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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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

Rulemaking 14-10-003

**DECISION ADOPTING PILOTS TO TEST TWO FRAMEWORKS FOR
PROCURING DISTRIBUTED ENERGY RESOURCES THAT AVOID OR
DEFER UTILITY CAPITAL INVESTMENTS**

TABLE OF CONTENTS

Title	Page
DECISION ADOPTING PILOTS TO TEST TWO FRAMEWORKS FOR PROCURING DISTRIBUTED ENERGY RESOURCES THAT AVOID OR DEFER UTILITY CAPITAL INVESTMENTS	1
Summary	2
1. Background	3
1.1. Procedural Background	3
1.2. Public Utilities Code Section 769 and the Creation of the Competitive Solicitation Framework and the Distribution Investment Deferral Framework	4
2. Brief Overview of Staff Proposal	6
3. Issues Before the Commission.....	7
4. Consideration of the Staff Proposal.....	8
4.1. Guiding Principles.....	8
4.1.1. Proposed Guiding Principles	8
4.1.2. Adoption of Guiding Principles	10
4.1.2.1. Requests to Omit Certain Proposed Guiding Principles	12
4.1.2.2. Requests to Adopt Additional Guiding Principles	14
4.1.2.3. Refinement of the Guiding Principles.....	16
4.1.2.4. Adopted Guiding Principles.....	20
4.2. Distribution Deferral Tariff and Pilot.....	21
4.2.1. Proposed Distribution Deferral Tariff.....	21
4.2.2. Proposed Deferral Opportunity Pilot	23
4.2.3. Adoption of Partnership Pilot.....	25
4.2.3.1. Partnership Pilot Prescreening Process.....	31
4.2.3.2. Partnership Pilot Use of Ratable Procurement, Acceptance Trigger, and Procurement Margin.....	33
4.2.3.3. Partnership Pilot Use of the Simple Pricing Method, with 85 Percent Tariff Budget.....	40
4.2.3.4. Partnership Pilot Subscription Period, Contingency Date, and Reservation Period	42
4.2.3.5. Partnership Pilot Tiered Payment Structure	45
4.2.3.6. Partnership Pilot Marketing and Outreach	48
4.2.3.7. Incrementality	50
4.3. Request for Offer Streamlining.....	52
4.3.1. Proposed Revisions to the Current Request for Offer Process.....	52
4.3.2. Adoption of RFO Revisions.....	54

4.4. Standard Offer Contract and Pilot	57
4.4.1. Proposed Standard Offer Contract.....	57
4.4.2. Proposed Pilot	57
4.4.3. Adoption of Standard Offer Contract Pilot.....	58
5. Comments on Proposed Decision.....	62
6. Assignment of Proceeding	63
Findings of Fact.....	63
Conclusions of Law	74
ORDER	76

Attachment A – Commission Energy Division Staff Proposal

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**DECISION ADOPTING PILOTS TO TEST TWO FRAMEWORKS FOR
PROCURING DISTRIBUTED ENERGY RESOURCES THAT AVOID OR
DEFER UTILITY CAPITAL INVESTMENTS**

Summary

This decision adopts pilots to test two frameworks for procuring distributed energy resources to avoid or defer utility distribution investments: 1) a five-year distributed energy resources distribution deferral tariff pilot that we call the Partnership Pilot because of its reliance on several partnerships; and 2) a three-year standard offer contract pilot for procuring distributed energy resources to defer distribution investments, with a contract based on the current Technology Neutral Pro Forma contract. The Partnership Pilot and Standard-Offer-Contract Pilot are the culmination of a two-year effort in this proceeding entailing several days of workshops, seven party proposals, and several rounds of party comments.

We pilot the two frameworks to determine whether these approaches are able to address existing challenges in the Distribution Investment Deferral Framework, which the Commission currently uses to procure distributed energy resources to avoid or defer utility distribution investments. These new frameworks signal our continued efforts to implement Public Utilities Code Section 769, which requires (among other items) the identification of standard tariffs, contracts, or other mechanisms for the deployment of cost-effective distributed energy resources that satisfy distribution planning objectives and the identification of barriers to the deployment of distributed energy resources.

This decision also adopts language to define incrementality and refinements to the current Distribution Investment Deferral Framework Request For Offer process. Both of these elements should decrease current barriers to the

deployment of distributed energy resources, furthering the intention of Public Utilities Code Section 769.

1. Background

1.1. Procedural Background

On February 12, 2018, the assigned Commissioner to this proceeding issued an amended scoping memo that added the following issue to this proceeding: *Design, for Commission consideration and adoption, alternative sourcing mechanisms or approaches that satisfy distribution planning objectives.* Since that time, this proceeding has been building a record to address this issue.

On August 13-14, 2018, the Administrative Law Judge facilitated a workshop, at which time parties began to develop ideas for designing tariffs for distributed energy resources. During that workshop, parties discussed design principles, the definition of tariffs, availability of tariffs to individual customers versus aggregators, incrementality, using tariffs to enable distributed energy resources to meet more near-term grid needs, and the risks of over and under procurement of distributed energy resources.

The Administrative Law Judge issued a ruling on November 16, 2018, that directed parties to file distributed energy resources tariff proposals, taking into consideration the August 2018 workshop discussions. Parties were also directed to comment on the proposed definition of tariff and the proposed design principles that were attached to the ruling.

