaining NSC at current rates makes exports, particularly net exports, significantly less valuable than on-site consumption. Therefore, installing oversized BTM systems without commensurate increases in load will be uneconomic for customers and lead to longer payback periods for these systems. The economics of these systems, combined with customer attestations confirming planned load growth, will help to ensure that NBT systems primarily serve on-site load.

V. COMMUNITY DISTRIBUTED ENERGY RESOURCES SHOULD HAVE VIABLE TARIFF OPTIONS.

As many parties mentioned in opening comments, many customers lack access to BTM DERs because they are renters, live in a home or operate a business on a property that is unsuitable for NEM-eligible generation, or lack access to financing to install a system by themselves. However, tariffs that have been created for community renewables, such as the Green Tariff Shared Renewables (“GTSR”) Programs are not sustainable going forward due to their restriction to

bundled customers, enrollment caps, and high fees. As mentioned by the Coalition for Community Solar Access (“CCSA”), San Diego Gas & Electric (“SDG&E”) is asking to suspend its GTSR programs due to increasing costs for customers in the program.⁹

Given this, alternative tariffs should be considered to create viable community DER programs, particularly for Title 24 requirements. Title 24 allows for compliance via both BTM and community solar pathways but requires customers to see net savings on their energy bills, which current community renewable tariffs have far from guaranteed. Given California’s growing housing prices, creating cost-effective options, for both homebuyers and ratepayers, for Title 24 compliance will be key to ensuring that a successor tariff complies with Guiding Principle (e), to coordinate the successor tariff with other state policies, including Title 24.¹⁰

CESA agrees with the broad coalition of parties (*e.g.*, California Building Industry Association, Coalition of California Utility Employees, Natural Resources Defense Council, and TURN) that CCSA’s Net Value Billing Tariff deserves additional consideration and that specific follow-up action items, such as workshops, rulings, or other discussion opportunities should be outlined in this PD to ensure that community DER programs are pushed forward, along with proposals involving community solar-plus-storage and community storage. As a “buy-all, sell-all” approach that compensates customers for all generation at avoided cost values, CCSA’s tariff showed the second lowest cost-shift, second highest Ratepayer Impact Measure (“RIM”) score, and the highest Total Resources Cost (“TRC”) score in E3’s cost-effectiveness evaluation of successor proposals, showing the merits of this approach.¹¹ While parties raised points of feedback

⁹ CCSA Comments at 12, referencing SDG&E Advice Letter 3920-E.

¹⁰ D.21-02-007 at Ordering Paragraph (“OP”) (e).

¹¹ See E3, “Cost-effectiveness of NEM Successor Rate Proposals under Rulemaking 20-08-020,” published June 15, 2021.

for CCSA’s proposal, highlighting the potential need for discussion, CCSA’s proposal deserves serious consideration, and community DER tariffs need to be prioritized by the Commission.

VI. THE JOINT UTILITY PROPOSAL TO ELIMINATE THE STANDBY CHARGE EXEMPTION FOR NON-NEM GENERATORS IS OUT OF SCOPE.

In Opening Comments, the Joint Utilities raised their proposal to eliminate the standby charge exemption for small solar generators, stating that “the standby exemption should be eliminated to maintain consistency” between NEM/NBT and non-NEM/NBT generators.¹² However, there has been little record in this proceeding to consider changes to provisions for non-NEM/NBT customers, and these issues are out of scope in this proceeding.¹³ CESA suggests that the Commission consider changes to the treatment of non-NEM generators in other venues such as R.14-10-003, R.17-07-007, or the General Rate Cases of each utility.

VII. CONCLUSION.

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

Respectfully submitted,



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Date: January 14, 2022

¹² Joint IOU Comments at 12.

¹³ The scope of this proceeding outlined in the Order Instituting Rulemaking (“OIR”) is “1) development of a successor to the existing NEM 2.0 tariffs pursuant to the requirements of AB 327, and 2) issues related to existing NEM tariffs, including but not limited to questions about or modifications to specific provisions of the NEM tariffs.” OIR at 6.