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.	R.20-08-020

COMMENTS OF THE CALIFORNIA WIND ENERGY ASSOCIATION ON PROPOSED DECISION REVISING NET ENERGY METERING TARIFFS

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On behalf of the California Wind Energy Association

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I. INTRODUCTION AND SUMMARY

Pursuant to the California Public Utilities Commission's ("Commission") Rule of Practice and Procedure 14.3 and the December 17, 2021, Ruling of Assistant Chief Administrative Law Judge ("ALJ") Tsen extending the comment deadline and page limits, the California Wind Energy Association ("CalWEA") respectfully submits these opening comments on the December 13, 2021, Proposed Decision of ALJ Hymes Revising the Net Energy Metering Tariff and Subtariffs ("Proposed Decision" or "PD").

As explained further below, CalWEA generally supports the Proposed Decision because, in fashioning the proposed new Net Billing tariff, the PD must balance competing statutory goals to meet the needs of the grid, participating customers, and all other customers, and allow for growth of behind-the-meter ("BTM") renewable generation. The PD represents a compromise among all parties' positions, continuing generous subsidies for the rooftop solar industry not connected to documented and unique public benefits, but because state statute requires the Commission to allow for "sustainable growth" of BTM renewable generation. Nevertheless, by substantially reducing the current compensation rate for customers installing new solar systems, and by requiring existing Net Energy Metering ("NEM") customers to transition off their lucrative NEM rates after 15 years, the PD will substantially reduce the current pressure that NEM is having on electric rates. Keeping rates affordable is a central equity concern of the

Commission's,[1] and keeping electric rates in check is also necessary to promote the adoption of electric vehicles and heating systems that will be central to achieving the state's SB 100 goals.[2]

CalWEA supports the proposed elements and structure of the proposed Net Billing tariff, which appropriately includes a Market Transition Credit ("MTC") to transition to a sustainable market for solar paired with storage. Promoting paired systems responsibly addresses the increasing strain that growing amounts of midday solar generation is placing on the grid, particularly when net load spikes as the sun goes down. Paired solar/storage systems will shift solar production to the evening when it is needed and reduce reliance on fossil fuels at that time of day. The MTC will be a transparent subsidy that the Commission can readily adjust, in reaction to various factors, to achieve the intended 10-year payback period as the PD plans to do.

CalWEA recommends two adjustments of the Proposed Decision, however:

- First, the Commission should better tailor the transition of existing customers to the Net Billing tariff to better ensure that all customers obtain reasonable investment payback periods while avoiding excessive payments to some customers.
- Second, the Commission should evaluate the MTC and other tariff components in view of an overdue evaluation of BTM solar and storage in its Integrated Resources Planning ("IRP") process. Record evidence in this proceeding demonstrates that high levels of BTM solar are not only not needed to achieve the state's SB 100 greenhouse gas reduction goals but will actually increase the need for clean utility-scale resources. To this end, CalWEA recommends that the Commission modify the Proposed Decision to note that adjustments to the Market Transition Credit will also consider cost-effective levels of behind-the-meter solar as determined in future cycles of the Commission's IRP process.

II. ARGUMENTS

A. The Proposed Decision Reasonably Balances Competing Statutory Goals and Represents a Compromise Among the Parties' Divergent Positions

CalWEA generally supports the Proposed Decision because it structures the proposed Net Billing tariff in a way that reasonably balances competing elements of the statute. The balance

[1] *See, e.g.,* the Commission's white paper, "Utility Costs and Affordability of the Grid of the Future: An Evaluation of Electric Costs, Rates and Equity Issues" (May 2021).

[2] PD at p. 79 and Finding of Fact 61.

that the PD strikes is not the one that CalWEA initially recommended. CalWEA advocated that conflicting statutory goals be reconciled in favor of ratepayers and that "sustainable growth" of customer-sited renewables be defined as "that which can be maintained at a level that does not subsidize customer-sited renewables."[3] CalWEA's initial position would have based compensation levels based solely on the costs and benefits that rooftop solar provides to the system overall – just as supply-side renewables are evaluated, and thus end the cost-shift from participating to non-participating customers.