A February 21, 2019 Ruling noticed a subsequent workshop, scheduled for March 4-5, 2019. In the Ruling, the Administrative Law Judge explained that, of the tariff proposals filed pursuant to the November 16, 2018 Administrative Law Judge Ruling, only seven proposals complied with the ruling instructions. Accordingly, the March 2019 workshops focused solely on those seven proposals.

Presentations of each of the seven proposals were provided by the proposal sponsors during the workshop. For each of the seven proposals, workshop participants discussed three aspects: a) compliance with proposed design principles, b) meeting grid needs; and c) incrementality. Parties also discussed refining the proposals and areas of general agreement amongst the parties.

On October 06, 2020, the Administrative Law Judge issued a ruling introducing the Distributed Energy Resources Tariff Staff Proposal (Staff Proposal) and directed parties of Rulemaking (R.) 14-10-003 to respond to questions regarding the Staff Proposal. The Staff Proposal evolved from the prior party proposals. On October 30, 2020, the following parties filed responses to the questions on the Staff Proposal: 350 Bay Area, Advanced Energy Economy (AEE); California Efficiency + Demand Management Council (Council); California Energy Storage Association (CESA); California Solar and Storage Association (CalSSA); Clean Coalition; Coalition of California Utility Employees (CUE); Pacific Gas and Electric Company (PG&E); Public Advocates Office of the Public Utilities Commission (Public Advocates Office); San Diego Gas & Electric Company (SDG&E); Southern California Edison Company (SCE); and SunRun Inc. (SunRun). On November 10, 2020, the following parties filed reply comments: 350 Bay Area; AEE; CESA; CalSSA with Solar Energy Industries Association and Vote Solar (Joint Parties); CUE; Clean Coalition; PG&E; Public Advocates Office; SDG&E; and SCE.

1.2. Public Utilities Code Section 769 and the Creation of the Competitive Solicitation Framework and the Distribution Investment Deferral Framework

Public Utilities Code Section 769 required the Commission to create a framework for reducing barriers to distributed energy resources deployment and

targeting distributed energy resources deployment that avoid or defer utility capital investments. This proceeding and the Distribution Resources Plans proceeding (R.14-08-013) were initiated to work together to create this framework.

In Decision (D.) 16-12-036 of this proceeding, the Commission developed and adopted the Competitive Solicitation Framework for distributed energy resources. As part of that framework, the Commission established a Distribution Planning Advisory Group (DPAG) to review candidate deferral opportunities and advise and consult with PG&E, SDG&E, and SCE (Utilities) on the process. Relevant to the instant decision, D.16-12-036 also directed the development of a Technology-Neutral Pro Forma (TNPF) contract.

Building from the Competitive Solicitation Framework, the Commission adopted the Distribution Investment and Deferral Framework (DIDF) in R.14-08-013. The DIDF is an ongoing annual process to identify, review, and select opportunities for competitively sourced distributed energy resources to defer or avoid utility traditional distribution capital investments. Using the California Energy Commission's Integrated Energy Policy Report system level forecast, Utilities identify distribution system deficiencies to determine grid needs. In this Grid Needs Assessment, Utilities analyze potential load transfers for no cost solutions and present the assessment annually to inform the DIDF, as required by D.18-02-004. D.18-02-004 also requires Utilities to develop and file an annual Distribution Deferral Opportunity Report (DDOR). The DDOR describes each candidate deferral project that passes initial screening and the distributed energy resources distribution service attributes required to meet the identified needs. The DPAG reviews the report and identifies candidate projects

for the Utilities to issue competitive solicitations. Through the Advice Letter process, the Commission reviews and approves distributed energy resources deferral projects for Request for Offer (RFO) solicitations.

2. Brief Overview of Staff Proposal

The Staff Proposal contends that the current DIDF RFO process, described above, presents several challenges, which may have led to the limited success in procuring distributed energy resources to avoid or delay distribution capital investments. These challenges include changing distribution system needs; a risk of over and under procurement; infeasibility of near-term deferrals; forecast uncertainty; interconnection queues and delays; and technology neutrality limitations. To combat these challenges, the objectives of the Staff Proposal are to: 1) streamline and scale distributed energy resources procurement; 2) develop pilots to test the tariff proposals and the elements; and 3) clarify incrementality policies for sourcing distributed energy resources for deferral projects.

First, building upon principles developed in prior workshops, the Staff Proposal recommends adoption of a revised set of principles. The list of proposed guiding principles is provided in Section 4.1.1 below.

Second, the Staff Proposal recommends adoption of a tiered payment structure, called the Clean Energy Customer Incentive (Incentive) framework. The objective of the Incentive framework is to facilitate a wider range of customer participation, including customers providing Behind-the-Meter distributed energy resources. The Incentive would allow customers with eligible distributed energy resources to enroll in the tariff and use their resources to operate in response to dispatch signals communicated from a utility via an approved distributed energy resources service aggregator. Aggregators would contract with a utility to enroll customers in the Incentive and make payments to

the customers for providing service of their resource. The Staff Proposal contends this approach would lower transaction costs, allow a wider range of customer participation, increase procurement of Behind-the-Meter distributed energy resources, decrease interconnection delays; decrease risks; and work well with changing distribution needs. While the Staff Proposal discusses three pilots to test the Incentive, this decision solely addresses Pilot 1, referred to as the Deferral Opportunity Pilot. The Staff Proposal recommends implementation of Pilot 1 as part of the 2021-2022 DIDF cycle, whereby Utilities would each be required to propose at least one Tier 1 opportunity to pilot the Incentive.

