

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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Order Instituting Rulemaking to Develop a
Successor to Existing Net Energy Metering
Tariffs Pursuant to Public Utilities Code
Section 2827.1, and to Address Other Issues
Related to Net Energy Metering.

Rulemaking 14-07-002
(Filed July 10, 2014)

**OPENING COMMENTS OF THE OFFICE OF RATEPAYER ADVOCATES
ON THE PROPOSED DECISION ADOPTING SUCCESSOR TO
NET ENERGY METERING TARIFF**

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I. INTRODUCTION

The Office of Ratepayer Advocates (ORA) submits these comments on the Proposed Decision (PD) of Administrative Law (ALJ) Judge Simon implementing some of the provisions of Assembly Bill (AB) 327 (Perea), Stats. 2013, ch. 611. The PD continues the basic features of the current NEM tariff, but makes changes for customers on the NEM successor tariff to:

1. pay a reasonable interconnection fee;
2. pay nonbypassable charges that are levied on each kilowatt-hour (kWh) of electricity the customer obtains from the Investor-Owned Utility (IOU) regardless of the monthly netting of the kWh obtained from the IOU and exported to the grid by the customer;
3. take service on a time of use (TOU) rate if interconnecting on or after January 1, 2018.

The PD rejects parties' proposals for additional charges and fees, modifications to export credit rates, and other rate-design modifications. ORA recommends the PD be amended to make the following changes:

- Participation of systems over 1 MW in Virtual Net Metering (VNM) and Net Energy Metering Aggregation (NEMA) should be clarified.
- The PD should be modified to note that the Investment Tax Credit (ITC) has been extended.
- The PD should be modified to require the IOUs to continue to report cumulative MWs installed under NEM.

II. DISCUSSION

The PD acknowledges that the IOUs lose revenue from NEM customers, which is recovered through increases in rates paid by all customers.¹ While the PD concludes that the costs of the NEM program are known and easy to quantify, the PD finds it is difficult to ascertain the benefits of NEM. Thus, the PD postpones any major modifications to the NEM tariff until 2019, after the full implementation of residential rate reform required by Decision (D.) 15-07-001 and after the Commission develops a more robust understanding

¹ PD at p. 55, p. 81, and footnote 94.

of the impact of customer-sited distributed resources on the electric system through the distribution resources plan proceeding (DRP, R.14-08-031), the integrated distributed energy resources proceeding (IDER, R.14-10-003), and the rulemaking on preliminary issues in setting TOU periods (R.15-12-012).

The PD's timeline for considering major modifications to the NEM program is appropriate and will allow the Commission to create a tariff for customer-sited renewable generation that provides participants with economic certainty.

ORA agrees with the PD that the NEM benefits are difficult to quantify and ORA looks forward to helping the Commission analyze the costs and benefits of customer-sited renewable generation through the DRP and IDER proceedings. ORA notes that the magnitude of benefits are partially dependent on how NEM system technologies are deployed and integrated into the utility grid. Through the DRP, IDER, and TOU proceedings the Commission not only has the opportunity to better understand the benefits of customer-sited renewable generation, but also to understand how to enhance those benefits through programs, tariffs, and standard contracts that encourage optimal configuration and deployment of customer-sited renewable generation on the electric grid.

A. Participation of systems over 1 MW in Virtual Net Metering (VNM) and Net Energy Metering Aggregation (NEMA) should be clarified

The PD should provide a clear cap on the size of systems that could interconnect via the VNM and NEMA tariff variants. In its proposal, ORA recommended limiting the VNM and NEMA tariff variants to systems sized under 1 MW. Because the system size requirements for VNM and NEMA are not explicitly discussed in the PD, it is not clear whether the PD intends to allow the interconnection of systems greater than 1 MW under the VNM and NEMA tariff variants. The PD should also specify that systems should be sized to customer load. This should be explicitly clarified in the Decision.

B. The PD should be modified to note that Congress extended the ITC

On December 18, 2015, the federal Investment Tax Credit (ITC) for solar energy property was extended for a number of years.² The extension of the ITC provides the solar industry with a significant federal subsidy and increased financial certainty. The PD should note that the solar industry will continue to receive this federal subsidy and now has this long term financial certainty. The PD should therefore be revised to remove discussion of the uncertainties associated with the ITC extension as well as discussion of barriers to solar adoption if the ITC were not extended. Looking forward, any reform of the Commission's NEM tariff should account for the long term federal subsidy provided to the solar industry.

C. The PD should be modified to require the IOUs to continue to report cumulative MWs installed under NEM

D.14-03-041 requires the large IOUs to regularly report the progress toward the previous NEM cap of 5% of aggregate customer peak demand on eligible capacity. Under AB 327 and the NEM successor tariff, that cap is lifted. Although there is no longer a cap to limit NEM installations, the IOUs should continue reporting (on a quarterly basis), the cumulative MWs installed under NEM. By doing so, the Commission and parties can continue to monitor whether or not customer-sited NEM generation continues to grow sustainably.

² The solar ITC has been extended at the current 30-percent rate through 2019, after which it will fall to 26 percent in 2020, 22 percent in 2021 and 10 percent in 2022.

III. CONCLUSION

With the exception of the modifications recommended above, ORA recommends that the Commission adopt the PD.

Respectfully submitted,

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