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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND
ELECTRIC COMPANY (U39E) for
Review of the Disadvantaged
Communities – Green Tariff,
Community Solar Green Tariff and
Green Tariff Shared Renewables
Programs.

Application 22-05-022

And Related Matters.

Application 22-05-023

Application 22-05-024

**ADMINISTRATIVE LAW JUDGE’S RULING SETTING
ASIDE SUBMISSION OF THE RECORD TO SEEK COMMENTS
ON ASPECTS OF NET VALUE BENEFIT TARIFF PROPOSAL**

Summary

This ruling sets aside submission of the record to seek party comment on aspects of the Coalition for Community Solar Access (CCSA) proposed Net Value Benefit Tariff (NVBT) and other topics related to the consideration of a community renewable energy program. Comments responding to the questions attached to this ruling shall be filed by November 27, 2023; reply comments may be filed no later than December 7, 2023.

1. Background

Assembly Bill (AB) 2316 adds § 769.3 to the Public Utilities Code, which requires the Commission to “determine whether it would be beneficial to ratepayers...to establish a community renewable energy program” that, among other things, shall “minimize the impacts to nonparticipating customers by prohibiting the program’s cost from being paid by nonparticipating customers in

excess of the avoided costs.”¹ Additionally, the statute also requires that the program provide “bill credits to subscribers based on the avoided costs of the program’s facilities, as determined by the commission’s methods for calculating the full set of benefits of distributed energy resources. The commission may use actual wholesale market prices for the energy supply portion of an avoided cost calculation or credit value.”²

CCSA proposes that with the NVBT, electricity generated back to the grid would be compensated as bill credits to subscribers based upon the value of the energy on an hourly basis, which would be calculated by adding the energy, capacity (generation, transmission, distribution) and environmental (greenhouse gas rebalancing, greenhouse gas adder, and methane leakage) values. CCSA recommends using Day Ahead Zonal prices used in the California Independent System Operator (CAISO) market as the energy value. The other values would be fixed based on values from the Commission’s Avoided Cost Calculator,³ similar to the approach in the recently adopted Net Billing tariff. As discussed below, additional questions about the NVBT in relation to the generation capacity value have arisen during consideration of the NVBT. As such, this ruling sets aside

¹ Pub. Util. Code §769.3(b)(2)(A) and Pub. Util. Code §769.3 (c)(3).

² Pub. Util. Code §769.3 (c)(5)

³ “The Commission’s Avoided Cost Calculator has been traditionally used to determine the primary benefits of distributed energy resources across proceedings, the primary benefits being the avoided costs related to the provision of electric and natural gas service. The Avoided Cost Calculator calculates seven types of avoided costs: generation capacity, energy, transmission and distribution capacity, ancillary services, Renewables Portfolio Standard, greenhouse gas emissions, and high global warming potential gases. The outputs of the Avoided Cost Calculator feed into the cost-benefit analysis for distributed energy resources.” See D.22-12-056 at 59. In D.22-12-056, the Commission adopted the use of the Avoided Cost Calculator in the net billing tariff to establish compensation for customer generators enrolled in that tariff.

submission of the record to seek comment on these questions and other topics related to the establishment of a community renewable energy program.

2. Proposed NVBT and the NY VDER Incentive Values

CCSA describes the proposed NVBT as a California version of the New York State's Value of Distributed Energy Resources (NY VDER) tariff, where community solar facilities paired with energy storage and wind resources would generate energy to the grid and subscribers would be compensated for their subscribed portion of the generated energy through a bill credit. The bill credit would be based on a proposed generation value that is time-differentiated pricing, which rewards delivery of power at times of greater value to the grid.⁴ CCSA states that, similar to the NY VDER tariff, time-differentiated pricing would reflect the sum of different elements of a value stack for distributed resources.⁵ In the NY VDER, the value stack includes energy, capacity, environmental, demand reduction, and locational system values. In the NVBT, however, CCSA proposes a four-element value stack: energy, generation capacity, transmission and distribution, and environmental value.⁶ This would create a generation value, which would be fixed for a term of 25 years beginning at the date of the facilities' commercial operation.⁷

CCSA compares the export credit rate to the Avoided Cost Calculator values provided to customers in the net billing tariff but acknowledges that the proposed export credit rate is different for reasons discussed in testimony. First, the energy component of the export credit rate will use California Independent System Operator (CAISO) zonal day ahead hourly market prices instead of an Avoided Cost Calculator-based energy value. Second, rather than using all the

⁴ CCSA-02 at 4.

⁵ CCSA-02 at 4.

⁶ CCSA-02 at 5.