Third, to improve certainty for distributed energy resources developers, aggregators, and service providers, the Staff Proposal recommends:

- 1) eliminating the requirement for Utilities to file two Tier 2 Advice Letters; and
- 2) revising the schedule such that RFOs are launched five months earlier.

Fourth, to decrease the transactional cost and risk compared to the current DIDF RFO process, the Staff Proposal recommends adoption of a Standard Offer Contract pilot. Based on the existing TNPF contract, the Standard Offer Contract is recommended for larger scale providers of In-Front-of-the-Meter distributed energy resources. The Staff Proposal recommends a five-year pilot, whereby Utilities would each be required to launch one Tier 1 candidate deferral opportunity during each DIDF cycle.

3. Issues Before the Commission

The October 6, 2020 Ruling, which introduced the Staff Proposal, outlined the following issues for the Commission to consider in this decision:

- Should the Commission adopt guiding principles for distributed energy resource tariffs, either as proposed or with modifications?

- Should the Commission adopt the Distributed Energy Resources Deferral Tariff Pilot 1 and implement in August 2021, either as proposed or with modifications?
- Should the Commission adopt the proposed changes to the current Requests for Offers process?
- Should the Commission adopt the proposed Standard Offer Contract pilot, either as proposed or with modifications?

4. Consideration of the Staff Proposal

In the subsections below, we provide further details of our consideration of the Staff Proposal with respect to: 1) guiding principles for the development of a distributed energy resources distribution deferral tariff; 2) a distribution deferral tariff and pilot; 3) streamlining the current RFO solicitation process; and 4) a Standard Offer Contract and pilot.

4.1. Guiding Principles

Upon review of the proposed guiding principles in the Staff Proposal, and the comments and reply comments filed by parties, we have refined the proposed guiding principles and adopt a set of principles to guide the development of a distributed energy resources distribution deferral tariff. The adopted principles establish the foundations of the tariff: what the tariff should do and what objectives it should meet. Below we first describe the proposed guiding principles found in the Staff Proposal; we then review party requests to make changes to the proposed set through elimination, addition, or refinement.

4.1.1. Proposed Guiding Principles

The Staff Proposal recommends adoption of nine guiding principles for the design of distributed energy resources tariffs. The first five principles were originally presented in a November 18, 2018 Ruling that directed parties to develop proposals for distributed energy resources tariffs. The Staff Proposal

explains that revisions were made to the original principles (as indicated by italics). Additionally, the Staff Proposal developed and presented four new guiding principles (the last four bullets). (For discussion purposes, we refer to the originally proposed guiding principles as numbered below.)

Distributed Energy Resources Tariff Designs:

1. Do not inherently favor traditional infrastructure investments over distributed energy resources or vice versa *while removing barriers to DERs to compete on a level playing field.*
2. Provide an incentive for energy usage and market behavior (consuming, buying, and selling energy and capacity and derivative products) that is reasonably expected to reduce greenhouse gas emissions and other air pollutants.
3. Provide an incentive for energy usage and market behavior (consuming, buying, and selling energy and capacity and derivative products) that is reasonably expected to ~~minimize~~ *reduce* overall energy system costs, relative to other available options, including, but not limited to:
 - Distribution costs
 - Transmission costs
 - Generation costs
 - Other costs that may overlap with the above categories, including costs associated with *operations and maintenance*, vegetation management, preventative de-energization, insurance, and any other relevant costs.
4. Enable utilities to recover all Commission-approved revenue requirements equitably from both participating and non-participating customers.
5. Are reasonably expected to improve the deployment *and utilization* of cost-effective distributed energy resources relative to the other mechanisms currently available.

6. Maintain technology neutrality among different distributed energy resource types while recognizing that some distributed energy resources will be better able to meet certain needs than others.
7. Leverage private investment in distributed energy resources to achieve deferral benefits at least at marginal cost to ratepayers. The cost of distributed energy resources must cost less than the deferral value cost cap to be selected for contracting. Behind-the-meter distributed energy resources are paid for by homeowners and businesses. Deferral tariffs can leverage this private investment in distributed energy resources and potentially be more cost competitive relative to paying the full cost of the distributed energy resource.
8. Leverage existing distributed energy resource programs not already providing deferral services such as the Self-Generation Incentive Program and Net Energy Metering. Leveraging existing distributed energy resource programs enhances the value of those programs to ratepayers and can provide lower cost deferral solutions.
9. Learn by Doing Pilots – the pilots proposed require adaptation and experimentation and a longer time horizon for evaluating results and success.

4.1.2. Adoption of Guiding Principles

To begin, we clarify that the intent of the guiding principles is to ensure that when designing a distributed energy resource tariff, the tariff meets each of these principles. In our review of the proposed guiding principles from the Staff Proposal and party comments, we found that certain proposed principles focused on the pilot and not the tariff. For example, the Staff Proposal recommends adoption of the Principle 9: Learn by Doing Pilot,¹ and Public

¹ Staff Proposal at 20.

Advocates Office recommends the inclusion of an off-ramp to end or modify pilots based on evaluation results.² Further, CUE submits that criteria for what constitutes success in a pilot should be established before the pilot begins.³ We find value in the substance of these proposals and address the substance in our discussion of the distributed energy resources distribution deferral tariff pilot. However, we do not consider them to be principles for distributed energy resources distribution deferral tariffs and eliminate them from the final adopted guiding principles.

