



BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CAL

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Procedures and Rules for Development of
Distribution Resources Plans Pursuant to Public
Utilities Code Section 769.

Rulemaking 14-08-013
(Filed August 14, 2014)

And Related Matters

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**VOTE SOLAR'S COMMENTS ON DISTRIBUTION RESOURCE
PLAN (DRP) ROADMAP STRAW PROPOSAL**

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VOTE SOLAR’S COMMENTS ON DISTRIBUTION RESOURCE PLAN (DRP) ROADMAP STRAW PROPOSAL

Per Administrative Law Judge (“ALJ”) Julie Fitch’s informal ruling requesting comments, Vote Solar respectfully submits the following comments on the Distribution Resources Plan (“DRP”) Roadmap Straw Proposal (“Straw Roadmap”) developed by Energy Division Staff (“Staff”).

Vote Solar is a non-profit, non-partisan, grassroots organization working to fight climate change and foster economic opportunity by bringing solar energy into the mainstream. In previous comments in this proceeding, Vote Solar has emphasized that the Commission should ensure that distribution planning strongly supports a modernized electric grid which (1) serves as a backbone to facilitate access to Distributed Energy Resources (“DERs”); (2) provides open access to DER providers; (3) facilitates information transparency and a greater diversity of energy choices for customers; (4) and expands options for renewable-energy procurement for all customers.

DISCUSSION

Staff is to be commended for their work on the Straw Roadmap, particularly given the complexity and uncertainty of the issues and the short turnaround time. We appreciate the effort to identify key issues to be resolved, propose workshops, rulings, and decisions and to provide a timeline for the effort to progress. In general, we support the Straw Roadmap, but we offer the following observations and recommendations.

The Straw Roadmap leaves one key question unanswered: how does the Commission intend to address the tension between the Investor Owned Utilities' ("IOUs") desire to invest in 'grid modernization' and the objective of "animating opportunities for DERs¹"? In the Assigned Commissioner's Ruling on Guidance for Public Utilities Code Section 769 – Distribution Resources Planning ("ACR"), President Picker offers the following observations:

A significant component of the net benefit calculation will be whether deeper penetration of DER in a particular location or on a specific feeder will be able to provide an alternative to the most costly upgrades of distribution (or eventually transmission) facilities that might otherwise be necessary to meet load. The deferral or avoidance of network upgrades may, in fact, offset much of the expected costs of accommodating new customer-side resources. So the DRPs must recognize a balance between promoting grid modernization technologies and minimizing the total expected investment in the system while allowing for deeper penetration of DER throughout utility grids. This is, indeed, a daunting challenge, but one that the IOUs and the Commission must face head on in this

¹ Assigned Commissioner's Ruling on Guidance for Public Utilities Code Section 769 – Distribution Resource Planning, filed February 6, 2015, p. 3.

² Ibid, p.4.

³ Ibid, p. 6.

⁴ Application of San Diego Gas & Electric Company² (U 902 E) For Approval of Distribution

proceeding.²

The ACR goes on to say that the DRP proceeding is not the venue for “reinventing the existing utility distribution service model,” while adding that “there may be opportunities in the context of this proceeding to begin exploring ideas for the future – this can only benefit the Commission, IOUs and Parties in understanding the long-term implications of the actions we begin today.”³ On this last point, Vote Solar agrees completely.

Without clear guidance from the Commission and early steps to identify new revenue models, the IOUs cannot be expected to create opportunities for customer or third-party owned DER that would displace IOU investments in the distribution grid on which they earn a rate of return. While we are not suggesting the focus of this phase of the proceeding shift to creating new utility business models, we do recommend the Commission authorize demonstrations of new utility business models in this phase. Accordingly, the Roadmap should include such demonstrations.

In addition, we offer the following observations and recommendations to improve the Roadmap.

- The Straw Roadmap allows for too much time and emphasis on demonstration programs that are basically refinements to the ICA and LNBA efforts;
- There is too little attention to demonstration programs that could help inform a future phase or proceeding to address utility business models;
- There is a lack of attention on near-term coordination between related DER

² Ibid, p.4.

