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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

**AMENDED SCOPING MEMO OF ASSIGNED COMMISSIONER
AND JOINT RULING WITH ADMINISTRATIVE LAW JUDGE**

Summary

Pursuant to Public Utilities Code § 1701.1 and Article 7 of the Commission's Rules of Practice and Procedure,¹ this Amended Scoping Memo and Ruling adds the following issues to the scope of this proceeding:

- 1) Design, for Commission consideration and adoption, alternative sourcing mechanisms or approaches that satisfy distribution planning objectives; and
- 2) Consider how existing programs, incentives, and tariffs can be coordinated to maximize the locational benefits and minimize the costs of distributed energy resources.

1. Background

On October 2, 2014, the Commission established Rulemaking (R.) 14-10-003 to consider the development and adoption of a regulatory framework to provide policy consistency for the direction and review of demand-side resource programs. The assigned Commissioner and Administrative Law Judge issued a Ruling and Scoping Memo indicating that

¹ California Code of Regulations, Title 20, Division 1, Chapter 1; hereinafter, Rule or Rules.

the rulemaking would be undertaken in two phases, with the first phase focused on a review of various integrated demand-side management issues and the second phase focused on the development of required mechanisms.²

An amended scoping memo was issued on February 26, 2016 as a result of Decision (D.) 15-09-022, which authorized an expanded scope for the proceeding. The February 26, 2016 amended scoping memo describes four issues for the scope of this proceeding: 1) development of a competitive solicitation framework; 2) the continued development of technology-neutral cost-effectiveness methods and protocols; 3) leveraging of the work performed in R.14-08-013³ (*i.e.*, the Distribution Resource Plans Demonstration Projects); and 4) the utility role, business models, and financial interests with respect to distributed energy resources deployment.

On September 1, 2016, the categorization of this proceeding was changed to ratesetting in order to determine an appropriate incentive level for the regulatory incentive mechanism pilot (Incentive Pilot) subsequently adopted by the Commission in D.16-12-036.

In addition to adopting the Incentive Pilot, D.16-12-036 also adopted the consensus recommendations for the Competitive Solicitation Framework and directed that, where consensus was not reached, the Incentive Pilot should test options agreed upon by the Competitive Solicitation Framework Working Group.

² Joint Assigned Commissioner's and Administrative Law Judge's Ruling and Scoping Memo, January 5, 2015.

³ R.14-08-013 was initiated to establish policies, procedures, and rules to guide regulated energy utilities in developing their distribution resources plans as required by Public Utilities Code Section 769.

2. Discussion

As described below, two dilemmas encountered in this proceeding can be addressed by amending the scope of the proceeding to include the following two issues:

- 1) Design, for Commission consideration and adoption, alternative sourcing mechanisms or approaches that satisfy distribution planning objectives; and
- 2) Consider how existing programs, incentives, and tariffs can be coordinated to maximize the locational benefits and minimize the costs of distributed energy resources.

The first dilemma is that issues identified in Public Utilities Code Section 769 and subsequently intended to be part of the scope of this proceeding were inadvertently omitted from the February 26, 2016 amended scoping memo. D.15-09-022 described the overlap between this proceeding and R.14-08-013, noting that § 769 identifies the items to be included in each of the utilities' Distribution Resources Plans. D.15-09-022 states:

"...the two proceedings will work together to create an end-to-end framework from the customer side to the utility side of the grid, with this proceeding [R14-10-003] implementing § 769(b)(2) and § 769(b)(3) as part of the framework, including:

- The identification of tariffs, contracts, or other mechanisms for the deployment of cost-effective distributed resources, (§ 769(b)(2)); and
- Cost-effective methods of effectively coordinating existing Commission-approved programs, incentives, and tariffs to maximize the locational benefits and minimize the incremental costs of distributed resources (§ 769(b)(3))"

In D.15-09-022 the Commission surmised that future pilots would be developed in this proceeding to test how best to integrate and procure resources

to fit the characteristics developed in R.14-08-013 or the means by which these resources go to the market. Furthermore, the Commission recognized that not all distributed energy resources providers would be able to pursue competitive solicitations and would prefer the use of tariffs or other mechanisms. However, neither of these issues are included in the February 26, 2016 amended scoping memo.