Next, we look to the directives of the statute that led to the initiation of this proceeding: to deploy cost-effective distributed energy resources that satisfy distribution planning objectives; to coordinate existing commission-approved programs, incentives, and tariffs to maximize the locational benefits and minimize the incremental costs of distributed energy resources; and to identify barriers to the deployment of distributed energy resources.⁴ Hence, we find the issues of cost-effectiveness, minimizing incremental costs, and eliminating barriers to the deployment of distributed energy resources to be key to the development of the tariff, and therefore appropriate in our discussion of the development of guiding principles.

Our consideration of the guiding principles is separated into the following sections: omission of certain proposed principles, addition of principles, and refinement of principles. Each is discussed separately below.

² Public Advocates Office Opening Comments, October 30, 2020 at 5.

³ CUE Opening Comments, October 30, 2020 at 7.

⁴ Public Utilities Code Sections 769(b)(2), 769(b)(3), and 769(b)(5).

4.1.2.1. Requests to Omit Certain Proposed Guiding Principles

While supporting a number of the principles, the following parties request removal of other proposed principles: CESA, CUE, PG&E and SDG&E.

Both CESA and SDG&E request omission of principle 6, which would require neutrality but includes a statement that some distributed energy resources are better suited to meet certain needs. SDG&E asserts this statement is not a principle but a fact.⁵ While we maintain the neutrality requirement as a principle, we agree that distributed energy resources' differing abilities is a fact. This portion of principle 6 should be deleted.

CUE and PG&E contend principle 2, regarding reduction of greenhouse gas emissions, is outside the scope of the requirements for distribution project deferral.⁶ CUE highlights the intention of this distributed energy resources tariff is to defer distribution projects and argues there are other programs that provide incentives for reducing emissions.⁷ Agreeing that the purpose of the distributed energy resources is not to reduce emissions, CESA asserts this principle may create inequities because traditional distribution investments are not held to this standard.⁸ We agree that this principle would conflict with the policy of technology neutrality and omit it from the final list of principles.

CUE and PG&E also argue for the exclusion of principle 3: *Provide an incentive for energy usage and market behavior (consuming, buying, and selling energy*

⁵ SDG&E Opening Comments, October 30, 2020 at 7-8.

⁶ CUE Opening Comments, October 30, 2020 at 4 and PG&E Opening Comments, October 30, 2020 at 6-7.

⁷ CUE Opening Comments, October 30, 2020 at 4.

⁸ CESA Opening Comments, October 30, 2020 at 8.

and capacity and derivative products) that is reasonably expected to reduce overall energy system costs, relative to other available options, including but not limited to: distribution costs, transmission costs, generation costs, and other costs that may overlap with the above categories, including costs associated with operations and maintenance, vegetation management, preventative de-energization, insurance and any other relevant costs. CUE and PG&E contend this principle is out of scope. CUE states that the principle misconstrues the purpose of the DIDF and any distributed energy resource tariff, arguing the purpose of the tariff is to provide a way to compare distributed energy resources with wire investments to see if the distributed energy resources are more cost-effective.⁹

CUE confuses the purpose of the tariff with the purpose of the pilot. We reiterate that the purpose of the tariff is to target distributed energy resources deployment that defers or avoids distribution investments. However, we agree that certain contents of this principle are not consistent with the purpose of the tariff. Further, we agree with CESA that distributed energy resources customers receive a payment for a service, not an incentive.¹⁰ We find proposed principle 3 addresses elements broader than a distributed energy resources tariff (*e.g.*, energy usage and market behavior). However, the relevant contents of the principle (*i.e.*, importance of cost reduction relative to other available options) should be maintained but revised. We discuss the revisions in the refinement section below.

SDG&E opposes the inclusion of two new principles proposed by staff. We begin with arguments against principle 7: *Leverage private investments in*

⁹ CUE Opening Comments, October 30, 2020 at 5.

¹⁰ CESA Opening Comments, October 30, 2020 at 22.

distributed energy resources to achieve deferral benefits at least at marginal cost to ratepayers. The cost of distributed energy resources must cost less than the deferral value cost cap to be selected for contracting. Behind-the-Meter distributed energy resources are paid for by homeowners and businesses. Deferral tariffs can leverage this private investment in distributed energy resources and potentially be more cost competitive relative to paying the full cost of the distributed energy resources. SDG&E opposes the statement that deferral tariffs are effective substitutes for competitive processes; we agree that this statement should not be included in this principle. However, we find that the foundation of this principle – leveraging private investments – is an element in ensuring cost-effectiveness. We discuss further revisions to this principle below.

SDG&E also opposes the inclusion of principle 8, which calls for leveraging existing distributed energy resources not already providing deferral services. SDG&E maintains that adoption of this principle would result in “heavily subsidized customers...rewarded with even more money.”¹¹ Here again, the foundation of this principle is valuable – leveraging existing distributed energy resources – but we must protect against double payments. We maintain the principle but refine it below to include such assurances.

4.1.2.2. Requests to Adopt Additional Guiding Principles

Sunrun and PG&E offer additional proposed guiding principles.

Sunrun supports the proposed principles but requests the additional principle of ensuring that pilot program design accelerates market understanding, encourages innovation, and fosters the development of scalable

¹¹ SDG&E Opening Comments, October 30, 2020 at 9-10.

full-program models.¹² We discuss these points in our discussion of the pilot itself. But we find the tariff design should also encourage innovation and thus incorporate this into the adopted principles.