³ Ibid, p. 6.

proceedings;

- There is not enough focus in particular on how the Integration Capacity Analysis (“ICA”) will be used to expedite DER interconnection processes; and
- The Straw Roadmap lacks process for determining what a new Distribution Planning Process will look like, and in particular, whether such a process will result in actual procurement authorizations.

RECOMMENDATIONS

Vote Solar offers the following suggestions to improve upon the Roadmap.

1) Accelerate the Proposed ICA and LNBA Implementation Schedule and Demonstration Programs

We understand and agree with the need to improve the ICA and Locational Net Benefit Analysis (“LNBA”) processes. This information is critical for determining the locations with the greatest potential need for DER services as well as the locational value, so it is vital to get accurate information. However, the timeline for completing the ICA analysis down to the secondary circuit level and providing information on the nature, magnitude, timing and duration of potential grid constraints must be accelerated.

Customer adoption of DER is accelerating, putting a significant amount of DER onto the grid without benefit of the locational impacts or benefits. As we have stressed in previous comments in this proceeding, the IOUs run the risk of getting overtaken by the market, resulting in suboptimal deployment, wasted investments and missed opportunities for DER.

The current plans for the IOUs to complete the ICA for their entire distribution circuits is simply too long. SCE has indicated in their DRP it may take until July of 2017 to complete the

modeling of their distribution grid. Similarly, SDG&E will not complete their modeling for another 13 months. PG&E, which did the most extensive modeling of its grid, hasn't modeled their grid down to the secondary circuits where DERs are likely to be deployed and it's uncertain when this will be completed.

The Straw Roadmap, as well as the IOU's DRPs, focus on demonstrations that are essentially refinements of the ICA and LNBA methods and results (Demonstrations A and B) and later, demonstrations to prove the capabilities and potential benefits of combinations of DER (Demonstrations C, D, and E). The first two demonstrations will not start until after a decision is issued and could last through mid-2017. The latter three will stretch into late 2019 or early 2020. This is simply too long a time to refine and test analysis methodologies and DER capabilities and benefits.

Vote Solar is concerned that without clear guidance and direction from the Commission, there is no sense of urgency on the part of the IOUs to complete the analyses and demonstration programs in a more aggressive timeframe. Absent clear financial or regulatory motives, the IOUs simply have no reason to create opportunities for DERs that could reduce the ratebase on which their rate of returns are calculated. We recommend the Commission establish more aggressive timelines for the IOUs to complete the modeling of their grids and the demonstration programs. We add that the goal is not to have perfect data, but to have data that is reliable enough to inform DER deployment in the right combinations and locations.

We recommend the ICA modeling be completed by July 2016 for all circuits using more accurate data and advanced tools and Demonstrations A and B be completed no later than December 2016. Further, we recommend Demonstrations C, D, and E begin no later than October 2016, run concurrently and be completed by the end of 2017 or early 2018 at the latest.

2) Authorize New Business Model Demonstration Programs

As stated previously, there is a misalignment between the IOUs' revenue motivation and the objectives of the DRP process as well as the State's aggressive clean energy and greenhouse gas reduction goals. While we concede that this phase of the DRP may not be the appropriate time or venue to reinventing the existing utility distribution services model, we strongly believe it is within scope of the DRP demonstration programs to incorporate new utility business models. Apparently, SDG&E agrees as they have included one such proposal in their DRP.⁴ We think there is great value in demonstrating new business models that will inform a later phase or separate proceeding to reinvent the distribution services model.

The New York Reinventing the Energy Vision (NYREV) process includes several such demonstration programs. While we recognize the significant differences in approaches undertaken by the New York Public Service Commission (NYPSC) and this Commission, we note the ongoing cooperation between the two commissions. We believe the business model demonstration program initiated in the NYREV process is highly relevant to the DRP demonstration phase in California and should be looked at as a model for this phase of the proceeding.

