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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 (Filed August 14, 2014)
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 (Filed July 1, 2015)
And Related Matters.	Application 15-07-007 Application 15-07-008

ASSIGNED COMMISSIONER'S RULING ON TRACK 3 ISSUES

Summary

This ruling finalizes the scope of Track 3 of this proceeding. Track 3 will consist of three sub-tracks: Sub-track 1: Distributed Energy Resources (DER) Adoption and Distribution Load Forecasting, Sub-track 2: Grid Modernization Investment Guidance, and Sub-track 3: Distribution Investment Deferral

Process. Items identified for Track 3 by the January 27, 2016, *Scoping Memo and Ruling* that are not germane to these sub-tracks will be eliminated from the scope.

1. Background

On August 9, 2016, I issued an assigned Commissioner's ruling¹ (August 9 Ruling) seeking comment on a proposal to consolidate eight of the 22 issues teed up for consideration in Track 3 of this proceeding by the scoping ruling² into three sub-tracks and eliminate the remaining 14 issues from consideration. The full list of the 22 issues is attached to this ruling as an appendix for reference.

Specifically the August 9 Ruling proposed the following sub-tracks: Sub-track 1: DER Adoption and Distribution Load Forecasting, Sub-track 2: Grid Modernization Investments, and Sub-track 3: Integration of DRP into Planning and Cost Recovery Processes. The ruling indicated that the proposed sub-tracks would consist of items 8, 9 and 18; 3 and 15; and 20, 21, and 22 respectively from the full list of 22 issues. The ruling requested comment on both the scope of the proposed sub-tracks, and any other sub-tracks parties wanted to propose, and the prioritization of the sub-tracks. Eighteen parties filed timely comments on or before August 22, 2016.³

¹ *Assigned Commissioner's Ruling on Track 3 Issues, August 9, 2016.*

² *Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge, Including Deconsolidation of Certain Proceedings and a Different Consolidation of Other Proceedings, January 27, 2016.*

³ Comments were timely filed by the California Independent System Operator (CAISO); Center for Sustainable Energy (CSE); Clean Coalition; Coalition of CA Utility Employees (CUE); Environmental Defense Fund (EDF); Marin Clean Energy (MCE); Mission:data; National Resources Defense Council (NRDC); Office of Ratepayer Advocates (ORA); Pacific Gas and

Footnote continued on next page

2. Discussion of Sub-tracks in Track 3

After reviewing parties' comments, I have decided to maintain the three sub-tracks as proposed in the August 9 Ruling. Sub-tracks 2 and 3 have been renamed to better reflect their purpose. I will remove from further consideration the 14 items not scoped into Sub-tracks 1, 2, or 3 for the reasons stated in the August 9 Ruling. I discuss in more detail the rationale for removing certain items below. I also provide further clarification regarding the scope and prioritization of the three sub-tracks.

2.1. Sub-track 1: DER Adoption and Distribution Load Forecasting

Item 8 (Coordination with other procurement-related proceedings within the Commission, including the Long-term Procurement Plan [LTPP] proceeding and Integrated Resource Planning [IRP]);

Item 9 (Coordination with the California Energy Commission's [CEC's] Integrated Energy Policy Report [IEPR] and demand forecast, as well as with the CAISO's Transmission Planning Process [TPP]);

Item 18 (Appropriate growth scenarios and/or forecasts for analysis of DER deployment)

All parties commenting on Sub-track 1 supported its inclusion in Track 3. Only EDF and TURN recommended any changes to the scope of this sub-track. EDF suggested that items 10 (maximizing ratepayer benefits of DERs), 11 (DER value to customers), and 14 (accounting for greenhouse gas (GHG) reduction benefits) from the scoping ruling should be included in Sub-track 1. EDF argues

Electric Company (PG&E); San Diego Gas & Electric Company (SDG&E); Silicon Valley Leadership Group (SVLG); SolarCity; Solar Energy Industries Association (SEIA) and NRG; Southern California Edison Company (SCE); The Utility Reform Network (TURN); UtilityAPI; and Vote Solar.

essentially that consideration of the GHG values and values to customers could affect the amount of funding available to incentivize uptake of DERs, which would in turn affect adoption rates. DER forecasts should then take into account the effect that varying incentive levels could have on “dramatically different DER penetration forecasts.”⁴ Certainly incentive levels, or solicitation opportunities, will affect total levels of DER adoption, as do several other factors. While Sub-track 1 will need to examine how to define various load and DER adoption scenarios, the specific valuation methods or policies that may influence adoption rates are not properly within the focus of Sub-track 1.

