



BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CAL

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

Rulemaking 14-10-003
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REPLY COMMENTS OF THE CONSUMER FEDERATION OF CALIFORNIA ON THE JOINT COMPETITIVE SOLICITATION FRAMEWORK WORKING GROUP FINAL REPORT

In compliance with the schedule set forth in the Administrative Law Judge's Ruling issued by email on August 17, 2016 (Ruling), Consumer Federation of California (CFC) hereby submits its reply comments on the Final Report of the Competitive Solicitation Framework Working Group (Report).

I. Comments

a) *Determining Incrementality*

California Energy Efficiency Industry Council (CEEIC) proposes that incrementality determination should not be made after bids are submitted. In fact, "...[b]idders should know at the time the RFO is issued what a utility deems as 'non-incremental' so they can ensure their bid is focused on incremental DERs."¹ As CEEIC explains in its opening comments,

...when the parameters of the bid for DERs are not clear in the RFO, the utility and bidders, at least for energy efficiency, find themselves involved in exhausting debate over whether the DER in the bid is additive to those resources in planning assumptions, planning the Rolling Portfolio, and those actually deployed. The debate results in arbitrary determinations of qualifying bids for energy efficiency and is a disservice to ratepayers due to the likelihood of stranded opportunities to deploy DERs.²

CFC agrees.

¹ CEEIC, Opening Comments on Report of Competitive Solicitation Framework Working Group, p.5.

² *Ibid*, p.6.

It should be up to the IOUs to demonstrate that a new resource is not incremental rather than requiring a DER to show that one is incremental. This is because “[o]nly the utility has access to complete planning and implementation data.”³ As only the utilities have the complete set of required information, the utilities should take responsibility for identifying where a resource is non-incremental. It is a question of weighing the benefit of having more bids against the cost of conducting more extensive analysis. As part of the selection process, IOUs will necessarily have to evaluate bids against resource forecast at some point. Calculating incrementality will have to be part of that evaluation anyway. Making the incrementality calculation in advance should not increase the net workload for the utility, and will reduce risk for bidders, which should have a non-negative impact on the number of bids put forth. More bids should mean consumer benefits.

It is logical to avoid unnecessary bids and overly extensive debates by requiring the IOUs make incrementality determinations in advance. And, if the IOU cannot demonstrate how the proposed resource has been incorporated into the existing forecast, the new resource would be deemed incremental.

b) *SCE – on Forecasting, Determining Incrementality, and Basing DPF on the AB 57 Procurement Plan Process*

In its opening comments, Sothern California Edison (SCE) recommends that the forecast used during distribution planning show detailed information on the DERs included in the forecast.⁴ Further, that the planning assumptions for DERs, including forecasted DER uptake in the relevant areas, DER load shapes, market sectors, and measure types, should be included in the solicitation documentation (e.g., in

³ *Ibid*, p.5.

⁴ SCE Comments, p.4.

Request for Offers (RFO) instructions or other solicitation materials).⁵ SCE also recommends that reserve margins should be sized commensurate with the amount of forecast uncertainty associated with the bids, particularly with respect to potential DER cannibalization.⁶ SCE's recommendation addresses incrementality and promotes program transparency. CFC supports SCE's recommendation, and believes it warrants further consideration by the Group.⁷

SCE recommends the Distribution Planning Advisory Group (DPAG) not disclose certain types of information to market participants, on the grounds of potentially harming customer interests.⁸ It cites the example of location-specific confidential forecasts.⁹ Presumably, market participants would have a reasonable idea of locations where existing resources are under duress. If so, the down side of releasing the information is not clear. Restricting release seems only to cover the IOU regarding the potential 'wires' solution costs.

Customers would presumably benefit from open information concerning their service area, and alternatives for acquiring needed, additional services. Further, where a 'wires' solution is selected, customer confidence would be enhanced by their having seen that other alternatives were not cost-competitive with the IOU build. However, SCE is persuasive in explaining why the information should *not* be released:

... providing cost estimates for traditional infrastructure investments to market participants could drive up costs for customers because bidders could use this information

⁵ *Ibid*, p.4.

⁶ SCE Comments on Competitive Solicitation Framework Working Group Final Report, p.5.

⁷ Perhaps it would be beneficial for SCE to produce a demonstration model, so that the proposal's exact mechanics can be better appreciated.

⁸ *Ibid*, p.12.

