



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

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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 SOLAR ENERGY INDUSTRIES ASSOCIATION
AND VOTE SOLAR ON PROPOSED DECISION REGARDING
2020 POLICY UPDATES TO THE AVOIDED COST CALCULATOR**

VOTE SOLAR
Susannah Churchill
360 22nd St., Suite 730
Oakland, CA 94612
Telephone: (415) 817-5065
Email: susannah@votesolar.org

California Director for Vote Solar

GOODIN, MACBRIDE,
SQUERI & DAY, LLP
Jeanne B. Armstrong
505 Sansome Street, Suite 900
San Francisco, California 94111
Telephone: (415) 392-7900
Email: jarmstrong@goodinmacbride.com

*Attorneys for Solar Energy Industries
Association*

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**REPLY COMMENTS OF THE SOLAR ENERGY INDUSTRIES ASSOCIATION
AND VOTE SOLAR ON PROPOSED DECISION REGARDING
2020 POLICY UPDATES TO THE AVOIDED COST CALCULATOR**

Pursuant to Rule 14.3(d) of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission), the Solar Energy Industries Association (SEIA) and Vote Solar (VS) respectfully provide these reply comments on the Proposed Decision (PD) regarding *2020 Policy Updates to the Avoided Cost Calculator*, as issued in this case on March 13, 2020.

I. Avoided Unspecified Transmission Costs

The PD concludes that the “current method” to determine unspecified avoided transmission values should continue to be used in the ACC. The current ACC includes a minimal, too-low level of unspecified avoided transmission costs for PG&E, and none at all for SCE or SDG&E. SEIA and Vote Solar strongly *support* the Joint IOUs’ request for further process in this proceeding to develop the methodology for avoided unspecified transmission costs; we agree with the Joint IOUs that the PD needs to be clarified to adopt a method to establish the long-run avoided transmission costs for SCE and SDG&E.¹ We also agree with the Joint IOUs that the White Paper’s suggestion to use local resource adequacy values as a short-run avoided cost of transmission is no more than an idea, with no details, whose feasibility is unclear at this point. As recommended in the staff’s *White Paper*, the Commission should clarify that all three IOUs should start with the same methods that they have used for many years to calculate long-run marginal distribution costs in ratemaking cases. For PG&E, that method should be modified to use all capacity-driven transmission projects that the utility is planning, not just those that could be avoided by a change in demand of less than 10% or that are planned for a limited three-year rate case forecast period.²

SEIA/Vote Solar strongly *oppose* the Joint IOUs’ secondary recommendation to retain the avoided transmission values in the current ACC (which would be zero for SCE and SDG&E),

¹ Joint IOU comments, at p. 11-13: “The Joint IOUs will continue working with the Energy Division to develop a method for determining unspecified transmission avoided costs, which may include refinements to the current method used to determine avoided transmission costs for the programs and incentives evaluated by the ACC for PG&E. The Joint IOUs believe this work can be conducted in the current proceeding.”

² SEIA and Vote Solar showed that, if all PG&E capacity-driven transmission projects out to 2024 are included in the calculation, as is appropriate for a long-run calculation, PG&E’s avoided transmission costs increase to \$126 per kW-year. See Exhibit SVS-01, pp. 45-49 and 53-54.

and to review this issue again in two years.³ As SEIA/VS have explained at length on the record, avoided transmission costs are a foundational benefit of DERs and there is recent, direct evidence that the CAISO has avoided significant transmission costs because DER deployment has lowered and flattened long-term demand projections in California. The Commission needs to act in this case to establish methods and non-zero values for avoided transmission costs. Otherwise, in upcoming resource-specific cases such as the review of net metering, the Commission will find itself in the same position that it was in at the end of the 2015 review of net metering in R. 14-07-002, where the Commission concluded that the record on avoided transmission and distribution costs was inadequate to allow it to draw quantitative conclusions on the benefits and costs of net metered DERs.⁴

II. The No New DER Case

The PD correctly adopts the use of the No New DER scenario from the Integrated Resource Plan (IRP) model results, because this case “provides the Commission with the best indicator of the value of distributed energy resources.”⁵ The comments of the Joint Utilities (Joint IOUs) propose a “compromise” between the use of the No New DER case and the Reference System Plan (RSP), suggesting that all the Commission has to do is “simply average the per unit avoided costs from the RSP and the No New DER cases.”⁶ This new proposal suffers from the same defects as the Joint IOU’s original proposal to use the RSP case, although perhaps these defects are only half as large as the original proposal. The fundamental purpose of using the No New DER case, as recognized in the PD,⁷ is to model a truly “integrated” resource plan in which all supply- and demand-side resources compete in a market for new resources. The results in the No New DER case indicate the market-clearing avoided costs for the supply-side resources that would be needed to replace all DERs. The No New DER case has the additional major benefit that it is completely independent of any administrative forecast of DER deployment. In contrast, the results under either of the Joint IOUs’ two proposals depend on the accuracy of the DER forecast, and both make the unsupported, circular assumption that some level of DERs (either 100% or 50% of current forecasts for DER deployment) will be economic.