⁷ CCSA-2 at 17.

8,760 hourly data points for each non-energy component of the Avoided Cost Calculator, CCSA proposes that hourly values for each year from the transmission, distribution, generation capacity, greenhouse gas rebalancing, methane leakage, and greenhouse gas adder categories in the Avoided Cost Calculator would be summed into annual values, levelized over a term period of 25 years, and then divided by the number of peak hours (368) to create an hourly price applied to peak hours of each year.⁸

CCSA proposes that the peak hours would be July through September, 5:00 to 9:00 p.m. pacific standard time, including weekends, as these capture over 99 percent of the hourly 2022 generation capacity in the 2022 Avoided Cost Calculator.⁹ CCSA asserts this peak period was selected based on when loss of load events are currently most likely to occur based on the 2022 Avoided Cost Calculator.¹⁰ CCSA states that compensation would only be provided for these hours and that there is no off-peak compensation to customers.¹¹ CCSA proposes that the four-hour peak period hours would be re-evaluated after the issuance of the biannually updated Avoided Cost Calculator but remain at a four-hour period.¹²

Many of the questions attached to this ruling focus on the generation capacity value of the value stack. In testimony, CCSA defines the generation capacity value as “compensating community solar plus storage for reductions in the amount of generation capacity needed to support reliability.”¹³ CCSA asserts this reflects that “costs of providing reliable generation in California are not

⁸ CCSA-02 at 7.

⁹ CCSA-02 at 8.

¹⁰ CCSA-08 at 3-4.

¹¹ CCSA-02 at 11.

¹² CCSA-08 at 3-4.

¹³ CCSA-02 at 9.

entirely captured in [California Independent System] CAISO energy markets and instead ensured through the resource adequacy market and order for new capacity procurement through the integrated resource plan proceeding.”¹⁴ For the NVBT, CCSA proposes that the generation capacity component of the value stack will be “derived from the hourly [Avoided Cost Calculator] Generation Capacity Costs, which is based on the cost of additional battery storage resources.”¹⁵

CCSA notes that while the NVBT is modeled after the NY VDER, “California and the NVBT are not entirely analogous to New York and VDER.”¹⁶ In the case of the generation capacity value, CCSA highlights that California “relies on its Resource Adequacy program to ensure sufficient generation capacity exists to serve load.”¹⁷ Additionally CCSA points out that the system needs are different as the system peak remains midday in New York while California’s system peak has shifted into the evening, requiring energy storage for solar resources to meet needs driven by peak loads.¹⁸

Descriptions of aspects of the NY VDER, obtained through the website of the New York State Energy Research Development Agency (NYSERDA) (the agency responsible for the creation of the NY VDER), are attached to this ruling to ensure that complete and accurate information on this tariff is in the record of this proceeding. See Attachment 2 and Attachment 3 of this Ruling. It is also important to note that the NY VDER offers additional incentives to community solar projects in particular. As indicated on the NYSERDA website, “[i]n addition

¹⁴ CCSA-02 at 9-10.

¹⁵ CCSA-02 at 10. See also 2022 Avoided Cost Calculator Documentation v1b at 3, 38, available at <https://www.ethree.com/public-proceedings/energy-efficiency-calculator/>

¹⁶ CCSA-07 at 35.

¹⁷ CCSA-07 at 35.

¹⁸ CCSA-07 at 35.

to the base Value Stack compensation, eligible Community Distributed Generation (CDG) projects, like community solar, may receive a Community Credit (CC). The CC provides a supplemental \$/kilowatt-hour (kWh) that is locked in for 25 years (the rate varies based on location and availability).¹⁹ There is also an upfront \$/Watt incentive available to encourage the development of CDG projects after utilities' other incentives are fully allocated.²⁰

As indicated on the NYSEDA Technical Assistance website, the NY VDER has a five-megawatt capacity cap for all projects.²¹ CCSA contends that NVBT "projects will likely be sized to [five megawatts] to be able to include interconnection costs in the basis of project costs eligible for the ITC." However, CCSA asserts that a limitation on the size of NVBT projects "is unnecessary and may limit projects that are otherwise beneficial to ratepayers and subscribers."²²

Relatedly, Cal Advocates and TURN propose similar limitations. Cal Advocates proposes a four-gigawatt capacity cap in total for all projects interconnecting on the NVBT.²³ Cal Advocates asserts the program capacity limit will allow the Commission to evaluate the program and based on the evaluation revise the capacity limit. TURN proposes that the Commission limit project size to five megawatts, to ensure that the Investment Tax Credit is available for interconnection costs.²⁴ TURN states that interconnection costs for a solar project are only eligible for the Investment Tax Credit if projects are no larger than five

¹⁹ See the NYSEDA website at: <https://www.nyserda.ny.gov/All-Programs/NY-Sun/Contractors/Value-of-Distributed-Energy-Resources> Click on the "Incentives for Community Distributed Generation Projects" link to see a description.

