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)

COMMENTS OF THE
CALIFORNIA WIND ENERGY ASSOCIATION
ON PROPOSED DECISION ON
2020 POLICY UPDATES TO THE AVOIDED COST CALCULATOR

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I. INTRODUCTION AND SUMMARY

Pursuant to the Proposed Decision of Administrative Law Judge Hymes on 2020 Policy Updates to the Avoided Cost Calculator and Rule 14.3 of the Commission's Rules of Practice and Procedure ("Proposed Decision" or "PD"), the California Wind Energy Association ("CalWEA") respectfully submits these comments on the Proposed Decision.

In summary, CalWEA applauds the Proposed Decision for aligning the Avoided Cost Calculator ("ACC") with the modeling and outputs used in the Integrated Resource Planning ("IRP") process in many important respects. However, the Proposed Decision departs from that important objective in several areas in what amounts to placing a "thumb on the scale" for distributed energy resources ("DERs") without adequate justification. Those areas include the proposed adoption of a "straight-line" greenhouse gas adder, the proposed inclusion of a new avoided cost for high global warming potential gases, and the proposed measuring of the avoided capacity cost of all DERs using the first avoided unit of supply-side resources under the "No New DER" scenario. These aberrations must be corrected either in the final decision or addressed in working groups subsequent to the final decision in order to achieve the PD's stated objective "consistency in the evaluation of supply- and demand-side resources in [] electric sector planning." (PD at p. 23)

As the Commission explained in an earlier decision in this proceeding:

> A defining feature of integrated resource planning is the fair and unbiased consideration of both demand and supply side resources as potential solutions for meeting system or societal needs. This feature is also a statutory requirement for the Commission's Integrated Resource Planning process.[1]

[1] Decision 19-05-019 (May 16, 2019) at p. 32.

To achieve its carbon-reduction goals, California must shift to an increasingly electricity-driven economy. To facilitate that shift, the Commission must minimize the cost of electric service and ensure that it remains affordable to all Californians. Alignment of the ACC with the IRP process is an essential means of accomplishing that critical goal.

II. COMMENTS

In at least three areas, the Proposed Decision departs from the principle of the "fair and unbiased consideration of both demand and supply side resources." In two of these instances, the PD admits that these decisions would unduly favor DERs and fails to arrive at a more balanced solution. These proposals should be corrected in the final decision.

A. Avoided Costs of Leakage of High Global Warming Potential Gases Should Not Be Included in the ACC

The Proposed Decision (at p. 62) would apply an avoided cost, in the form of an increased greenhouse gas adder, to "all distributed energy resources that reduce (or increase) natural gas consumption, either directly or through reduced (or increased) electricity consumption." By applying this adder to all DERs, including those that reduce (presumably supply-side) electricity consumption, the PD would advantage distributed renewable energy generation over supply-side renewable energy generation because the IRP process does not credit the latter with this same benefit that supply-side renewables also provide. While the PD states that "[a]dditional values will apply to those specific measures and programs that reduce behind-the-meter natural gas consumption, as well as programs related to refrigerant use," the benefit should apply *only* to DER programs that specifically address high Global Warming Potential ("GWP") gases, namely, those aimed at electrification or natural gas efficiency technologies. Further, because technologies will bring different levels of benefits,[2] methodologies to account for these benefits should be determined in resource-specific proceedings.

More broadly, while the PD justifies its position by stating (at p. 61) that methane and refrigerant leakage are included in the carbon inventory maintained by the Air Resources Board, it fails to acknowledge or respond to the arguments made by several parties that there are no significant actual avoided utility costs resulting from reduced methane leakage,[3] that avoided

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[2] Public Advocates Office Opening Brief at p. 27-28.

[3] TURN Opening Brief at p. 12.

refrigerant leakage costs are not dependent on marginal consumption,[4] and that the state's Cap and Trade regulations do not apply to behind-the-meter sources and do not impose a cost on investor-owned utilities ("IOUs") to comply with mitigating these emissions, they should not be considered part of the ACC.[5]

For these reasons, avoided costs of leakage of high GWP gases should not be included in the ACC.

