BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Revisit Net Energy Metering Tariffs Pursuant to Decision 16-01-044, and to Address Other Issues Related to Net Energy Metering.	R.20-08-020

PROPOSAL OF THE CALIFORNIA WIND ENERGY ASSOCIATION ON THE SUCCESSOR TO THE CURRENT NET ENERGY METERING TARIFF

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On behalf of the California Wind Energy Association

March 15, 2021

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Pursuant to Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission") and the November 19, 2020, Joint Assigned Commissioner's Scoping Memo and Administrative Law Judge Ruling Directing Comments on Proposed Guiding Principles, the California Wind Energy Association ("CalWEA") respectfully submits this proposal on the topic of the successor to the current Net Energy Metering ("NEM") tariff.

CalWEA is not making a proposal for the successor tariff itself but for the benchmarks that the Commission should use to judge the various proposals put forward by other parties. CalWEA's perspective is one of wind energy developers who find it increasingly difficult to compete in the marketplace to deliver clean energy at the lowest possible cost where relatively little value is presently ascribed to resource diversity. As a result, recently contracted solar capacity outweighs wind project capacity by five to one, with under one gigawatt ("GW)" of contracted wind capacity and over 5 GW of contracted solar or solar-and-battery capacity.[1] At the same time, California energy agencies forecast that approximately 20 GW of customer-sited solar will be added to the system by 2030 and 40 GW by 2045,[2] under the assumption that NEM 2.0 tariffs will continue. By comparison, only approximately 4 GW of wind energy is forecasted by 2030 and 20 GW by 2045 (including out-of-state and offshore wind).

CalWEA urges the Commission and other parties to use the following proposed benchmarks to judge the various proposals.

[1] CPUC Energy Division, "Status of New Resources Expected" at slide 13 (November 2020).

[2] *SB 100 Joint Agency Report: Charting a Path to a 100% Clean Energy Future* at Figure 2 (December 2020 Draft). (Available at: https://www.energy.ca.gov/event/workshop/2020-12/notice-senate-bill-100-draft-report-workshop.)

(1) The ongoing cost-shift from participating to non-participating customers must end. The current NEM annual cost shift, estimated at $2.8 billion currently,[3] is an astonishing figure. The cost shift from NEM and other distributed energy resource incentives was cited in the Commission's white paper on electricity affordability as one of three critical challenges that must be actively managed to address what was described as a "fundamental equity risk for vulnerable customers" as the state strives to achieve its climate and other policy goals.[4] The $2.8 billion (and growing) excess cost must be redirected towards investments that are necessary to provide access to a lower-cost, more diverse and, therefore, more reliable, portfolio of renewable resources. The Commission's affordability white paper stated that "[e]lectrification of vehicles and buildings is widely understood to be a pillar of decarbonizing the state's economy" and that such electrification "represent[s] an opportunity for customers to dramatically reduce their overall energy costs."[5] The white paper documents that such electrification will entail major capital investments, including upgrading the transmission system.

(2) Potentially conflicting statutory goals must be reconciled in favor of ratepayers and the state's larger policy goals. State law requires the successor tariff to be "based on the costs and benefits of the renewable generation facility"[6] and requires that "the total benefits of the standard contract or tariff to all customers and the electrical system are approximately equal to the total costs."[7] It also requires that "customer-sited renewable distributed generation continues to grow sustainably."[8] These goals can be reconciled only if "sustainable growth" of customer-sited renewables is defined as that which can be maintained at a level that does not subsidize customer-sited renewables. Such a definition will promote a stable market rather than one that depends on continued public support of subsidies that favor higher-

[3] Joint Reply Comments of Southern California Edison Company (U 338-E), Pacific Gas and Electric Company (U 39-E) and San Diego Gas & Electric Company (U 902-E) on Proposed Guiding Principles (December 11, 2020) at p. 5.

[4] CPUC, "Utility Costs and Affordability of the Grid of the Future: An Evaluation of Electric Costs, Rates and Equity Issues Pursuant to P.U. Code Section 913.1" at p. 7 (February 2021).

[5] *Id*. at p. 86.

[6] Public Utilities Code (PUC) §2827.1(b)(3).

[7] PUC §2827.1(b)(4).

[8] PUC §2827.1(b)(1).

income customers.[9] Such a definition will also support the Commission's goal of ensuring electricity affordability which will, in turn, support achievement of the state's climate goals.

(3) To the extent that the Commission allows cost-shifting to occur, that cost-shifting must be made transparent and be regularly revisited. If the Commission finds that state law somehow requires providing subsidies to participating customers (and, by extension, to related renewable energy industries) that are not justified by system benefits -- which effectively requires customer-generation subsidies to be paid by non-participants, including low-income participants, the Commission must make the amount of the cost-shift clear to the public to inform future policy decisions. The subsidy level should be revisited annually so that any necessary adjustments can be made, accounting for changing technology costs, federal subsidies and other factors.

(4) Any subsidies paid to participating customers should not be available to customers above a certain income level, or to homes that are required by state law to be equipped with customer-sited generation. Income levels can be estimated, under rebuttable presumption, by zip code. In 2018, the California Energy Commission adopted building standards that require solar photovoltaic systems on new homes starting in 2020.[10] As these systems are required, subsidies are not needed to achieve their installation.

(5) Equity should not be equated with installing customer-sited generation at low-income households. Equity will be best served by ending the cost-shift that disproportionately burdens low-income customers, which will promote electricity affordability broadly. To the extent that a fund is created to redress cost-shifting, the fund should be aimed at broadly distributing benefits through the most cost-effective clean-energy investments, particularly investments that enable low-income households to afford the upfront costs associated with

[9] Net Energy Metering 2.0 Lookback Study (January 21, 2021) at p. 33.

[10] California Energy Commission, "Energy Commission Adopts Standards Requiring Solar Systems for New Homes, First in Nation" (May 9, 2018). (Available at: https://www.energy.ca.gov/news/2018-05/energy-commission-adopts-standards-requiring-solar-systems-new-homes-first.)

electrification that will enable them to capture related energy cost savings.[11] Focusing equity funds on relatively high-cost installations of customer-sited generation (or storage) will limit the number of beneficiaries and fail to correct the cost-shifting burden on most of them.

(6) Any ongoing subsidies for customer-sited generation or equity funds should be supported by customers that continue to benefit from NEM 1.0 and 2.0, not non-participating customers. The $2.8 billion annual cost-shift strongly suggests that such subsidies have been ongoing for years, if not decades. The Commission should assess past subsidies that have been made to NEM 1.0 and 2.0 customers and fund any ongoing subsidies and equity funds at least in part through a surcharge on customers that continue to benefit from NEM 1.0 and 2.0, although these subsidies should come to an end as soon as reasonably practicable.

Respectfully submitted,

/s/ Nancy Rader

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[11] *Supra* note 4 at p. 86.

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 "Proposal of the California Wind Energy Association on the Successor Tariff to the Current Net Energy Metering Tariff" 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 March 15, 2021, at Berkeley, California.

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