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

REPLY COMMENTS OF THE CALIFORNIA WIND ENERGY ASSOCIATION ON PROPOSED DECISION ON ORDER INSTITUTING RULEMAKING TO REVISIT NET ENERGY METERING TARIFFS PURSUANT TO D.16-01-044, AND TO ADDRESS OTHER ISSUES RELATED TO NET ENERGY METERING

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October 13, 2020

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I. INTRODUCTION AND SUMMARY

Pursuant to Rule 14.3 of the California Public Utilities Commission ("Commission") Rules of Practice and Procedure, the California Wind Energy Association ("CalWEA") respectfully submits these replies to parties' opening comments on the Order Instituting Rulemaking ("OIR") to Revisit Net Energy Metering Tariffs Pursuant to D.16-01-044, and to Address Other Issues Related to Net Energy Metering ("NEM"), issued on September 3, 2020. We respond to the opening comments of the Commission's Public Advocates Office ("Cal Advocates"), the Natural Resources Defense Council ("NRDC"), the Solar Energy Industries Association and Vote Solar ("SEIA/VS"), The Utility Reform Network ("TURN"), and the joint opening comments of Southern California Edison Company, Pacific Gas and Electric Company, and San Diego Gas & Electric Company ("Joint IOUs").

In summary, CalWEA joins many parties in urging the Commission to prioritize the issuance of a successor tariff and to defer other matters to subsequent phases in order to address the massive, ongoing cost-shifting that has been occurring under NEM 2.0. The Commission should reject the assertion by SEIA/VS that the steep growth of customer-sited distributed generation ("DG") should be the Commission's "first responsibility." In fact, the Commission's equal responsibility is to ensure that the total benefits of the successor tariff to all customers and the electrical system are approximately equal to total costs, among other objectives. Finally, timely reforming NEM 2.0 payments is necessary to foster the objective of the Commission's Integrated Resource Planning ("IRP") process to give fair and unbiased consideration of both demand- and supply-side resources as potential solutions for meeting system and societal needs.

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 successor tariff with these objectives is essential to accomplishing these goals.

II. COMMENTS

A. Massive, Ongoing Cost-Shifting Requires the Commission to Prioritize the Issuance of a Successor Tariff in a First Phase, and Defer Other Matters to Subsequent Phases

The opening comments were striking in their demonstration of a broad, shared understanding that the current and historic NEM tariffs have produced an untenable shift in costs from NEM customers to non-NEM customers. CalWEA joins this broad group of parties in calling for the Commission to prioritize the issuance of a successor tariff as soon as possible, deferring other matters to subsequent phases, in order to stop the undue burden that non-NEM customers have borne for years.

Cal Advocates, NRDC, TURN, and the Joint IOUs all strongly advocate that reform to the existing NEM tariff be accomplished expeditiously due to the massive cost-shift that is taking place.[1] The Joint IOUs report stunning cost-shift figures of $2.5 billion annually, growing to $4.4 billion annually by 2030.[2] Citing significant cost-shifts from low-income to moderate and high-income customers, NRDC states that "even if [cost-shift estimates] are off by a factor of two, the equity impacts are unacceptable."[3] TURN states that current NEM rates are "driving electrical rates up at an unsustainable rate,"[4] while Cal Advocates states that "the existing NEM program increases challenges to bill affordability, particularly for lower income customers."[5]

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[1] Cal Advocates at p. 13 ("The Commission should take swift action to create a NEM successor tariff that is equitable and cost-effective"); NRDC at p. 8 ("As the existing NEM tariff appears to be increasingly misaligned with [NRDC's proposed] principles, reform to the existing NEM tariff is needed quickly"); TURN at p. 3 ("Principle #1 -- Decisive action to reform NEM is needed immediately … to mitigate future rate increases attributable to the cost shifting occurring under the existing tariff"); Joint IOUs at p. 13 ("[the Commission should] phas[e] the proceeding so that the end date for the current NEM 2.0 tariff and the development of the main successor tariff are the immediate focus of the proceeding").

[2] Joint IOUs at p. 2.

[3] NRDC at p. 6-7.

[4] TURN at p. 3.

[5] Cal Advocates at p. 6-7.