TURN stated that item 19 (optimized portfolios of DERs) should be scoped into Sub-track 1. For reasons similar to those provided above, I decline to do so. One of the key goals of this proceeding and the Integrated Distributed Energy Resource (IDER) proceeding is to identify the full value DERs can provide, and to the extent we succeed in developing mechanisms that elicit “optimized” portfolios to deliver those values, that driver of DER adoption should be incorporated into adoption forecasts. However, this sub-track is not the right forum to consider what constitutes an optimized portfolio or how to elicit such a portfolio.

Within the ambit of Sub-track 1, I plan to address the following topics:

- Examination of the assumptions and techniques the utilities use to forecast loads and DER adoption at spatially disaggregated levels and whether forecasting techniques can be improved;

⁴ EDF August 22 comments on Track 3 ruling at 7.

- Consideration of how stakeholders and Commission staff can participate in and inform distribution-level forecasting; and;
- Consideration of whether and how disaggregated forecasts used for distribution planning purposes could be coordinated with the forecasts used for procurement need assessment and transmission planning.

2.2. Sub-track 2: Grid Modernization Investment Guidance

Item 3 (Grid modernization investment frameworks);

Item 15 (What grid modernization functions need to be deployed to support full DER integration)

All parties commenting on Sub-track 2 supported its inclusion and mostly supported the proposed scope. PG&E and NRDC sought clarification on the delineation between Sub-tracks 2 and 3, stemming from the inclusion of “Deferral Frameworks” in the original description of Item 3, “Grid Modernization/Deferral Frameworks.” Both describe their understanding of the Sub-Track 3 scope to include development of a DER Deferral Framework.⁵ I clarify that Sub-tracks 2 and 3 will examine the broader topic of DER-related grid investments in the manner characterized by NRDC:

- a. Sub-track 2: What grid modernization investments are appropriate given the need to integrate the growing number of DERs?
- b. Sub-track 3: What grid investments can be cost-effectively avoided or deferred by sourcing DERs?

ORA proposed the creation of distinct sub-tracks focused on “Cost” and “Planning” by moving Item 21, “Relationship to utility general rate cases

⁵ PG&E *Comments on Assigned Commissioner’s Ruling on Track 3 Issues*, August 22, 2016, at 1, 3; NRDC *Comments on the Assigned Commissioner’s Ruling on Track 3 Issues*, August 22, 2016, at 2.

(GRCs)” from the scope of Sub-track 3 into Sub-track 2. However, grid modernization investments needed to integrate increasing levels of DERs and deferred investments enabled by DERs raise distinct sets of issues regarding cost recovery and the timing of utility and Commission processes. With respect to grid modernization, we will examine specific technologies that the Investor-owned Utilities (IOU) may need to manage and accommodate DERs throughout their systems and whether to establish guidelines to govern utilities’ proposed grid modernization investments in the future. In contrast, the cost recovery issues related to deferral opportunities in Sub-track 3 will focus more on process alignment between the DRP, the annual distribution planning process, the capital project planning process, and the GRCs. Depending on the timing of these processes, some mechanism may be needed to ensure that distribution capital savings are accurately reflected in the utilities’ GRC filings. These distinct concerns argue for considering cost recovery separately, and I therefore deny ORA’s proposal to revise the focus of these two sub-tracks as “Cost” and “Planning.”

Issues that will be examined in Sub-track 2 include:

- Identification of distribution grid technologies and/or functions that enable greater DER penetration, integration and value maximization (versus investments that promote visibility, reliability, or resiliency generally);
- Which technologies may be needed on a location-specific basis (whether due to natural adoption or as needed to enable a distribution investment deferral) and which may be needed system-wide; and
- The type of information a utility must provide in order to justify the necessity or cost-effectiveness of a proposed DER-related grid modernization investment.

2.3. Sub-track 3: Distribution Investment Deferral Process –

Item 20 (Whether and when to require periodic updates to utility DRPs);

Item 21 (Relationship to utility GRCs);

Item 22 (Integration of DRPs into utility distribution infrastructure planning and investment)

The August 9 Ruling on Track 3 issues suggested that sub-track 3 would address the process to identify opportunities for DERs to provide distribution-level services and ultimately authorize the IOUs to procure DERs to meet the identified needs. The ruling further stated that this proposed sub-track would explore how any authorized DER procurements and the value of avoided traditional investments are captured in general rate case filings. In comments on the Track 3 ruling, all parties supported the inclusion of this sub-track. As noted above, Item 3 from the Track 3 scoping ruling list includes two distinct issues, “grid modernization” and “deferral frameworks,” which will be covered in sub-track 2 and sub-track 3 respectively.