The second dilemma is that during the implementation of the Incentive Pilot, as adopted by the Commission in D.16-12-036, the Commission's Energy Division discovered a pilot limitation with respect to the deferral projects addressing shorter term and smaller magnitude needs. For example, planned distribution projects such as voltage and reliability related projects with a forecasted in-service date of less than three years are not deferrable by distributed energy resources sourced through a solicitation project because of the time required to select deferral opportunities, launch a solicitation, evaluate bids, request Commission approval, and construct and interconnect a distributed energy resources project through to commercial operation. Energy Division contends the Commission could consider streamlined distributed energy resources sourcing mechanisms that can effectively realize such deferral opportunities. Alternative mechanisms or approaches could include tariffs, standard contracts, requests for bids, a streamlined version of the previously adopted Competitive Solicitation Framework focused on shorter term distribution deferral opportunities and or other alternatives.

To begin to develop a record on these two new issues, parties are directed to respond to the questions in Attachment A of this ruling.

3. Amended Scope

The scope of this proceeding is amended to add the following two issues as discussed in Section 2 above:

1. Design, for Commission consideration and adoption, alternative sourcing mechanisms or approaches that satisfy distribution planning objectives; and
2. Consider how existing programs, incentives, and tariffs can be coordinated to maximize the locational benefits and minimize the costs of distributed energy resources.

4. Need for Hearing

The Commission in the Order Instituting Rulemaking preliminarily determined that hearings are not required. We confirm that determination here. We will continue to use rulings and party comments and, if necessary, workshops to develop the record for this proceeding.

5. Ex Parte Communications

In a ratesetting proceeding such as this one, *ex parte* communications with the assigned Commissioner, other Commissioners, their advisors and the Administrative Law Judge are only permitted as described at Public Utilities Code § 1701.3(h) and Article 8 of the Rules.

6. Intervenor Compensation

Pursuant to Public Utilities Code § 1804(a)(1), a customer who intends to seek an award of compensation must file and serve a notice of intent to claim compensation by 30 days after the prehearing conference; we do not intend to hold another prehearing conference. However, because we expand the scope of this proceeding to add two new issues, we allow new parties to file and serve notice of intent to claim intervenor compensation, solely with respect to the two new issues, within 10 days of the issuance of this amended Scoping Memo.

7. Assigned Commissioner

Michael Picker is the assigned Commissioner and Kelly A. Hymes is the assigned Administrative Law Judge.

8. Filing, Service and Service List

The official service list has been created and is on the Commission's website. Parties should confirm that their information on the service list is correct, and serve notice of any errors on the Commission's Process Office, the service list, and the Administrative Law Judge. Persons may become a party pursuant to Rule 1.4.

When serving any document, each party must ensure that it is using the current official service list on the Commission's website.

This proceeding will follow the electronic service protocols set forth in Rule 1.10. All parties to this proceeding shall serve documents and pleadings using electronic mail, whenever possible, transmitted no later than 5:00 p.m., on the date scheduled for service to occur. Parties are reminded, when serving copies of documents, the document format must be consistent with the requirements set forth in Rules 1.5 and 1.6. Additionally, Rule 1.10 requires service on the Administrative Law Judge of both an electronic and a paper copy of filed or served documents.

Rules 1.9 and 1.10 govern service of documents only and do not change the Rules regarding the tendering of documents for filing. Parties can find information about electronic filing of documents at the Commission's Docket Office at www.cpuc.ca.gov/PUC/efiling. All documents formally filed with the Commission's Docket Office must include the caption approved by the Docket Office and this caption must be accurate.

Persons who are not parties but wish to receive electronic service of documents filed in the proceeding may contact the Process Office at process_office@cpuc.ca.gov to request addition to the “Information Only” category of the official service list pursuant to Rule 1.9(f). Discovery

Discovery may be conducted by the parties consistent with Article 10 of the Commission’s Rules. Any party issuing or responding to a discovery request shall serve a copy of the request or response simultaneously on all parties. Electronic service under Rule 1.10 is sufficient, except Rule 1.10(e) does not apply to the service of discovery and discovery shall not be served on the Administrative Law Judge. Deadlines for responses may be determined by the parties. Motions to compel or limit discovery shall comply with Rule 11.3.

9. Public Advisor

Any person interested in participating in this proceeding who is unfamiliar with the Commission’s procedures or who has questions about the electronic filing procedures is encouraged to obtain more information at <http://consumers.cpuc.ca.gov/pao> or contact the commission’s Public Advisor at 1- 866-849-8390 or 415-703-2074 or 1- 866-836-7825 (TTY), or send an e-mail to public.advisor@cpuc.ca.gov.