³ *Id.*, at p. 13.

⁴ *See* D. 16-01-044, at pp. 58-61.

⁵ PD, at p. 35.

⁶ Joint Utilities comments, at p. 9.

⁷ PD, at p. 36.

The Joint IOUs also complain that the No New DER case ignores what they call “naturally-occurring” DERs such as the Title 24 program requiring solar on new homes. The Joint IOUs’ suggest that the load forecast used in the No New DER case should be reduced to reflect such “naturally-occurring” DERs.⁸ SEIA/VS oppose this proposal, as the solar installed under Title 24 will continue to be compensated through net metering. The Commission will not have a full and clear picture of the avoided costs for all solar and solar-plus-storage projects if the No New DER case removes some of the installations that will be compensated through the successor to NEM 2.0. The Joint IOU proposal also would remove the ability of policymakers to track the cost-effectiveness of the Title 24 program over time.⁹

SEIA and Vote Solar applaud the PD for the progress that it makes in integrating the ACC more closely with the modeling used for supply-side resources in the Integrated Resource Planning (IRP) process. The use of the No New DER case is a key step toward that integration.

III. Greenhouse Gas (“GHG”) Adder

The PD would continue the use of a straight-line GHG adder from the current GHG containment reserve price to the modeled 2030 GHG Adder.¹⁰ The PD also directs “staff to consider modifying the adder such that it is based on post-2030 values to better reflect average long-term greenhouse gas abatement costs.”¹¹ SEIA and Vote Solar support the use of the GHG Adder modeled in the IRP for the full period 2020-2045. The use of the full GHG Adder from the IRP, for the full economic life of DER resources, is a key element in integrating the ACC into the IRP process. Solar DERs installed today may still be operating in 2045.

The Joint IOUs criticize the PD’s continuation of the use of the straight-line GHG adder as overestimating GHG costs in the years leading up to 2030.¹² However, they also propose, contrary to the PD, to ignore IRP-modeled post-2030 GHG values, and instead would escalate the 2030 adder at 5.4% per year based on an administrative California Energy Commission

⁸ Joint IOU comments, at p. 10.

⁹ DERs such as solar are subject to numerous public policies, including net metering, a variety of tax incentives, and programs to reduce GHG emissions. Isolating the amount of solar that would be installed absent one of these policies will be very difficult. It is difficult enough to develop counterfactual cases for utility companies for which there is abundant data on their cost structure; it is even more difficult to develop counterfactual cases for the millions of consumers who install DERs.

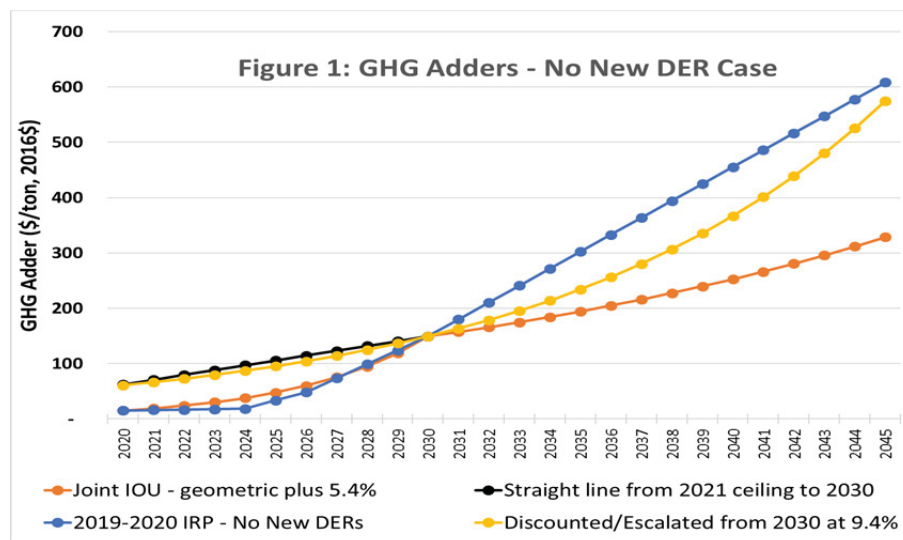
¹⁰ Proposed Decision, pp. 38-41.

¹¹ Proposed Decision, p. 38.

¹² Joint IOU comments, at pp. 2-4.

forecast that is not tied to the IRP. This falls far below the modeled GHG Adder necessary after 2030 to meet the state’s SB 100 goals.