PG&E contends that to mitigate risks related to grid safety, reliability, and affordability, the Commission should adopt the following additional principles:

- 1) pay for only cost-effective solutions where benefits are fully realized;
- 2) provide for compensation only for incremental service at or below cost of traditional investment and for services not compensated elsewhere to avoid double payment or subsidy;
- 3) do not pay for additional commodities and/or services that distributed energy resources offer if need for those services does not exist for buyer;
- 4) tailored to specific distribution grid need, where distributed energy resources participation & compensation are limited to defined locations and time;
- 5) have verifiable evidence that distributed energy resources meet distribution need requirements;
- 6) include appropriate contractual provisions, such as penalties and recovery of emergency and contingency costs, for non-performance to meet need; and
- 7) have a defined time period with a start and sunset date for pilot.

SCE supports PG&E's additional principles.¹³

Three of these concepts should be incorporated into the principles: ensuring cost-effective solutions and incremental services and avoiding double payments. We address these concepts below in our refinement discussion. However, other concepts are specific to tariff and/or contract provisions (*e.g.*, not paying for unneeded services, verification, penalties, etc.), are not principles, and should not be adopted as such.

¹² SunRun Opening Comments, October 30, 2020 at 2 and 6.

¹³ SCE Reply Comments, November 10, 2020 at 5-6.

4.1.2.3. Refinement of the Guiding Principles

Below, we address additional refinement of guiding principles for the design of a distributed energy resources distribution deferral tariff. We begin with a discussion of specific minor refinements proposed by parties and then turn to final refinement based on party comments.

Several parties express support of the proposed principles with some offering minor edits: 350 Bay Area, AEE, Council, Public Advocates Office, and SCE. 350 Bay Area requests the Commission refine the principle regarding the recovery of revenue requirements and ensure the accounting for other financial benefits to the overall energy system.¹⁴ We remind parties that the Avoided Cost Calculator has already been updated in this proceeding to address avoided costs (*i.e.*, benefits) of distributed energy resources. Hence, we decline to adopt 350 Bay Area's modification. AEE states that it supports the guiding principles and notes its agreement with the inclusion of principles focused on neutrality and leveraging existing distributed energy resources.¹⁵ The Council agrees with the focus on neutrality and the leveraging of private distributed energy resource investment and existing distributed energy resources programs.¹⁶ Public Advocates Office supports the principle of neutrality but asks to ensure that cost-effectiveness is taken into account.¹⁷ Public Advocates Office also requests the Commission ensure that any leveraging of existing programs also coordinates to prevent double payments.¹⁸ We agree that technology neutrality

¹⁴ 350 Bay Area Opening Comments, October 30, 2020 at 6-7.

¹⁵ AEE Opening Comments, October 30, 2020 at 3.

¹⁶ Council Opening Comments, October 30, 2020 at 3.

¹⁷ Public Advocates Office Opening Comments, October 30, 2020 at 3-4.

¹⁸ *Id.* at 4-5.

and leveraging of private distributed energy resources investment should be key components of the guiding principles. Lastly, while concurring with the proposed principles, SCE requests one revision to the principles: when considering cost-effectiveness, the Commission should look at “the total costs to execute and maintain the [tariff]”, including marketing and pre-screening costs.¹⁹ We agree with SCE that we should consider all costs when determining cost-effectiveness.

Our prior deliberations above require further refinement of the principles. Beginning with the heart of the tariff (paying customers for a distributed energy resources in order to defer or avoid distribution investment), we refine principle 3 and simplify it to focus on cost-effectiveness, a key issue in the development of the distributed energy resources distribution deferral tariff. We also incorporate SCE’s recommendation to ensure that all costs to execute and maintain the tariff are counted.²⁰ We agree with CESA’s comments that the proposed tariff provides a payment, not an incentive.²¹ Hence, we revise principle 3 as follows:

Provide a payment to distributed energy resources customers for distribution deferral resources, where the total costs to execute and maintain the distributed energy resource distribution deferral tariff reduces overall energy system costs, relative to other available options.

We previously found that eliminating barriers to the deployment of cost-effective distributed energy resources for distribution deferral is another key element. Hence, we find that keys to the success of the distribution deferral tariff

¹⁹ SCE Opening Comments, October 30, 2020 at 5-6.

²⁰ *Ibid.*

²¹ CESA Opening Comments, October 30, 2020 at 21.

are technology neutrality and ensuring fair treatment of distributed energy resources compared with the traditional infrastructure investments. CUE recommends inclusion of a principle that Behind-the-Meter distributed energy resources should be treated equally with In-Front-Of-Meter resources.²² We agree but find all distributed energy resources should be treated equally, making it unnecessary to call out specific resources. Accordingly, we revise principle 1 to state that the design of the distribution deferral tariff should:

Result in a level playing field for distributed energy resources in comparison to traditional infrastructure investments, while also achieving technology neutrality across all distributed energy resources

Next, we review principle 4 regarding revenue requirement recovery and equity. Here, parties generally agreed on the inclusion and contents of this principle, with minor changes.²³ CUE requested to add specific language to exclude program administration and DERMs cost.²⁴ This is not a principle and we decline to adopt this language. PG&E requested the Commission address transparency in this principle.²⁵ We agree that the revenue requirement recovery should be transparent and make the following revision to principle 4:

Enable Utilities to recover all Commission-approved revenue requirements equitably and transparently from both participating and non-participating customers.

Principle 5 looks again at our key element of cost-effectiveness. but in terms of deployment and utilization of distributed energy resources. CUE

²² CUE Opening Comments, October 30, 2020 at 6.

²³ We previously addressed 350 Bay Area's comments on this.