Some of the NYREV demonstrations include revenue sharing arrangements where third party DER providers have proposed DER solutions to address specific grid needs, such as voltage support, capacity, ramping, etc., identified by the grid operator rather than prescribed blocks of specific DERs. Under these models, the third party must provide financing for their projects so

⁴ Application of San Diego Gas & Electric Company (U 902 E) For Approval of Distribution Resources Plan, New Business Model for DER Integration proposed demonstration program, pp. 86-88.

they have ‘skin in the game,’ and they must demonstrate economic benefits to the IOU and to their customers. They must also ensure there are no negative reliability impacts, and they are required to show how their proposed business model could lead to a longer-term, more sustainable structure.

We suggest the existing Demonstrations C, D or E could incorporate new business models as part of the demonstrations. We support SDG&E’s business model demonstration program and we recommend that the IOUs be required to identify further opportunities for new business model demonstrations. This could include SCE’s Preferred Resources Pilot program or any of the proposed Electric Vehicle (“EV”) Charging infrastructure programs currently before the Commission for approval.

3) Adopt DER Guiding Principals

In oral and written comments, Vote Solar has pointed out that the IOU’s proposed EV Charging Equipment Programs do not include any provisions for incorporating ICA or LNBA results once available to screen ideal locations, nor do they prioritize deferral of infrastructure upgrades leveraging other forms of DER. This is a failure of the existing Commission siloed processes and procedures. Again, without clear guidance from the Commission to incorporate these objectives or criteria, the IOUs have no financial or regulatory motivation to defer capital investment in the distribution grid.

These IOU EV Charging Program proposals represent 64,000 EV charging stations, making up 25% of the respective EV charging markets and costing an estimated \$675,000,000, including infrastructure upgrades. Although Vote Solar has advocated in our written and oral comments in

each of the three EV proceedings and settlement agreement negotiations, we have been unsuccessful in getting DRP objectives prioritized in these proceedings. As this example illustrates, absent strong leadership from the Commission providing guidance and direction to align and coordinate DER related proceedings, the IOUs lack the proper motivation to deploy optimal DER portfolios at the expense of major investments in the grid.

We recommend the final Roadmap include a process resulting in a ruling or decision issuing guidance for all DER related proceedings that, at a minimum, requires the IOUs to develop plans to incorporate ICA and LNBA results to the extent practicable, and reinforces the requirement for them to evaluate ‘non-wires’ alternatives that incorporate portfolios of DER to offset potential infrastructure upgrades.

4) Proposed Pathway for Interconnection Process Improvements

Currently, there’s no clear plan or pathway for the ICA results to be used to expedite the interconnection process for DERs. As stated previously, the IOUs lack a sense of urgency absent clear Commission direction to accelerate the process of fully modeling their grids to determine more accurate hosting capacity estimates and make such information readily available in a format that’s useful for third party DER providers. While there has been discussion about using the ICA results in various DER interconnection processes, this has not been specifically addressed in the DRP process. We recommend the Roadmap include such a pathway, with a Commission Ruling or Decision to formalize this objective.

5) Establish Clear Goals and Direction for What the Desired End-State is for DER Procurement

While the Straw Roadmap lays out a clear timeline for workshops, rulings and decisions, it does not, however, provide a clear understanding of what the end-state of this process will be. This is not the fault of Staff in developing the Straw Roadmap, but indicates a need for the Commission to provide such guidance so that all Parties understand what we are driving towards. Vote Solar recommends that the Commission, in adopting a final Roadmap, indicate what it intends as the desired end-state of this process. We strongly recommend that this end-state for the DRP process include procurement authorizations, and for there to be a process to reinvent the utility business model. We are not suggesting a specific business model outcome at this time, but rather that the Commission establish this as the ultimate outcome of this effort.

We believe the DRP process should ultimately be integrated with the Long Term Planning and Procurement (“LTPP”) and Transmission Planning Process (“TPP”). We also believe that the DRP process should eventually include procurement authorizations, just as the current LTPP does. Again, we don’t presume any specific market mechanisms or revenue models, only that there be a means for evaluating and acquiring the appropriate mix of resources to meet system and local grid needs and state and local policy objectives.

CONCLUSION

Vote Solar appreciates the opportunity to submit these comments on the DRP Roadmap Straw Proposal.

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