BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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Order Instituting Rulemaking to Consider Distributed Energy Resource Program Cost-Effectiveness Issues, Data Access and Use, and Equipment Performance Standards.	Rulemaking 22-11-013

COMMENTS OF ASSOCIATION OF BAY AREA GOVERNMENTS AND COUNTY OF VENTURA ON ADMINISTRATIVE LAW JUDGE'S RULING ISSUING UPDATED 2026 AVOIDED COST CALCULATOR STAFF PROPOSAL FOR PARTY INPUT

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June 19, 2026

I. INTRODUCTION AND SUMMARY

Pursuant to the Administrative Law Judge's Ruling of June 5, 2026, the Bay Area Regional Energy Network (BayREN) and the Tri-County Regional Energy Network (3C-REN) (together, the Joint RENs) respectfully submit these opening comments on the revised 2026 Avoided Cost Calculator (ACC) Staff Proposal.

The Joint RENs appreciate ongoing efforts to improve the analytical validity and consistency of the tools used by the California Public Utilities Commission (CPUC or Commission) and California Energy Commission (CEC) to help make prudent energy policy decisions. It is important that these tools treat all resources commensurately to support sound energy policy. That is, the ACC should calculate a common value of grid "avoided costs" (e.g., generation, transmission, and distribution) for solar, storage, demand response, energy efficiency, and, importantly, direct grid investments.[1] However, the Proposal introduces structural asymmetries that systematically undervalue distributed and demand-side options relative to grid-scale investments, directly contradicting system needs, statutory frameworks, and state clean-energy targets.[2]

Incommensurate treatment of resources fundamentally undermines the usefulness of the proposed ACC modifications. In addition, the empirical foundation for the Proposal's calculation approaches is inconsistent. The Commission itself has determined that its methods to estimate avoided costs need to be improved; a study to address present weaknesses is underway.[3] Further,

[1] DER Cost-Effectiveness.
[2] Rulemaking (R.) 22-11-013, *Order Instituting Rulemaking to Consider Amendments to the Avoided Cost Calculator*,
[3] D.22-05-002 at 74-75 (finding that the current method of estimating avoided transmission costs needs improvement and ordering a study of avoided transmission and distribution costs); see Administrative Law Judge's Ruling Requesting Party Comments on Funding for an Avoided Transmission and Distribution Cost Study, R.22-11-013

California is curtailing large volumes of utility-scale generation,[4] signaling physical constraints and structural inefficiencies of an overly transmission-dependent grid. This, in turn, implies that demand-side resources are already being undervalued.[5] The Proposal would make things worse.

For example, under the Proposal the revised Integrated Calculation claims parity by setting the same greenhouse gas value, the RESOLVE shadow price, on both the supply and demand sides.[6] But the Proposal then caps the value reflected in the ACC at a separate and lower benchmark, the high societal cost of carbon, to which the supply side is not subject.[7] When the uncapped value would be higher, the demand-side result is held to the lower capped figure. This selective ceiling predetermines outcomes and ensures that demand-side resources can never reflect the full value recognized on the supply side.

The Joint RENs therefore recommend that the Commission decline to adopt the revised Integrated Calculation as structured, and act on the recommendations below to determine what methodology should be adopted.

II. QUESTION 1: DO YOU SUPPORT THE PROPOSED REFINEMENTS TO THE INTEGRATED CALCULATION MODEL? WHY OR WHY NOT?

The Joint RENs do not support the proposed refinements to the Integrated Calculation model. The Proposal claims parity by setting the same greenhouse gas value, the RESOLVE

(Dec. 8, 2023). The study, the draft research plan for which was presented at an Energy Division webinar on August 22, 2025, remains underway.

[4]California Independent System Operator (CAISO) operational and curtailment data via GridStatus, "Batteries Boom but Solar Slides in CAISO," https://blog.gridstatus.io/batteries-boom-but-solar-slides-in-caiso/.

[5] Revisiting grid flexibility techniques for minimizing renewable energy curtailment - ScienceDirect

[6]Revised Staff Proposal, Section 3.2 (setting GHG avoided costs equal to the RESOLVE shadow price, stated to ensure that demand-side resources evaluated with the ACC are valued equally to supply-side resources evaluated through the IRP).

