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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding Policies, Procedures and Rules for Development of Distribution Resources Plans Pursuant to Public Utilities Code Section 769.	Rulemaking 14-08-013
And Related Matters.	Application 15-07-002 Application 15-07-003 Application 15-07-006
(NOT CONSOLIDATED)	
In the Matter of the Application of PacifiCorp (U901E) Setting Forth its Distribution Resource Plan Pursuant to Public Utilities Code Section 769.	Application 15-07-005
And Related Matters.	Application 15-07-007 Application 15-07-008

ADMINISTRATIVE LAW JUDGE'S RULING PROVIDING GUIDANCE FOR THE DISTRIBUTION PLANNING ADVISORY GROUP

1. Introduction

Decision (D.) 18-02-004 established the requirements for the Distribution Deferral Investment Framework (DIDF) and the role of the Distribution Planning Advisory Group (DPAG). Ordering Paragraph (OP) 2.s specifies that Energy Division's Director establishes the final agenda for DPAG. The schedule for

review of the DPAG agenda prior to the launch of the DPAG is too short to incorporate substantive changes. Given the tight schedule to plan and execute the DPAG prior to the launch of the competitive solicitation, I would like to clarify the expectations regarding the DPAG scope and agenda, and seek comments from parties whether to extend the scope of the DPAG agenda for the first year, in order to provide a preliminary evaluation of recent Distributed Energy Resource (DER) solicitations to inform the Investor-owned utilities' (IOUs) process for this cycle. To accomplish these goals, I am issuing the following *DPAG Ruling*.

2. Background

In Decision (D.) 18-02-004, the Commission determined that the distribution deferral investments would be vetted by a stakeholder-driven advisory body called the DPAG, whose primary objective is as follows:

to advise the Commission by recommending distribution deferral opportunities to go out for solicitation that have a high likelihood of resulting in successful, cost-effective deferrals. The DPAG would make such recommendations by first reviewing the candidate project shortlist presented in the GNA with regards to the assumptions, methods, and results of the planning process and the application of initial deferral screens, followed by application of prioritization metrics and further review. In its review of the GNA, the DPAG would also have the option of considering for deferral projects that did not make the candidate shortlist after the initial deferral screening process.¹

3. DPAG Scope

OP 2.t. defined the minimum required scope of the DPAG, which encompasses a review of 1) planning assumptions and grid needs reported in the

¹ D.18-02-004 at 52-53.

Grid Needs Assessment (GNA); 2) planned investments and candidate deferral opportunities reported in the Distribution Deferral Opportunities Report (DDOR); and 3) candidate deferral prioritization. To meet the objectives of this working group process, the IOUs need to provide sufficient opportunity for members to review the materials, get further clarification, and provide feedback on the candidate shortlist and solicitation requirements.

3.1. Contents of Grid Needs Assessment and Distribution Deferral Opportunity Report

The discussion of the GNA and DDOR should provide parties an opportunity to understand how the planning assumptions result in the reported grid needs, how the grid needs result in the planned investments, and the screens used to identify candidate deferral opportunities. Specifically, the DPAG should be provided with an understanding of the technical, timing and economic/financial criteria that screen the planned investments to determine which are candidate deferral projects, and which are not. This should include specific information regarding the characteristics of both types of screened investments.

3.2. Valuation of Candidate Deferrals Based on Prioritization Metrics

D.18-02-004 adopted prioritization metrics, whose main objective is to characterize candidate deferral projects in a way that enables the IOUs and the DPAG to identify which projects are most likely to result in successful, cost-effective deferrals that provide needed grid services. To meet these objectives, metrics are required to characterize whether:

- 1) a deferral project would likely result in net ratepayer benefits;
- 2) the forecast grid need underlying a potentially deferrable investment is likely to materialize; and

- 3) the potential DER marketplace within the electrical footprint provides an adequate market opportunity to host DER solutions.