SEIA/VS continue to support the policy adopted in D. 18-02-018 that a straight-line or smoothed GHG Adder from 2020 to 2030 is important to ensure stability in the markets for DERs. However, we also recognize that the GHG Adder used in the ACC over the years 2020-2045 should not exceed, on a net present value (NPV) basis, the GHG Adder for the same period modeled in the No New DER case. SEIA/VS submit that the consistent, equitable treatment of demand- and supply-side resources means that the NPVs of the GHG Adders in the ACC and the IRP should be the same. To the extent that the GHG Adder used in the ACC from 2020-2029 exceeds the GHG Adder modeled in the IRP, this should be offset, on an NPV basis, by reductions in the ACC’s GHG Adder post-2030.¹³ The yellow line in **Figure 1** achieves this – it uses the 2030 GHG Adder of \$149 per ton, then discounts this value back to 2020 at 9.4% per year,¹⁴ and also escalates the 2030 value to years after 2030 by 9.4%. The yellow line trajectory for the GHG Adder has the same NPV as the GHG Adder from the adopted No New DER case (blue line). The figure also shows the Joint IOU proposal (orange line), which would result in a GHG Adder for DERs in the ACC that is just 69% of the NPV of the GHG Adder for supply side resources that the Commission adopted in D. 20-03-028. This would discriminate unfairly against DERs in comparison to supply-side resources.



¹³ SEIA/VS’s rebuttal testimony emphasized the importance of a GHG Adder in the ACC that is comparable to IRP modeling of the GHG Adder to 2045. See Exh. SVS-02, at pp. 8-12.

¹⁴ This approach is on the record in the Staff Proposal, at p. 12. See PD, at pp. 38-39. Figure 1 modifies this proposal to use the GHG Adder from the latest IRP modeling for the No New DER case.

IV. Use of Marginal Distribution Costs from GRCs

The Joint IOUs argue that marginal distribution costs from the utility GRCs should not be used for the years after the five-year Method 1 approach, and instead the values for the initial five years simply should be escalated with inflation.¹⁵ They state that GRCs use a “three-year planning horizon” and thus the marginal distribution costs from GRCs are “short-run” values. This incorrect and misleading. GRCs set rate for a three-year forecast period, but the Commission for decades has used long-run marginal costs in GRC ratemaking. For example, the NERA regression methods that SCE and SDG&E use to calculate marginal distribution costs use 10 years of historical data and 5 years of forecast data; these are clearly not short-run values.¹⁶

V. Time to Finalize the 2020 ACC

The PD requires that the Director of the Commission’s Energy Division “issue a draft resolution providing the final updated 2020 Avoided Cost Calculator consistent with the policies adopted in this decision, no later than 30 days following the issuance of this decision.”¹⁷ During this 30-day period, prior to drafting the resolution, Energy Division must undertake and complete a multitude of tasks necessary to provide the final updated 2020 ACC. Included among these task are (1) production cost modeling with the No New DER case, (2) calculating the Net Cost of New Entry for battery storage in each year; (3) applying a completely new approach to avoided GHG emissions, (4) working with parties to complete development of Method 1 for unspecified avoided distribution costs; and (5) applying the “current method” to determine unspecified avoided transmission values of all three IOUs.¹⁸ Parties will see the results of all these analyses for the first time in the Draft Resolution. This hurried process does not comply with the measured procedures the Commission adopted for major changes to the ACC.¹⁹ D. 19-05-019 calls for a decision on the major changes to the 2020 ACC by May 1, 2020, but it does not require that a draft resolution implementing that decision be issued within any designated timeframe. In order to ensure a reasoned implementation of the 2020 ACC, the PD should be modified to provide Energy Division discretion on when to file the draft resolution, so as to allow sufficient time to complete all the necessary analyses with requisite stakeholder input.

¹⁵ Joint IOU Comments, at pp. 13-14.

¹⁶ See Exhibit SVS-01, p. 44.

¹⁷ PD, Ordering Paragraph 7.

¹⁸ *Id.*, pp. 30, 37-38, 54, and 58.

¹⁹ See Decision 19-05-019, p. 54.

Respectfully submitted this 7th day of April, 2020, at San Francisco, California.

GOODIN, MACBRIDE,
SQUERI & DAY, LLP²⁰

Jeanne B. Armstrong
505 Sansome Street, Suite 900
San Francisco, California 94111
Telephone: (415) 392-7900
Email: jarmstrong@goodinmacbride.com

By: /s/ Jeanne B. Armstrong
Jeanne B. Armstrong

Attorneys for The Solar Energy Industries
Association

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²⁰ In accordance with Rule 1.8(d), SEIA's representative is authorized to sign these comments on behalf of Vote Solar.