Instead, the PD would continue to provide significant subsidies to solar customers that will be paid for by non-participating customers. Specifically, as estimated by the PD, first-year cost shifts of between $134 and $866 per non-CARE residential solar customer will persist for customers who size their systems for 100 percent of their loads, not including Market Transition Credit subsidies; these first-year cost-shifts grow to between $451 and $1,091 for non-CARE solar-with-storage customers.[4] Nevertheless, the balance that the PD strikes with the Net Billing tariff meets the objectives of the Joint Recommendations of the Independent Parties ("Joint Recommendations"), which CalWEA later endorsed,[5] in an effort to promote some level of meaningful reform of the current NEM tariffs. These recommendations represented middle-ground positions between those of the Joint Utilities and the solar industry; as implied by the PD, those parties' positions were characterized by, on the one hand, a sole focus on meeting cost-effectiveness thresholds and eliminating the cost-shift and, on the other, a focus primarily on maintaining the status quo.[6]

The Joint Recommendations, by contrast, allow for some continued level of subsidization of the rooftop-solar industry and its customers, which the PD achieves while substantially

[3] CalWEA Proposal on the Successor to the Current Net Energy Metering Tariff (March 15, 2021) at pp. 2-3. (Emphasis added.)

[4] PD at Appendix B, Table 1.

[5] CalWEA Opening Brief, Attachment (August 31, 2021). In addition to CalWEA, the Independent Parties include the Public Advocates Office, the Natural Resources Defense Council, the Coalition of California Utility Employees, The Utility Reform Network, and the Independent Energy Producers Association.

[6] PD at pp. 109-110. For example, regarding paired systems, the PD aims for a 10-year payback period (PD at p. 67) while the utilities proposed a payback period of 11-14 years (Exh. IOU-1 at p. 105) and the solar associations proposed payback periods of 7 to 10 years (Exh. SVS-03 at p.iii, and CalSSA Opening Brief at p.27). We note that solar customers continue to reap benefits from their investment for the remaining 10-20 years of the life of their system since they pay nothing for the instantaneous consumption of their solar production.

reducing the cost shifts associated with both solar and paired systems.[7] The Proposed Decision will also bring payments for rooftop solar in line with those provided in other states, where solar installations continue to grow.[8]

The crucial, cumulative effect of all the PD's reforms will be to substantially reduce the current upward pressure that NEM is having on electric rates. This, in turn, will promote electricity affordability and the achievement of the state's SB 100 goals, which are rightly the primary considerations for this decision.

B. The Elements and Structure of the Net Billing Tariff Are Sound and Will Facilitate Any Necessary Adjustments

The basic elements and structure of the PD's proposed Net Billing tariff are based on the very robust record developed in this proceeding and are generally consistent with those included in the Joint Recommendations. Specifically, the PD utilizes net billing, requires successor tariff customers to pay at least a substantial portion of their fair share of grid costs by adopting a Grid Participation Charge; significantly reduces undue cost burdens on non-participating customers; provides lower-income customers with assistance in adopting distributed energy resources; promotes paired solar-and-storage systems by aiming for a reasonable 10-year payback for such investments (as well as for solar-only systems in some circumstances)[9]; and transparently identifies a portion of the total subsidies that will be provided to Net Billing customers in the form of a Market Transition Credit ("MTC").

The Proposed Decision appropriately intends the MTC to transition to a sustainable market for solar paired with storage.[10] Promoting paired systems will reduce the increasing strain that growing amounts of midday solar generation are placing on the grid by shifting solar production to the evening when it is needed, in large part to address the spike in net load that occurs when the sun goes down and solar generation ceases. This evening load is often met by fossil fuel generation.

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[7] PD at pp. 130-131; PD at Appendix B, Tables 1 and 2; *Cost Effectiveness of the NEM Successor Rate Proposals Under Rulemaking 20-08-020*, Energy + Environmental Economics and Verdant Associates (May 28, 2021) at Tables 4 and 5.

[8] *See, e.g.,* TURN Reply Brief at pp. 45-50.

[9] PD at pp. 130.

[10] PD at 116.

Importantly also, the MTC is an "external transitional support mechanism,"[11] so that at least a portion of the cost-shift (subsidy) will be transparent, rather than hidden in the tariff structure which, as the PD states, should be based on the costs and benefits of behind-the-meter solar and paired solar/storage to the system as a whole.[12] The MTC will allow the Commission to easily adjust the support mechanism in reaction to various factors, as it has planned to do after five years[13] -- although the Commission should consider revisiting those factors sooner than five years. The factors include how various elements of the tariff are performing, how well consumers are responding to the new tariff, whether industry adjusts its pricing in reaction to the new, less lucrative market, and whether federal tax incentives are extended for rooftop solar, which would have a significant impact on the payback period. The Commission should also evaluate the MTC and other tariff components in view of an evaluation of BTM solar in its IRP process, as discussed next.

C. The Commission Should Refine the Transition Period for Existing Customers to Ensure Appropriate Payback Periods and Reduce the Cost-Shift

As the PD states, its proposed reforms to the current NEM tariff for customers going forward do not address the ongoing cost shift that is estimated to range between $1 billion and $3.4 billion a year.[14] In requiring existing, non-CARE, customers to transition off their current NEM rates after 15 years, the PD appropriately attempts to balance the interests of existing NEM customers with the interests of all other customers. However, the Commission should refine its approach and achieve that goal in a more targeted fashion by better discerning among NEM customers.