The decision emphasized that as part of the discussion on candidate deferral opportunities, the IOUs shall present the underlying technical and operational requirements that a given DER alternative must provide in order to successfully meet the underlying grid need. The discussion should include the distribution upgrade costs, as clarified in D.18-02-004.

3.3. Contingency Plans

In D.18-02-004, the Commission stated that the IOUs shall present proposed contingency plans for candidate deferral projects for review and feedback within the DPAG, which can help hone the contingency plans the IOUs file in their Tier 2 advice letters. The DPAG should review proposed contingency principles that can serve as guidelines for how IOUs evolve contingency planning over time.

4. Additional Considerations for DPAG

The outcomes of the DPAG process will result in competitive solicitations that commence following the approval of a Tier 2 Advice Letter, submitted by December 1. The Competitive Solicitation Framework that will establish the long term requirements for distribution deferrals is still under consideration in Rulemaking (R.) 14-10-003. In light of outcomes of recent DER solicitations, we find that it may be useful to expand the scope of this year's DPAG cycle to include the following topics.

4.1. Lessons Learned from Past Solicitations

Achieving successful, cost effective deferrals will require a meaningful discussion of the past DER procurement solicitations, specifically addressing the cost-effectiveness and technical and operational requirements that factored into

not selecting a DER project. While a more comprehensive evaluation of the procurement process is expected to occur in the Integrated Distribution Energy Resources (IDER) proceeding, the IOUs should be prepared to discuss how to improve the process to make bids viable based on past solicitations including Local Capacity Requirements (LCR) Request for Offers (RFOs), Storage Mandate RFOs, Distributed Resource Plan (DRP) Demos, Completed IDER Competitive Solicitations, Preferred Resource Pilot, and Distribution Revenue Adjustment Mechanism (DRAM). IOU's should discuss the following:

- What types of projects have bid into the solicitation? Aggregators or single projects? What types of technologies?
- How have bid prices compared with the distribution deferral value, and how many of the total bids were cost effective?
- What have been the reasons that bids are unable to be selected, particularly for RFOs that do not result in a deferral project?
- What are the key barriers to successful DER procurement projects, in terms of Commission or California Independent System Operator policy, or other challenges?
- What changes do the IOUs plan to make to their solicitation to achieve successful DER procurements in 2019?

4.2. Proposed Solicitation Process

The IOUs shall present their proposed solicitation process, which should be consistent with the principles established in R.14-10-003 (*Order Instituting Rulemaking to Create a Consistent Regulatory Framework for the Guidance, Planning and Evaluation of Integrated Distribution Energy Resources*), specifically D.16-12-036 (*Decision Addressing Competitive Solicitation Framework and Utility Regulatory Incentive Pilot*), and informed by outcomes from past solicitations. As the pilot is currently being conducted and will later be evaluated, there are issues pertaining to the solicitations that remain to be determined within the IDER proceeding,

such as methodologies for incrementality, double counting, and technology neutral *pro forma* contracts. The IOUs need not address these issues until they have been resolved by a Commission decision. One exception is incrementality, which the IDER proceeding allowed for a variety of approaches. Therefore, incrementality may be discussed as part of their proposed solicitation process.

5. Request for Party Comments

In consideration of the fact the Commission may not have an opportunity to evaluate the results of the Competitive Solicitation Framework in the IDER proceeding prior to IOU's 2019 DRP solicitations, I am ruling that party comments be filed and served within 7 days of this *DPAG Ruling* regarding whether it would be beneficial to extend the DPAG review period for the first DIDF cycle, in order to consider the issues described in this *DPAG Ruling*. Comments should be no longer than 5 pages and address specific topics that should be addressed in the DPAG process, including the number of meetings needed.

IT IS RULED that party comments shall be filed and served within 7 days of the date of this *DPAG Ruling* and in conformity with the requirements set forth herein.

Dated September 4, 2018, at San Francisco, California.

/s/ ROBERT M. MASON III

Robert M. Mason III
Administrative Law Judge