B. The Proposed Overvaluation of the Greenhouse Gas Adder Should Be Mitigated

The Proposed Decision would maintain the current straight-line greenhouse gas adder used in the ACC despite "agree[ing] with parties that basing the magnitude of the adder on the 2030 greenhouse gas shadow price could be overestimating the value." (PD at p. 41.) As the Staff Proposal clearly documented, the straight-line method substantially overvalues the adder as compared to what is used in the IRP.[6] As the Joint IOUs pointed out, no justification was provided for such overvaluation, and the Joint IOUs explained why Staff's implied justification was without merit.[7]

Instead, the Commission should adopt the recommendation of the Public Advocates Office and other parties to use the current and projected cap-and-trade compliance costs as the GHG adder values, consistent with the IRP proceeding, which would put demand- and supply-side resources on equal footing.[8]

Similarly, the PD would enable staff to consider modifying the adder using post-2030 values in a way that has no parallel in the IRP proceeding. Instead, the Commission should derive these values from IRP modeling, as proposed by the Joint IOUs.[9] Whatever inadequacies are present in the IRP's valuation of long-term GHG values, those inadequacies should be addressed in the IRP proceeding, to apply to both demand- and supply-side resources; this proceeding should not step in to address the issue only for demand-side resources.

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[4] Public Advocates Office Opening Brief at p. 27.

[5] Joint IOU Opening Brief at pp. 38-39.

[6] CPUC Energy Division Staff Proposal for Major Updates to Avoided Cost Calculator (November 20, 2019) at Figure 4.

[7] Joint IOU Opening Brief at p. 19-20.

[8] Public Advocates Office Opening Brief at p. 25.

[9] Joint IOU Opening Brief at p. 21.

C. The Commission Should Seek a Middle Ground Value for Avoided Cost Under the "No New DER" scenario

The Proposed Decision reasonably rejects the Joint Utilities' recommendation to value all DERs based on the last unit of distributed energy resources under the "No New DER" scenario, which would result in under-valuation of DERs added prior to the last unit. But the PD then goes to the other extreme of valuing all DERs based on the first unit of DERs under that scenario, which will over-value DERs added beyond the first unit. The PD justifies this by stating (at p. 36) that "we find that the value overestimation is a preferable outcome rather than underestimation," noting that DERs "are at the top of the loading order."

The loading order, however, is an agency policy last updated in 2008, prior to the legislature's adoption of the IRP statute. The two notions are fundamentally at odds because, while the loading order asserts that the state "would invest first in energy efficiency and demand-side resources" to meet its energy needs (without mention of cost or portfolio fit),[10] the IRP statute contemplates "comprehensive resource optimization"[11] that requires "consistent methodologies for resource valuation and/or selection criteria across multiple resource types, for use in comparisons in all-source or multiple-source procurement."[12] Therefore, it is inappropriate for the Proposed Decision to justify placing a thumb on the scale for DERs by pointing to the outdated loading order such that the principles of Integrated Resource Planning are undercut.

Instead, the Commission should adopt an avoided cost value that moderates between the first and last units of DERs under the No New DER scenario, or direct Energy Division to develop such a value, possibly within the context of a public workshop.

III. CONCLUSION

Wherefore, for the foregoing reasons, the Commission should correct the three areas of the Proposed Decision which would result in the unfair and biased consideration of demand-side resources as potential solutions for meeting the state's greenhouse-gas-reduction objectives.

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[10] Energy Action Plan 2008 Update at p. 1 (February 2008).

[11] R.16-02-007, *Order Instituting Rulemaking to Develop an Electricity Integrated Resource Planning Framework and to Coordinate and Refine Long-Term Procurement Planning Requirements* ("OIR"). February 19, 2016, at 13.

[12] *Id.* at 15.

Respectfully submitted,

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On behalf of the California Wind Energy Association

April 2, 2020

VERIFICATION

I, Nancy Rader, am the Executive Director of the California Wind Energy Association. I am authorized to make this Verification on its behalf. I declare under penalty of perjury that the statements in the foregoing copy of "Comments of the California Wind Energy Association on Proposed Decision on 2020 Policy Updates to the Avoided Cost Calculator" are true of my own knowledge, except as to the matters which are therein stated on information and belief, and as to those matters I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on April 2, 2020, at Berkeley, California.

/s/ *Nancy Rader*
Nancy Rader
Executive Director
California Wind Energy Association