²⁴ CUE Opening Comments, October 30, 2020 at 6.

²⁵ PG&E Opening Comments, October 30, 2020 at 5.

recommends revisions to emphasize cost-effectiveness and maximizing ratepayer savings. We find CUE's recommendations reasonable and should be adopted. Additionally, we agree with Sunrun that a principle of the tariff should include the encouragement of innovation. We revise principle 5 such that the distribution deferral tariff should:

Improve the deployment and utilization of cost-effective distributed energy resources for distribution deferral purposes, relative to other mechanisms currently available, to maximize savings to ratepayers while also encouraging innovation of distributed energy resources.

We have eliminated principle 6 as a stand-alone principle but included technology neutrality as a requirement above. As we previously stated, the statement that "some distributed energy resources will be better able to meet certain needs than others" is not a principle but a fact. Again, this statement has been eliminated.

Principles 7 and 8 both involve leveraging distributed energy resources. Hence, we find it reasonable to combine the aspects of leveraging into a new principle for simplicity. We eliminate several statements, as we previously stated they are not principles. We have also removed the examples of existing distributed energy resources programs; it is unnecessary and bias to list two of the programs. The new principle is revised as follows:

Leverage private investment in distributed energy resources, including existing distributed energy resources participating in other Commission programs not already providing deferral services, to achieve distribution deferral benefits of least marginal cost to ratepayers.

The final revised principle carves out a section of principle 7 regarding the costs of distributed energy resources. Here we also address the request of Public

Advocates Office that the Commission ensure that payments are incremental, so that distributed energy resources customers do not receive double payments.²⁶ Hence, we create a new principle on costs, whereby the distribution deferral tariff design shall:

Ensure payments to distributed energy resources customers for distribution deferral are incremental and total no more than the deferral value cost cap.

4.1.2.4. Adopted Guiding Principles

We adopt a revised set of Guiding Principles for the design of distributed energy resources tariffs. As such, the Commission will ensure that the distributed energy resources distribution deferral tariff shall be designed to:

- a. Provide a payment to distributed energy resource customers for distribution deferral resources, where the total costs to execute and maintain the distributed energy resource distribution deferral tariff reduces overall energy system costs, relative to other available options;
- b. Result in a level playing field for distributed energy resources in comparison to traditional infrastructure investments, while also achieving technology neutrality across all distributed energy resources;
- c. Enable Utilities to recover all Commission-approved revenue requirements equitably and transparently from both participating and non-participating customers;
- d. Improve the deployment and utilization of cost-effective distributed energy resources for distribution deferral purposes, relative to other mechanisms currently available, to maximize savings to ratepayers while also encouraging innovation of distributed energy resources;
- e. Leverage private investment in distributed energy resources, including existing distributed energy resources participating in other Commission programs not already

²⁶ Public Advocates Office Opening Comments, October 30, 2020 at 4-5.

providing deferral services, to achieve distribution deferral benefits of least marginal cost to ratepayers; and

- f. Ensure payments to distributed energy resources customers for distributed energy resources distribution deferral are incremental and total no more than the deferral value cost cap.

4.2. Distribution Deferral Tariff and Pilot

We adopt a modified distribution deferral tariff pilot, which we name the Partnership Pilot as it relies on partnerships between customers and aggregators, and partnerships between aggregators and utilities. Below, we describe the proposed tariff and related pilot, as recommended in the Staff Proposal; we refer to these as the Incentive and Incentive Pilot. We then present our determinations on the multiple tariff elements, including the adopted modifications for the Partnership Pilot.

4.2.1. Proposed Distribution Deferral Tariff

Attachment A of this decision contains a copy of the Staff Proposal, as provided with the October 6, 2020 Ruling issued in this proceeding. The following is a brief overview of the proposed Distribution Deferral Tariff, proposed to be called the Clean Energy Customer Incentive (Incentive).

The Staff Proposal describes the proposed Incentive as a tariff with a tiered payment structure open to any distributed energy resource customer type. This payment structure contains four tiers: 1) Deployment – Utilities would pay providers to install distributed energy resources solutions and commit to dispatch; 2) Test – Utilities would pay providers during test events to confirm required dispatch capability; 3) Reservation – Utilities would pay providers to reserve specific amounts of capacity and energy during specified timeframe; and

4) Performance – Utilities would pay providers when resources are dispatched according to contracted criteria.

As described in the Staff Proposal, customers partner with Aggregators by enrolling in the tariff and allowing their distributed energy resources to be dispatched by Aggregators, for the purpose of addressing grid needs identified in the DIDF process. Enrollment in the Incentive would extend from the subscription period launch until (1) enough offers accepted to meet grid need plus a 20 percent Procurement Margin or (2) date determined by Utilities for contingency plan implementation. Marketing to customers and enrollment of customers in the Incentive would be performed by Aggregators with Utilities serving as marketing partners.

The Incentive would include a prescreening process where Aggregators are prequalified during a 30-day period, which would begin annually on July 15th. Aggregators passing the prescreening process would then remain qualified for two years, after which time they must reapply. Prequalification periods would also be offered 30 days before each tariff subscription launch.

To address the challenge of changing distribution system needs and risk of over and under procurement, the Staff Proposal recommends including Ratable Procurement, which means procuring incremental capacity each year to defer long term needs. In the case of the Incentive, staff proposes Utilities set distributed energy resources procurement goals for a specific period of time, depending on grid need.