For these reasons, CalWEA further broadens this diverse group of parties in calling on the Commission to expeditiously adopt the principles that will guide consideration of proposed tariff reforms in this proceeding. The Commission should base its principles on the proposals presented by these parties in their opening comments, rather than spending up to five months determining what those guiding principles should be, and include them in its final scoping memo issued shortly after the upcoming PHC.[6] The principles advanced by all of these parties, while there are some important nuances, are remarkably consistent in seeking to promote California's overall clean energy goals in a least-cost and equitable manner while minimizing impacts on electric rates and customer bills and ending subsidies to NEM customers at the expense of non-NEM customers. The Commission's principles should reflect these aims.

CalWEA further agrees with the Joint IOUs that the proceeding should be phased so that the development of the main successor tariff is the immediate focus of the proceeding, completed by August 2021, with related successor tariff schedules and consumer protection deferred to subsequent phases.[7] Certainly, the tariff should be in place no later than January 1, 2022.[8]

B. Growth of Customer-sited Distributed Generation Is Not the Commission's "First Responsibility" and Achievement of California's Clean Energy Goals Does Not Rely on Excessive Growth of Distributed Solar

SEIA/VS brazenly assert that the steep growth of customer-sited DG should be the Commission's "first responsibility" and that "California is in danger of not meeting its clean energy goals" if it slows the growth of DG solar because the Reference System Plan ("RSP") adopted in the Commission's IRP process includes the addition of 20 GW of DG solar by the year 2030.[9] These claims are false.

SEIA/VS's "first responsibility" reference is mistaken, because the Commission made clear, in Decision 16-09-036, that "the statute set out multiple goals with no discernable priority."[10] The other goals include ensuring that the "tariff … is based on the costs and benefits of the renewable electrical generation facility" and that "the total benefits of the standard

[6] See, e.g., TURN at p. 12 and Joint IOUs at p. 4.

[7] Joint IOUs at p. 13.

[8] TURN at p. 12; PAO at p. 15.

[9] SEIA/VS at p. 2.

[10] D.16-09-036 (Sept. 22, 2016) at p. 14.

contract or tariff to all customers and the electrical system are approximately equal to the total costs."[11] Based on the opening comments cited in II.A above, the evidence is clear that the Commission did not strike the right balance among these objectives in NEM 2.0.[12] As the Joint IOUs show, the $2.5 billion annual cost shift is double the size of the entire CARE program supporting low-income consumers.[13] As TURN noted, a majority of Commissioners openly acknowledged the failure of the NEM 2.0 decision to satisfy key statutory requirements, including the valuation of costs and benefits.[14] Moreover, neither the statute nor the Commission have defined what "sustainable growth" of DG solar means; growth can be sustainable if maintained at higher or lower levels. SEIA/VS tout the 75,000 jobs associated with rooftop solar, but given the $2.5 billion annual cost-shift, these jobs are coming at a cost to non-NEM ratepayers of over $30,000 each.

The reference by SEIA/VS to the 20 GW of added DG solar in the Commission's adopted RSP overlooks the fact that this capacity was <u>assumed</u>; it was not the outcome of any cost-effectiveness analysis. This assumption was a distortion of the IRP process that must be corrected, not something that should be used in circular reasoning to support excessive payments to customer-generators. Indeed, the Commission has not yet fulfilled its own clear goal for the IRP process:

> A defining feature of integrated resource planning is the fair and unbiased consideration of <u>both demand and supply side resources</u> as potential solutions for meeting system or societal needs. This feature is also a statutory requirement for the Commission's Integrated Resource Planning process.[15]

In fact, it is imperative that the Commission fulfill its duty to fairly compare both demand- and supply-side resources as soon as possible so that the Commission's next plan can reflect cost-effective levels of these resources and the Commission can begin planning to ensure that the plan is realized. Reforming the NEM tariff sooner rather than later will foster that objective.

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[11] While DG solar advocates often point to purported saved distribution and transmission costs, there is growing evidence that such savings are small. Indeed, NRDC noted a recent study by Stanford economist Frank Wolak showing that "two-thirds of the average distribution network price increase between 2003 and 2016 in California can be attributed to required distribution system upgrades due to adoption of distributed solar." NRDC at footnote 6.

[12] P.U. Code Sec. 2728.1(b).

[13] Joint IOUs at Table 1.

[14] TURN at p. 2.

[15] D.19-05-019 (May 16, 2019) at p. 32. Emphasis added.