Issues that will be examined in Sub-track 2 include:

- Establishment of a process to identify opportunities for DERs to defer or avoid traditional distribution infrastructure projects;
- Establishment of a process for utilities to seek authorization and cost recovery for DERs sourcing to enable deferral or avoidance of traditional investments; and
- Consideration of a process to ensure that the savings from deferred or avoided distribution investments are accurately reflected in concurrent or subsequent GRC filings.

2.4. Prioritization of Sub-Tracks

In comments on the August 9 Ruling, CAISO, PG&E, and NRDC advocated for the prioritization of Sub-track 1. The issues to be addressed in Sub-track 1 are important, but because the utilities already conduct distribution-level load and DER adoption forecasts for distribution planning purposes, I conclude that action in this sub-track is not especially urgent. Creating more transparency and opportunities for stakeholders to vet the utilities' distribution-level forecasts may help to improve those forecasts, but the utilities have those processes in place. In contrast, the Commission has provided little guidance on evaluating the need and value of DER-related grid modernization investment, no process exists to steer DERs to optimal locations. Additionally, the IntegrationCapacity Analysis (ICA) and Locational Net Benefits Analysis (LNBA) working groups are already examining near-term distribution-level forecasting as it pertains to the purposes of estimating hosting capacity and local value. For these reasons, I will de-prioritize work in Sub-track 1 in order to allow staff and parties to focus their resources on activities in the other two sub-tracks.

SCE, ORA, SDG&E, and Vote Solar recommended giving Sub-track 2 the highest priority. Indeed, the topic of grid modernization investments has become particularly timely given SCE's motion in this proceeding requesting authority to open a memorandum account to record approximately \$100 million of automation and information technology capital expenditures in 2017 and SCE's 2018 GRC Application 16-09-001, which forecasts nearly \$1.7 billion in grid

modernization capital investments.⁶ With the level of capital expenditures recently proposed by SCE, and SDG&E's GRC filing due in less than a year, I agree that action is needed in the near term. Acknowledging the need for expedited action on this topic, I will prioritize Sub-track 2.

As noted in the Order Instituting Rulemaking, one of the principal objectives of Assembly Bill 327 and this proceeding is "to minimize overall system costs and maximize ratepayer benefit from investments in distributed resources."⁷ Without a deferral identification and authorization process in place, one of the central goals of this proceeding, the use of DERs to reduce costs to ratepayers, will remain unrealized, and the progress made in developing the LNBA methodology and a competitive solicitation process will be in vain. Given the need to begin directing DERs to the areas of the grid where they can provide the most value, I will also prioritize work on this sub-track.

It should be noted that ORA has already developed an outline of a possible framework for identifying deferral opportunities and authorizing solicitations as part of its work in the Competitive Solicitation Framework Working Group in the IDER proceeding.⁸ ORA's proposal and the thought that other members of that working group have put into this topic have laid substantial groundwork. Thus, establishing an initial process for implementation by the end of 2017 should be feasible.

⁶ SCE 2018 General Rate Case, SCE-02 vol. 10 at 35.

⁷ Section 769(c).

⁸ *Competitive Solicitation Framework Working Group Final Report Filed by SCE (U338E), PG&E (U39M), SDG&E (U902E), and Southern California Gas Company (U904G), August 1, 2016.*

3. Data Access

A number of parties⁹ proposed creation of a fourth sub-track to examine Item 17 (Data access and confidentiality issues, to the extent they are not resolved in Track 1 with respect to the LNBA and ICA methodologies). These parties argue that the current universe of proceedings are considering data access issues in a siloed, patchwork fashion, and that there are a number of broadly applicable data access issues that cut across all proceedings and are not being taken up in Track 1 or IDER. Citing the different methods, authorizations, and security standards that are required to access different types of customer and planning data, parties call for the development of a centralized data access platform through which third parties could access data in standardized formats and with consistent authorizations across data types.

I note that a significant record has been developed in this docket around data access issues. The *Guidance Ruling*¹⁰ instructed the utilities to include in their DRP applications proposals on data sharing policies and procedures, as well as how make grid condition and smart meter data publicly available.¹¹ Then, a ruling¹² solicited party feedback on questions related to data access, including: needed data types and granularity; how to improve the access and availability of existing public data; whether such data types would be provided

⁹ CSE, Clean Coalition, Mission:data, NRDC, SVLG, SolarCity, SEIA and NRG, UtilityAPI, and Vote Solar.