Following the prescreening process, the Staff Proposal explains that Aggregators would file offer reservations for either a portion or all of the needed capacity at the price set by the utility Tariff Budget. The Tariff Budget is

proposed to be set at 85 percent of the cost cap of a planned investment, based on the Simple Pricing Method. The Aggregator would be required to show an affidavit of interest from host customers to demonstrate available capacity by the end of a pre-determined reservation period. The Staff Proposal recommends that once 90 percent of deferral needs are subscribed (Acceptance Trigger), Utilities would execute Aggregator contracts. With respect to contingency planning, the Staff Proposal recommends Utilities specify a contingency plan date at the subscription period launch. If Utilities are not able to procure the remaining 10 percent of deferral needs after meeting the 90 percent Acceptance Trigger, staff recommends Utilities would recover the costs in their Distribution Deferral Memorandum Accounts.

Lastly, the Staff Proposal addresses the issue of incrementality and proposes the adoption of language previously discussed in R.14-08-013, with respect to the Self-Generation Incentive Program (SGIP), the Net Energy Metering (NEM) tariff, Energy Efficiency programs, and Demand Response programs.

4.2.2. Proposed Deferral Opportunity Pilot

To test the proposed Incentive on identified deferral opportunities or planned investments, the Staff Proposal recommends implementation of a five-year pilot, beginning in 2021. Utilities would each be required to propose at least one Tier 1 deferral opportunity, as identified in their Grid Needs Assessment/Distribution Deferral Opportunity Report (Report) filings, and two Tier 2 or Tier 3 deferral opportunities, one of which should address a grid need forecast to occur in four to five years to ensure at least one of the subscription periods is sufficiently long in duration to test the Incentive. As part of the Report filing, Utilities would be required to justify the appropriateness of the deferral

opportunities selected. The Staff Proposal also recommends the deferral opportunities meet one of the following two requirements: 1) Utilities provide low-cost telemetry to distributed energy resources with basic distributed energy resources management capabilities in place or planned; or 2) one or more aggregators serve the pilot area that can adequately communicate with and manage the distributed energy resources. Further, Utilities would be required to describe their approach to implementing the Incentive Pilot and a method for assessing the cost-effectiveness of the Pilot. The Staff Proposal recommends use of the DPAG to deliberate on Utilities' implementation approach, cost-effectiveness methods, as well as other additional deferral opportunities or planned investments suited to the Incentive Pilot.

Staff suggests the budget for the Incentive Pilot be based on the cost cap specific to each planned investment at the time approval to launch the subscription period is received.

Staff proposes the following schedule for the Incentive Pilot:

Table 1	
Schedule for Incentive Pilot Implementation	
Activity	Date
Pre-DPAG 2021	
Pre-DPAG Meetings and/or workshops to include planning discussion for Incentive Pilot	May 2021
DPAG 2021	
Utilities File GNA/DDOR that identify deferral opportunities/planned investments to test Incentive Pilot	August 15, 2021
DPAG Activities	September – November 2021
Incentive Pilot Advice Letters submitted for approval to pilot Incentive and subscription periods	November 15, 2021

Post-DPAG 2021	
Launch subscription periods and implement marketing plans	January 15 th of each year (2022-2025)
Utility Status and Cost-Effectiveness Reports for Incentive Pilot included in GNA/DDOR for DIDF	August 15 th of each year (2022-2025)

4.2.3. Adoption of Partnership Pilot

The Staff Proposal states the goal of its Incentive Pilot is to streamline, scale, and increase the quantity of distributed energy resources deferral project procurement. We find the proposed tariff and pilot for distribution deferral have merit and should be adopted, with modifications. Because the proposed tariff pilot would provide payments to distributed energy resources customers for distributed energy resource services, we decline to refer to this as an incentive and, instead, refer to it as the Partnership Pilot due to the multiple partnerships the pilot encompasses. We discuss our modifications to the proposed tariff pilot in the sections below, with our reasoning. Elements not discussed are adopted as proposed in the Staff Proposal including, for example, offer acceptance and contract execution reporting procedures. Further, to maintain consistency with the DIDF RFO process, contract time periods shall be allowed up to 10 years.

First, however, we address our overall determination to adopt the concept of the staff proposed Incentive and Incentive Pilot. For differing reasons, PG&E and SDG&E oppose the adoption of the Incentive Pilot and the Incentive, itself. PG&E considers the tariff unnecessary and recommends the Commission, instead, focus on procuring for distribution deferral projects through the existing DIDF.²⁷ SDG&E contends the Incentive Pilot and the Incentive present risks for

²⁷ PG&E Opening Comments, October 30, 2020 at 19.

under and over procurement.²⁸ As underscored in the Staff Proposal, the current DIDF process presents several challenges, including that of over and under procurement, hindering its success.²⁹ Recognizing the risk of under and over procurement is not eliminated in the proposed Incentive, the Staff Proposal explains that the proposed Incentive Pilot would test the proposal, refine, and test again, which we address further below. The Staff Proposal describes other challenges with the DIDF process that cannot be cured within the process simply because of the nature of the RFO, such as changing distribution system needs, the timing of the deferral needs, forecast uncertainty, and barriers to Behind-The-Meter resources' successful participation.³⁰ The proposed Incentive is designed to address these challenges and the pilot is designed to allow refinement of the solutions, if the original solution is not successful. We agree that the DIDF cannot meet these challenges. Accordingly, the Commission should pilot the concept of the staff proposed Incentive, with modifications adopted below, including renaming the pilot: Partnership Pilot.