Not only was the RSP in the 2019-20 IRP cycle produced without modeling customer-side solar as a candidate resource to be optimized, but, unlike in the 2017-18 IRP cycle, no cost sensitivity was even performed to evaluate the cost of higher or lower levels of such solar. In the 2017-18 IRP cycle, the Commission's RESOLVE modeling results showed that reducing customer-side solar to 9 GW from the initially assumed 16 GW would save ratepayers $682 million/year in the 42 MMT case.[16] These savings could pay for a more resource-diverse portfolio that would reduce various risks associated with over-dependence on a limited number of technologies and bring greater grid reliability.[17] Again, reforming the current NEM tariff sooner rather than later will foster that objective.

C. Additional Reply Comments

CalWEA makes the additional brief reply comments.

The Commission should cap subscriptions under the current NEM 2.0 tariff. CalWEA is sympathetic to the Joint IOUs' call for the Commission to set a near-term date (no later than January 1, 2021) upon which the current NEM 2.0 tariff will end in order to avoid a "gold rush" to take advantage of higher rates while they last, as occurred previously.[18] However, as there will not yet be a successor tariff in place by January 2021, the Commission should look to other ways to stem the tide and prevent excessive additional cost-shifting, such as capping monthly subscription rates at reasonable levels.

The Commission should address the subject matter outlined by TURN. We agree with TURN[19] regarding the types of issues and mechanisms that should be part of the Commission's comprehensive review of the existing successor tariff, such as various methods of decoupling customer-generation compensation from retail rate design and whether proposed

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[16] September 19, 2017, *Ruling Seeking Comment on the Proposed Reference System Plan and Related Commission Policy Actions*, Attachment A, PDF-page 202.

[17] The CAISO has raised significant concerns about a portfolio dominated by solar and batteries, including charging during multiple-day periods of cloud coverage and dramatically increasing ramping requirements. See, e.g., Energy Commission Docket 19-SB-100, "Planning for reliability and resource adequacy under SB100 - California ISO Presentation." (February 25, 2020.) (Available at: https://www.energy.ca.gov/event/workshop/2020-02/senate-bill-100-modeling-inputs-and-assumptions-workshop.)

[18] Joint IOUs at p. 13.

[19] TURN at pp. 7-9.

compensation reforms would ensure the adequate collection of unavoidable costs (including Public Purpose Program Charges, stranded generation costs collected in the Power Cost Indifference Adjustment rate, and the costs of approved utility wildfire mitigation plans). We also support TURN's Principle #4 that the successor tariff should establish requirements for the dispatch of customer generation and storage to maximize grid benefits and assist with the avoidance of grid outages.[20] Otherwise, the state will encourage a two-tiered electricity system: one, more reliable, system for people who can afford to install their own electric systems, and another, less reliable one, for everyone else.

The treatment of NEM 1.0 and NEM 2.0 tariff customers should be in scope. CalWEA agrees with TURN and the Joint IOUs that the treatment for all legacy versions of the NEM tariffs should be in the scope of the proceeding, particularly since previous NEM decisions did not make any findings on the valuation of costs and benefits.[21] As the Joint IOUs note, these customers may have already recouped their investments.

The Commission should use the Ratepayer Impact Measurement test in determining the costs and benefits of NEM tariffs, which takes the perspective of all customers and the grid. It should reject the proposal of SEIA/VS to use the Societal Cost Test[22] and other factors that are not applied equally to supply-side renewables in the IRP process. This issue of disparate treatment was considered and rejected in the Commission's deliberations on the cost-effectiveness analysis framework policies for distributed energy resources.[23]

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

[21] Joint IOUs at pp. 8-9; TURN at 8.

[22] SEIA/VS at p. 8.

[23] D.19-05-019 at Ordering Paragraph 4 ("the Integrated Resource Planning proceeding … shall test the three-part Societal Cost Test (SCT), as described in Ordering Paragraphs Nos. 5 through 7, <u>on all resources</u>.…" (Emphasis added.)

Respectfully submitted,

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On behalf of the California Wind Energy Association

October 13, 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 "Reply Comments of the California Wind Energy Association on Proposed Decision on Order Instituting Rulemaking to Revisit Net Energy Metering Tariffs Pursuant to D.16-01-044, and to Address Other Issues Related To Net Energy Metering" 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 October 13, 2020, at Berkeley, California.

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