The PD cites evidence that new residential NEM customers (including those who will take service after the PD is adopted and before the Net Billing tariff takes effect) will have their solar investments paid back in 3.3 to 6.3 years, but allows all customers to remain on their current tariff for 15 years to ensure that non-residential (agricultural and industrial) and other "moderate income" NEM customers will have a reasonable payback of their investment, noting that customers will continue to enjoy monthly bill savings from the successor tariff after

[11] PD at 102.
[12] PD at pp. 100-101.
[13] PD at pp. 116 and 127-128.
[14] PD at p. 144.

transitioning off of the NEM tariff.[15] Thus, 15 years will be very generous for most residential NEM customers (and certainly for the newest NEM customers). Further, the PD provides customers who voluntarily transfer to the new tariff with incentives to pair their solar systems with storage.[16]

Both to avoid over-generous NEM subsidies and to better ensure that all customers are provided with a reasonable payback period, the Commission should refine the transition period to more precisely tailor it to customer circumstances, thereby further reducing the substantial ongoing cost-shift. The Commission should apply the 15-year term only to agricultural and industrial customers, with a lesser term for other customers, and provide an opportunity for other customers, particularly NEM customers with third-party-owned systems, to demonstrate that their payback period is longer than the Commission provides.[17]

D. The Commission Should Modify the Proposed Decision to Indicate It Will Re-Evaluate the Tariff Structure and the MTC Also in View of an IRP Evaluation of BTM Solar

CalWEA has focused its participation in this proceeding on the fact that the Commission has yet to fulfill its own clear goal for the IRP process to evaluate both demand- and supply-side resources to develop an optimal resource mix that meets the state's environmental goals cost-effectively while also ensuring system reliability.[18] This goal is also a statutory requirement for the Commission's IRP process.[19] An IRP evaluation is necessary to determine cost-effective levels of both demand- and supply-side resources so that the Commission can plan to achieve the appropriate resource balance. CalWEA's testimony demonstrated, using the Commission's own IRP model, that reducing the high assumed level of customer-side solar additions by half would, very conservatively, bring present-value savings of nearly $1.26 billion per year. Further, CalWEA's testimony demonstrates that halving the level of rooftop solar assumed in the model would require about the same level of utility-scale renewable resources, produce a more diverse

[15] PD at pp. 149-150.

[16] PD at p. 150.

[17] For example, the Public Advocates Office demonstrated that third-party ownership models (loans, power purchase agreements, and leases) reduce NEM customer benefits by at least 50 percent. See Exh. PAO-1 at Figure 2-5.

[18] *See* D.19-05-019 (May 21, 2019) at p. 32 and CalWEA's Reply Comments on the NEM OIR (10-13-20) at pp. 4-5,

[19] Pub. Util. Code §§ 454.51(a), 454.52(a)(1)(G), and 454.52(a)(2)(A).

mix of renewable resources, and reduce by 16 percent the overall amount of renewable and storage capacity needed to achieve the state's SB 100 goals. It is reasonable to expect that this reduction in overall capacity – both utility-scale and customer-side – would also reduce the need for transmission and distribution resources, as well as land requirements. Often-heard claims to the contrary were not supported by evidence in the record of this proceeding.

The Commission should explore these issues itself in the next IRP cycle and consider the results as part of its planned review of MTC subsidy levels,[20] both through the Tier 2 Advice Letters that the Joint Utilities are directed to file to ensure that the Net Billing tariff aligns with costs,[21] as well as through the five-year review of the MTC.[22] As noted above, the Commission should also consider conducting that review sooner than five years hence.

To this end, CalWEA recommends that the Commission modify the Proposed Decision to include the following additional ordering paragraph following Ordering Paragraph 5:

> "Adjustments to the Market Transition Credit shall consider cost-effective levels of behind-the-meter solar as determined in future cycles of the Commission's Integrated Resource Planning process."

III. CONCLUSION

For the foregoing reasons, the Commission should adopt the Proposed Decision, amended to recognize the role that the Integrated Resource Planning process should play in future adjustments to the Net Billing policies.

January 7, 2022

Respectfully submitted,

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On behalf of the California Wind Energy Association

[20] CalWEA Opening Brief (8-31-21) at pp. 4-5.
[21] PD at pp. 122-123 and Ordering Paragraph 4.
[22] PD at p. 122-123 and Ordering Paragraph 3.

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 Revising Net Metering Tariffs" 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 January 7, 2022, at Berkeley, California.

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