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

Order Instituting Rulemaking R.14-10-03 (Filed October 2, 2014)

COMMENTS OF 350 BAY AREA ON THE AMENDED SCOPING MEMO OF THE ASSIGNED COMMISSIONER AND JOINT RULING WITH ADMINISTRATIVE LAW JUDGE  filed February 12, 2018

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March 29, 2018
I. Introduction

350 Bay Area is a non-profit organization that works for deep reductions in carbon emissions in the Bay Area and beyond and presses for socially equitable solutions and a just transition to clean energy. Founded in 2012, 350 Bay Area represents more than 15,000 people, primarily concentrated in the nine Bay Area counties.

II. Comments
350 Bay Area appreciates the opportunity to provide comments on the amended scoping memo for the integrated demand-side resource programs. An amendment of the scoping memo provides the opportunity to consider the original objectives of R14-10-003, as stated on page 3 of the memo:
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))”

To date R14-10-003 has largely focused on opportunities for DER's to replace planned utility investment such as in infrastructure upgrades. Such projects have been designed for particular locations and the pilots have used procurement mechanisms appropriate to the utilities such as competitive solicitations, as well as seeking to determine incentives that would motivate utilities to incorporate DER's in their systems.

350 Bay Area urges the commission to put equal consideration and time into subsection (§ 769(b)(2)) of the initial objective. It has become clear that if DER assets are properly integrated into the system, they have the potential to make the grid more efficient, flexible, resilient, reliable, and low carbon. Services that can be provided by DER’s include voltage regulation, frequency regulation, addressing curtailment, rapid ramping, and participating in demand response. The memo primarily considers the locational benefit of DER's, and then seeks to “minimize the costs of distributed energy resources” (p 6). It would be preferable to consider a broader range of potential benefits created by DER’s and compare that to DER costs, rather than restricting the analysis to a single benefit.

Tariffs should be developed as an appropriate compensation method, in addition to the competitive solicitation approach currently under evaluation in R.14-10-003. Tariff(s) for DER’s can be responsive to near term identified grid needs, and more readily permit aggregators as well as residential, commercial, and industrial customers to provide needed grid services.

Tariffs should be of sufficient magnitude to incentivize DER owners or aggregators to participate in grid services, as needed in specific distribution circuit or sub-circuit locations, including voltage and frequency regulation proposed in Resolution 4898 (with the potential accompanying need for DER owner compensation), demand response for peak load decrease, and relief of peak congestion on distribution circuits. The Locational Net Benefit Analysis does not provide a reasonable basis for determining the appropriate tariff, as the value determined for a DER should be based on the value of the specific need that is being met by a DER.
There are models from demonstration projects and program evaluation for how such tariffs could be used, such as Critical Peak Pricing to decrease peak load. The inverse might also be useful, as technology improves—Critical Trough Pricing, to avoid utility scale solar curtailment by incenting energy use through grid controlled devices to charge electric vehicles, or to undertake thermal storage/load shift via chillers, air conditioners, or electric water heaters.

At this time, we do not propose a specific tariff. If a tariff is set by comparing DER use to meet a specific grid need to the cost of using fossil fuel generation to meet that need (e.g., a gas peaker plant to meet ramping needs) the analysis should incorporate a value for the externalized costs of fossil fuel combustion (health impacts of criteria air pollutants, cost impact of greenhouse gas emissions) which would be avoided by renewable DER’s. These analyses should be undertaken in a way which is not biased in favor of fossil fuel resources by undervaluing the true costs of fossil fuel combustion, and therefore biased against renewable DER's. Related to this issue, we look forward to commenting on the staff’s amended proposal for the modified Total Resource Cost and Societal Cost Test.

350 Bay Area responds to a question in Attachment A based on this perspective. While not addressing other questions at this time, we reserve the right to address other questions in reply comments.

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?

The amended scoping memo is focused almost entirely on addressing the locational needs of the grid and minimizing the costs of distributed resources. Since 2014 it has become clear that distributed resources can provide a range of grid services. Additional services such as voltage regulation, frequency regulation, addressing curtailment, rapid ramping, and participating in demand response should be considered in valuing DER’s. DER’s compensation should also incorporate value for avoiding emissions of greenhouse gases, and the resiliency they add to grid function.

Another objective is consistency across different proceedings. The conceptual framework for storage resources laid out in proceedings D.13-10-040, D.14-10-045 may be of use, especially the distribution and customer “service domains” (and services). Compensation for services should be considered in a technology neutral fashion.
Dated: March 29, 2018

Respectfully submitted,

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