⁹ *Ibid*, p.8.

as a target price for their bid... Doing so would inappropriately shift some of the benefits of the deferral from customers to bidders.¹⁰

The framework should result in minimizing ratepayer costs. Disclosing ‘wires solutions’ costs would, as SCE suggests, seem to open the door for applicants gaming their bids--thereby transferring surplus from consumers to suppliers. Therefore, CFC agrees with SCE, that, on balance, non-disclosure of wires solutions costs is probably better for consumers.

CFC supports maximal transparency for the DER solicitation framework. Transparency means using clear decision parameters, thus the attributes of the competing DERs should, to the greatest extent possible, be public. Beyond just the selection process, transparency of input values allows ongoing program improvement, as the forecasts, assumptions, and weightings used in selecting projects are well-known, and appropriate adjustments can be identified and implemented for improving the process. The less the transparency, the lower the confidence consumers will have that the selected resources actually represented the least cost, best fit alternative. However, this transparency objective must be weighed against considerations of potential gaming.

As stated in CFC’s Comments, opportunities for gaming the framework need to be identified, and the program structured so as to preclude, or at least minimize, such opportunities.¹¹ On page 12, in its comments, SCE addresses this point, writing that

...confidential price forecasts and other confidential cost information should not be provided to the market. Disclosing confidential price forecasts to market participants would significantly diminish one of the primary benefits of a competitive solicitation – competition that drives down costs to customers... publicly releasing the IOUs’ proprietary price forecasts would impede the competitiveness of the market by increasing

¹⁰ SCE Comments on Competitive Solicitation Framework Working Group Final Report, p.13.

¹¹ CFC, Comments on the Joint Competitive Solicitation Framework Working Group Final Report, p.6.

the potential for gaming and market manipulation and harm customers by promoting bidding behavior that could result in higher contract prices.¹²

Therefore, CFC agrees that, for those elements where information confidentiality promotes consumer benefits, transparency objectives may be trumped in favor of minimizing gaming.

On page 9, SCE notes that “...it is likely that DER sourcing will be narrowly focused on specific locations and in small quantities, given the granular nature and relative scale of distribution deferral projects.”¹³ This raises a fundamental question: what scale of DER sourcing *is* anticipated? The expected scale may have implications for the manageability of the program. Having a clearer idea of eventual program scale may be beneficial for determining the choice of other program elements.

As SCE states:

The procurement authorization and contract approval processes that the Commission has adopted for various procurement efforts (e.g., local capacity requirements, Renewables Portfolio Standard, and energy storage solicitations) might not work for such small and targeted DER procurement for distribution deferral, particularly in the case of DER procurement for near-term distribution deferral opportunities. Thus, a streamlined DER procurement approval process is needed.¹⁴

Streamlining suggests simplicity, and simplicity suggests lower administrative costs. For ratepayers, the less costly the administration, the better, so CFC supports SCE’s position advocating a streamlined procurement process.

SCE promotes the adoption of a DER Procurement Framework (DPF), modeled on the AB 57 Bundled Procurement Plan.¹⁵ The suggested DPF appears to meet both transparency and confidentiality

¹² SCE Comments, p.12.

¹³ *Ibid*, p.9.

¹⁴ *Ibid*, p.9.

¹⁵ *Ibid*, p.9.

needs. CFC agrees with SCE that an examination of the DPF method should be added to the scope of the IDER proceeding for further exploration by the stakeholders.

Although CFC appreciates SCE's point concerning the disclosure of confidential price forecasts arrived at via proprietary processes, an after-the-fact examination of whose estimates proved more accurate would advance the public interest as it would make plain whether certain parties methods are more reliable than others. Per D.06-06-066, the Commission "...concluded that '[s]pecific quantitative analysis involving in scoring and evaluation of participating bids' is confidential for three years after winning bids are selected."¹⁶ Perhaps three years hence, the program should review the price forecasts in the bids and assess which method(s) provided the best estimates. Consumers will benefit from program participants being aware of, and using, the best forecast methods available.

SCE recommends a measurement and evaluation plan based on actual load reduction or generation—as opposed to previous approaches that used pre-calculated values.¹⁷ CFC believes actual results are preferable to the maximum extent possible, and therefore supports SCE's recommendation.

II. CONCLUSION

CFC commends the collaboration and hard work of the CSFWG and Commission staff, and appreciates this opportunity to provide these comments on the CSFWG Final Report and Party comments. We looks forward to collaborating further going forward to help facilitate a timely and meaningful framework for the successful implementation of an Energy Solutions Framework which best benefits the California ratepayers.

¹⁶ D.06-06-066, Appendix 1 IOU Matrix, Section VIII.B.

¹⁷ SCE Comments on Competitive Solicitation Framework Working Group Final Report, p.15.

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Respectfully Submitted,

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