²⁰ NYSEDA, "Community Adder," <https://www.nyserda.ny.gov/All-Programs/NY-Sun/Contractors/Dashboards-and-incentives/Community-Adder>

²¹ <https://www.nyserda.ny.gov/All-Programs/Energy-Storage-Program/Developers-Contractors-and-Vendors/Technical-Assistance>

²² CCSA-07 at 42.

²³ CA-02 at 1-23 to 1-26.

²⁴ TURN-02 at 12-13.

megawatts.²⁵ Further, TURN proposes that the Commission limit the ability to interconnect based on project location and size because of capacity constraints, i.e., the distribution circuit should be able to accommodate interconnection without requiring significant upgrades.²⁶ While recognizing that these projects would be responsible for the costs of such upgrades, TURN recommends the Commission authorize investor-owned utilities to designate distribution circuits that are not suitable for these projects if their interconnection would consume sufficient network capacity to cause delays for other interconnections.²⁷ CCSA asserts that NVBT-eligible facilities will be located close to the load they are serving and be on the utility's distribution grid.²⁸ However, CCSA proposes that the only location limitation be that the resource and the subscribers are in the same utility service territory.²⁹ Moreover, CCSA contends that "locational requirements for NVBT facilities should be rejected as it will undermine program success by increasing costs to site projects, decreasing potential enrollment pools, and increasing costs to subscribe remaining available customers."³⁰

3. Generation Capacity and the Resource Adequacy Program

California relies on the bilateral capacity market and the Resource Adequacy program to ensure sufficient generation capacity is available to the market. The Commission's Resource Adequacy program requires load serving entities to procure sufficient capacity to meet their monthly load plus a planning reserve margin. The Commission has adopted qualifying capacity counting methods to determine how much a resource may count toward meeting Resource Adequacy requirements. Resource Adequacy resources may be

²⁵ TURN-02 at 12-13.

²⁶ TURN-02 at 12.

²⁷ TURN-02 at 13.

²⁸ CCSA-07 at 11.

²⁹ CCSA-01 at 49.

³⁰ CCSA Reply Brief at 26.

transmission or distribution connected and must be enabled for wholesale market participation. If the qualifying capacity is not fully deliverable to aggregate CAISO load, the qualifying capacity is adjusted to the deliverable amount based on a CAISO study of stressed grid conditions. A resource that is shown for Resource Adequacy undertakes a must offer obligation to bid or self-schedule its capacity into the CAISO market at all times that the resource is physically available.

Under the existing Resource Adequacy program, there are currently two distribution-connected solar plus storage hybrids providing Resource Adequacy and another two currently under construction. The smallest of these projects has nameplate capacity of three-megawatt solar and three-megawatt storage. Additionally, under the existing Renewable Feed-In Tariff (ReMAT) program, there are 23 ReMAT solar projects currently online. The ReMAT program is a feed-in tariff program for small renewable generators less than three MW in size. The program is available to eligible projects through a fixed-price standard contract to export electricity to California's three large investor-owned utilities. Twenty-one of these ReMAT projects are listed on the Net Qualifying Capacity list. Of those projects, 15 provide Resource Adequacy capacity, while six have Energy-Only status due to lack of deliverability.

4. Setting Aside Submission to Improve the Record

The information above is provided in this ruling as a foundation to further develop the record of this proceeding. The record is deficient with respect to aspects of the generation capacity value for the NVBT and topics related to the consideration of a community renewable energy program. Accordingly, this ruling sets aside submission of the record to improve the record on generation capacity value and related topics. Parties are instructed to respond to the questions contained in Attachment 1 of this ruling. Parties may file opening

comments responding to these questions no later than November 27, 2023. Reply comments may be filed no later than December 7, 2023. In seeking additional comments, this ruling sets aside the previous submission date of August 10, 2023.

IT IS RULED that:

1. Parties may file opening comments responding to the questions in Attachment 1 of this Ruling no later than November 27, 2023. Reply comments may be filed no later than December 7, 2023.
2. In seeking additional comments, the previous submission date of the record of August 10, 2023 is set aside.

Dated November 6, 2023, at San Francisco, California.

/s/ DEBBIE CHIV

Debbie Chiv
Administrative Law Judge

/s/ KELLY A. HYMES

Kelly A. Hymes
Administrative Law Judge