10. Schedule

The adopted schedule is as follows:

EVENT	DATE
Comments on the Questions in this Ruling Filed	45 days post issuance of this Ruling
Reply Comments Filed	60 days post issuance of this Ruling

The assigned Commissioner or assigned Administrative Law Judge may modify this schedule as necessary to promote the efficient management and fair resolution of this proceeding.

It is the Commission's intent to complete this proceeding within 18 months of the date this Amended Scoping Memo is filed. This deadline may be extended by order of the Commission.⁴

If there are any additional workshops in this proceeding, notice of such workshops will be posted on the Commission's Daily Calendar to inform the public that a decision-maker or an advisor may be present at those meetings or workshops. Parties shall check the Daily Calendar regularly for such notices.

IT IS RULED:

1. The scope of the issues for this proceeding is as amended in "Section 3. Amended Scope" of this ruling.
2. An Evidentiary Hearing is not necessary.
3. With limited exceptions that are subject to reporting requirements, *ex parte* communications are prohibited. (*See* § 1701.3(h); Article 8 of the Commission's Rules of Practice and Procedure.)
4. The current schedule for the proceeding is set in "Section 10. Schedule" of this ruling. The assigned Commissioner or Administrative Law Judge may adjust this schedule as necessary for efficient management and fair resolution of this proceeding.

⁴ § 1701.5(a)

5. Parties shall file responses to the questions in Attachment A of this Ruling no later than 45 days from the issuance of this Ruling; replies to the responses shall be filed no later than 60 days from the issuance of this Ruling.

Dated February 12, 2018, at San Francisco, California.

 /s/ MICHAEL PICKER
Michael Picker
Assigned Commissioner

 /s/ KELLY A. HYMES
Kelly A. Hymes
Administrative Law Judge

Attachment A

Questions Regarding New Issues

1. Describe how a tariffed approach could be used to source distributed energy resources on an expedited basis. How would the amount of the tariffed payments be determined to ensure that distributed energy resources alternatives are cost-effective? Would the tariff be available to providers on a first-come, first served basis or should some other selection process be implemented?
2. Could a streamlined version of the competitive solicitation framework used for the Incentive Pilot projects – such as a request for bids process – be a viable alternative, where distribution services are standardized? Describe in detail the steps involved in a streamlined competitive process.
3. Should the Commission establish separate rules and requirements for a streamlined version of the competitive solicitation framework?
4. Are there other mechanisms the Commission should consider in order to deploy cost-effective distributed energy resources that satisfy distribution planning requirements as required by Public Utilities Code § 769(b)(2)? Describe these other mechanisms in detail, including proposed necessary steps?
5. What additional information does a distributed energy resources provider need to know in order to participate in each of the mechanisms proposed in the response to the questions above? What additional information should the utilities make available to the distributed energy resources providers to create the right market signal?
6. Should expedited procurement processes only be available to certain categories of distribution services? Should they only be available to

deferral opportunities below a certain threshold of deferral value (e.g., single products or cluster of projects for which the traditional investment would cost \$10 million or less)? Explain why the response would differ depending on the specific type of expedited procurement process.

7. For each of the mechanisms proposed in response to the questions above, describe the approval process the Commission should adopt.
8. Explain whether the Commission should focus on the development of one mechanism or an assortment of optional mechanisms for providers.
9. What existing Commission-approved programs, incentives, and tariffs would benefit from a coordination plan, as required by Public Utilities Code § 769(b)(3), and result in maximum locational benefits and minimal incremental costs? Similarly, should the Commission consider coordination with the Interconnection Rulemaking (R.17-07-007) to ensure operational requirements of Smart Inverters are aligned with any relevant valuation mechanism?
10. Other than maximizing locational benefits and minimizing incremental costs pursuant to § 769(b)(3), are there other objectives the Commission should consider when developing the required coordination plan?
11. What steps could the Commission adopt to coordinate these existing programs, incentives, and tariffs and/or other proceedings in order to maximize locational benefits and minimize incremental costs? Are there procedural steps that need to be taken to implement this coordination?

12. Given that the Locational Net Benefits Analysis Cost-Effectiveness Use-Case and Methodology is still in development in R.14-08-013, should work in this proceeding to implement Public Utilities Code § 769(b)(3) begin in parallel or should work wait for completion of the Use-Case?

(END OF ATTACHMENT A)