[7]Revised Staff Proposal, Section 2.2.3 (proposing a cap on the GHG value in both the electric and gas models equal to the high societal cost of carbon adopted in the Societal Cost Test, applied to the final GHG value after the integrated calculation in the electric model).

shadow price, on both the supply and demand sides.[8] The end result, however, is not parity, because the ACC value would be artificially held lower than the supply-side value. Section 2.2.3 caps the greenhouse gas value in the ACC at the high societal cost of carbon, a separate and lower benchmark, while the shadow price that drives supply-side selection in the Integrated Resource Plan (IRP) carries no such ceiling.[9] The cap is the binding constraint wherever the shadow price would otherwise be higher; the choice of input would no longer determine the outcome, the cap does. The Societal Cost of Carbon in Figure 1 of the Proposal is lower than the electric and gas value for every year starting in 2035; that cap would govern the ACC value.

As the Proposal's own background concedes, building decarbonization measures carry higher marginal abatement costs than supply-side alternatives. [10] Implementing a ceiling based on the societal cost of carbon would severely punish the fuel-substitution and building-electrification measures the Joint RENs are tasked with administering. An analytical tool cannot claim resource neutrality or parity when it selectively caps demand-side value while allowing supply-side value to remain entirely uncapped. The newly introduced transparency exposes this deep asymmetry, which persists despite parties still being denied access to the active ACC workbook.

For these reasons, the Joint RENs do not support the Integrated Calculation refinements as structured.

[8]Revised Staff Proposal, Section 3.2 (setting GHG avoided costs equal to the RESOLVE shadow price, stated to ensure that demand-side resources evaluated with the ACC are valued equally to supply-side resources evaluated through the IRP).

[9]Revised Staff Proposal, Section 2.2.3 (proposing a cap on the GHG value in both the electric and gas models equal to the high societal cost of carbon adopted in the Societal Cost Test, applied to the final GHG value after the integrated calculation in the electric model).

[10]Revised Staff Proposal, Section 2.1.4 (building decarbonization policy mandates for the natural gas sector imply higher marginal costs for achieving GHG reductions than in the electric sector; the interim gas GHG value is based on a $114/tonne residential building electrification abatement cost).

III. QUESTION 3: DO YOU HAVE OTHER RECOMMENDATIONS FOR THE INTEGRATED CALCULATION MODEL OR THE AVOIDED TRANSMISSION COST CALCULATION?

The Joint RENs offer four recommendations, each directed at preventing determinations that artificially lower the value of demand-side resources.

First, the Energy Division should publish the Integrated Calculation's greenhouse gas output, and allow for party critique and comment, before a final calculation method is adopted. The transparency the Excel format provides should be used to test the parity claim on the record, so that parties and the Commission can empirically evaluate the apparent asymmetry.

Second, the Commission should not codify any methodologies while the ACC foundations are under active review. The Commission determined that its approaches to estimate avoided costs need to be improved; the study ordered to address present imperfections is not yet complete.[11] It would be premature to adopt refinements before the Commission's own corrective work has concluded.

Third, the Commission should address the imbalance in analytical rigor across the calculations. Some inputs are subjected to active scrutiny and refinement; others are utility-reported and unexamined. Methodological discipline applied to one input and withheld from another does not yield a neutral result. The Commission should not adopt a framework that treats elements asymmetrically in this fashion.[12]

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[11] D.22-05-002 at 74-75 (finding that the current method of estimating avoided transmission costs needs improvement and ordering a study of avoided transmission and distribution costs); see Administrative Law Judge's Ruling Requesting Party Comments on Funding for an Avoided Transmission and Distribution Cost Study, R.22-11-013 (Dec. 8, 2023). The study, the draft research plan for which was presented at an Energy Division webinar on August 22, 2025, remains underway.

[12] *See* Joint Regional Energy Networks (Joint RENs) [Comments / Reply Comments] on the [Proposed Decision / Staff Proposal Regarding the Avoided Cost Calculator Updates], R.22-11-013

Fourth, and most fundamentally, determinations of this consequence should follow, not precede, resolution of the equity Guiding Principles under Track 3. The Proposal's changes would influence the relative value the ACC assigns to demand-side and distributed resources, precisely the question the Track 3 Guiding Principles are intended to frame. Adopting methodology changes of this magnitude before the Commission completes its own study on foundational avoided cost methods is premature and risks locking in analytical biases that the ongoing research is specifically intended to correct.

The Commission should not adopt an analytical tool that embeds structural bias, foundational weakness, and unresolved, undiscussed, principles. The Joint RENs respectfully request that the Commission decline to adopt the revised Integrated Calculation as written and instead consider integrating our recommendations to restore analytical rigor and resource parity across all calculations.

Respectfully submitted,

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