

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



FILED

5-23-16
04:59 PM

Order Instituting Rulemaking to Create a
Consistent Regulatory Framework for the
Guidance, Planning, And Evaluation of
Integrated Distributed Energy Resources.

Rulemaking 14-10-003
(Filed October 2, 2014)

**REPLY COMMENTS OF ADVANCED ENERGY ECONOMY (AEE)
ON THE APRIL 4, 2016 ASSIGNED COMMISSIONER'S RULING
INTRODUCING A DRAFT REGULATORY INCENTIVES PROPOSAL
FOR DISCUSSION AND COMMENT**

Steve Chadima
Advanced Energy Economy
135 Main Street, Suite 1320
San Francisco, CA 94105
(415) 799-3718
schadima@aee.net

May 23, 2016

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Create a
Consistent Regulatory Framework for the
Guidance, Planning, And Evaluation of
Integrated Distributed Energy Resources.

Rulemaking 14-10-003
(Filed October 2, 2014)

**REPLY COMMENTS OF ADVANCED ENERGY ECONOMY (AEE)
ON THE APRIL 4, 2016 ASSIGNED COMMISSIONER'S RULING
INTRODUCING A DRAFT REGULATORY INCENTIVES PROPOSAL
FOR DISCUSSION AND COMMENT**

In accordance with the Rules of Practice and Procedure of the California Public Utilities Commission (Commission) and ALJ Hymes' April 28 ruling extending the time to file reply comments until May 23, 2016, Advanced Energy Economy (AEE) submits these reply comments in response initial comments submitted by parties to the Assigned Commissioner Ruling¹ (ACR) issued April 4, 2016.

While many of the initial comments submitted by parties were generally favorable to the ACR, albeit with significant caveats in every case, there was a notable minority of parties who were substantially opposed to the proposal for a variety of reasons. It seems premature to respond to the details of those, however, until the Commission considers the fundamental challenge contained in the comments filed by the Joint Utilities. It is their contention that the r – k paradigm is at its core inaccurate, calling into question the very basis for incentives to encourage adoption of DERs. Though

¹ *Assigned Commissioner's Ruling Introducing a Draft Regulatory Incentives Proposal for Discussion and Comment*, issued April 4, 2016 in R.14-10-003.

pilots might proceed without resolving this question in the short-term, it is difficult to imagine moving forward on a more substantial program without doing so. The Commission needs to drive consensus on what it means to increase shareholder value and align incentives; we look forward to the upcoming workshop as an opportunity to establish facts and work toward this end.

In the meantime, AEE believes that it is important to allow pilot projects to proceed as stated in our initial comments. And while it is tempting to support the Joint Utilities' proposal to proceed quickly with two projects each via advice letters, their desire to do so without the incentive component undercuts the very premise of the pilot – to test an alternative form of compensation for the deployment of distribution-level resources. Absent this component, there are other venues, particularly R.14-08-013 covering the development of distribution resource plans, where a queue of pilots is already in place that might be duplicative of any undertaken here. If pilots under this proceeding are to be informative, they must include the incentive component. Further, we maintain that it isn't necessary at this point to fuss over the exact amount of the incentive. The range suggested in the ACR is supported by a sufficient number of parties that the Commission should feel comfortable proceeding. Part of the point of the pilots is to test the notion as well as the range, and we encourage the Commission to maintain this aspect of the program.

More broadly, several parties reminded the Commission that this entire discussion is part of a larger conversation that must continue apace; NRDC and Sierra Club put it most succinctly in their comments: “this pilot should not replace the more substantial conversation about evolving utility business models.” AEE wholeheartedly concurs. At the same time, however, the need for a longer-term solution should not preclude fielding pilot projects to test aspects of a broader solution. It may take several years to wade through all of the complex issues associated with fundamental changes to utility

business models, and we would lose valuable time to generate real-world data that would significantly inform those discussions. It is important that the Commission acknowledge that these are pilots, after all, not permanent alterations to traditional practices, and move to deploy these expeditiously.

Finally, on the need for a broader examination of utility business models, AEE is concerned about the potential for this critical conversation to fall between silos at the Commission. Finding a home – or creating a new one – for this analysis is essential. Should this proceeding be its home? Should the DRP or IRP proceedings host the discussion? Should some or all of these be combined to eliminate overlap and duplicative effort? Should a new proceeding be opened? We have long maintained that the Commission needs to take a more comprehensive and strategic look at the management of the electricity system², and the ACR may be the perfect catalyst to finally address this issue.

III. CONCLUSION

AEE appreciates the opportunity to submit these reply comments and looks forward to working with the Commission, the IOUs and other parties in this proceeding.

Respectfully submitted,



Steve Chadima
Senior Vice President
Advanced Energy Economy
135 Main Street, Suite 1320
San Francisco, CA 94015
(415) 799-3718
schadima@aee.net

Dated: May 23, 2016

² See *Toward a 21st Century Electricity System in California: A Joint Utility and Advanced Energy Industry Working Group Position Paper*, Advanced Energy Economy Institute, August, 2015, www.aee.net