¹⁰ *Assigned Commissioner's Ruling on Guidance for Public Utilities Code Section 769 – Distribution Resource Planning*, February 6, 2015.

¹¹ *Ibid*, Attachment, at 8-9.

¹² *Administrative Law Judge's Ruling Instructing Utilities and Non-Utility Parties to Answer Data Request*, April 29, 2016.

through the ICA or LNBA; whether a data access working group is needed; and whether the utilities need to update their applications with regards to data access. These questions were explored in more detail at a subsequent workshop.¹³

Given the existing record on data access issues, I decline to create a fourth sub-track within the scope of Track 3 to examine these questions anew. Rather, a forthcoming ruling will resume consideration of unresolved data access issues that are not specific to a data type, need, or use case. For instance, the ICA and LNBA Working Groups are currently discussing data access issues in the context of data use cases and needs that are specific to the development of (or output from) either tool. Similar to ICA and LNBA, to the extent that third party or utility data needs are identified within a Track 3 sub-track, discussions regarding access, authorizations, and/or privacy should occur within the scope of that sub-track.

4. Revised Schedule for Track 3

In order to accomplish the objectives for Track 3, I envision the following schedule of activities. Additional details will be provided in subsequent rulings and e-mails to the service list from Energy Division staff.

¹³ Data Access Workshop, CPUC Auditorium, May 23, 2016.

ACTIVITY	DATE
Staff report on grid modernization technologies	Q4 2016
Workshop on grid modernization	Q4 2016
Workshop on distribution investment deferral process	Q4 2016
Ruling and staff proposal on distribution investment deferral process	Q1 2017
Workshop on distribution load and DER adoption forecasting	Q1 2017
Ruling and staff proposal on grid modernization guidance	Q1 2017
Proposed decision on grid modernization guidance	Q2 2017
Proposed decision on distribution investment deferral process	Q2 2017
Ruling on distribution load and DER adoption forecasting	Q2 2017
Proposed decision on distribution load and DER adoption forecasting	Q3 2017

IT IS SO RULED.

Dated October 21, 2016, at San Francisco, California.

/s/ MICHAEL PICKER

Michael Picker
Assigned Commissioner

APPENDIX:
TRACK 3 ISSUES FROM THE
JANUARY, 27 2016, SCOPING RULING

Appendix: Track 3 Issues from the January 27, 2016, Scoping Ruling

1. Definition of distribution services that can be provided by distributed energy resources, to the extent these are not already addressed in Track 1 above related to the LNBA methodology;
2. Competitive neutrality, grid neutrality, and third-party ownership of DERs;
3. Grid modernization investment/deferral frameworks;
4. Control over dispatch of DERs;
5. The role of community choice aggregators (CCAs) and electric service providers and the utilities' responsibilities for competitive neutrality with respect to other wholesale electricity providers;
6. Utility role, business models, and financial interest with respect to DER deployment;
7. Coordination with other agencies with respect to climate policy;
8. Coordination with other procurement-related proceedings within the Commission, including the long-term procurement plan (LTPP) proceeding;
9. Coordination with the California Energy Commission's (CEC's) Integrated Energy Policy Report (IEPR) and demand forecast, as well as with the California Independent System Operator's Transmission Planning Process (TPP);
10. Maximizing ratepayer benefits of DERs, both in terms of overall system cost (including generation, transmission, and distribution) and greenhouse gas (GHG) reductions;
11. Value of DERs to customers;
12. Barriers to DER deployment that are safety or reliability-related. Other general discussion of barriers will be deferred to the IDER rulemaking;
13. DER deployment in disadvantaged communities;

14. Accounting for the GHG reduction benefits of DERs;
15. What grid modernization functions need to be deployed to support full DER integration;
16. Establishment of safety standards;
17. Data access and confidentiality issues, to the extent they are not resolved in Track 1 with respect to the LNBA and ICA methodologies;
18. Appropriate growth scenarios and/or forecasts for analysis of DER deployment;
19. Consideration of and need for optimized portfolios of DERs;
20. Whether and when to require periodic updates to utility distribution resource plans;
21. Relationship to utility general rate cases (GRCs); and
22. Integration of DRPs into utility distribution infrastructure planning and investment.

(END OF APPENDIX)