The Staff Proposal includes as one of its proposed guiding principles, the principle of "Learn By Doing Pilots." As we discussed previously, we do not consider this to be a principle for designing the tariff, but we agree, along with many parties to this proceeding, that there is value in allowing for adaptation and experimentation.³¹ Accordingly, we adopt the policy of adaptation and experimentation to guide the tariff pilot.

²⁸ SDG&E at 24-25.

²⁹ Staff Proposal at 16.

³⁰ *Id.* at 16-17.

³¹ See, for example, CUE Opening Comments, October 30, 2020 at 7; PG&E Opening Comments, October 30, 2020 at 6; and SDG&E Opening Comments, October 30, 2020 at 10.

Along similar lines, Public Advocates Office recommends the adoption of an evaluation process with off-ramps for the pilot³² and CUE suggests the inclusion of guidepost and evaluation metrics to determine whether the pilot is successful.³³ We agree evaluation metrics are needed. We also agree the evaluation metrics should be developed prior to the launch of the pilot in August 2021.

Relatedly, Public Advocates Office recommends the initiation of a working group to design the pilot and evaluation criteria.³⁴ Public Advocates Office asserts this would follow the same steps established in D.16-12-036. However, the working group Public Advocates Office references was formed prior to D.16-12-036 and developed proposals for the Competitive Solicitation Framework adopted in D.16-12-036. This proceeding has provided for a series of workshops, tariff proposals offered by parties, and comments to those proposals (as described in the procedural summary above); all of which has led to the development of the Staff Proposal. The design of the Incentive and Incentive Pilot has been presented to parties and parties have now commented on both. Hence, we find it unnecessary to adopt Public Advocates Office's recommendation to establish a working group to design the tariff and related pilot.

Public Advocates Office recommends the proposed working group oversee the development of criteria and a subsequent evaluation process, whereby performance metrics would be defined by the Commission using input

³² Public Advocates Office Opening Comments, October 30, 2020 at 3-6.

³³ CUE Opening Comments, October 30, 2020 at 7.

³⁴ Public Advocates Office Opening Comments, October 30, 2020 at 14-16.

from working group workshops and used to monitor and rate the performance of the pilot.³⁵ While we agree with the need for off-ramps and evaluation criteria, we decline to introduce a separate working group to develop the criteria and oversee the evaluation. Instead, we adopt the staff recommendation to use the DPAG to oversee regular evaluations and allow for improvements and off-ramps in the event the adopted pilot is not performing as it should or, ultimately, not deemed successful. Public Advocates Office opposes the use of the DPAG due to membership limitations and recommends a working group with members to include stakeholders from customer advocacy groups, potential DER providers, environmental advocacy groups, governmental agencies, and other interested organizations and individuals.³⁶ D.16-12-036, which established the DPAG does not limit the membership of the group.³⁷ The only limitation is that market participants cannot be present to discuss market sensitive information. Further, D.18-02-004 describes the composition of the DPAG as consisting of Utilities, Commission staff, an independent professional engineer, non-market participants, and market providers.³⁸ We confirm that DPAG membership is open to all parties to this proceeding.

With respect to the development of evaluation criteria, we authorize Energy Division to invite party proposals on evaluation and off-ramp criteria and hold a workshop on those proposals no later than 90 days from the issuance of this decision. No later than 30 days following the workshop, Utilities shall file

³⁵ *Id.* at 15.

³⁶ *Id.* at 16.

³⁷ D.16-12-036 at 23-30 and Ordering Paragraph 11.

³⁸ D.18-02-004 at Ordering Paragraph 2s.

a Tier 1 Advice Letter seeking approval of the evaluation criteria for the adopted tariff and related pilot, taking the party proposals into consideration. We agree with SCE that Commission has fleshed out the pilot proposal with enough detail such that an entire working group is not needed and may only delay a pilot launch.³⁹

Evaluation of the adopted pilot and its elements shall be conducted in combination with the annual DIDF reform process, which occurs during the first quarter of the year. As discussed below, we adopt a five-year pilot based on the multiple tariff elements and the need to test and refine them. However, we allow for a mid-project review and an off-ramp at the beginning of year three to determine, based on previously determined evaluation criteria, whether to continue with procurement in years four and five. We confirm that contracted projects, which have been launched, will complete implementation and the contracted time period, in accordance with the terms of the contract. The mid-project review will be conducted by Energy Division in collaboration with the DPAG. As is currently the practice in R.14-08-013, continuation of procurement in years four and five based on the review will be determined in an Administrative Law Judge Ruling in this proceeding or its successor proceeding.

We turn to the proposed name of the distributed energy resources distribution deferral tariff, the Clean Energy Incentive Customer Incentive. CESA and Sunrun oppose the use of the term, incentive, in the name. CESA contends it is important to frame the concept as a payment for grid service instead of an incentive.⁴⁰ Sunrun agrees, stating the word, incentive, implies that

³⁹ SCE Reply Comments, November 10, 2020 at 3.

⁴⁰ CESA Opening Comments, October 30, 2020 at 21.

the program gives money to developers and customers without requirement of material benefit in exchange.⁴¹ SDG&E and CUE oppose use of the phrase, Clean Energy. CUE maintains the tariff is not an incentive for clean energy but rather for distribution deferral.⁴² SDG&E asserts the title implies that traditional planned investments are not clean when such infrastructure supports the interconnection and delivery of clean energy resources.⁴³

We agree that neither the word, incentive, nor the phrase, Clean Energy, are appropriate. For purposes of the pilot phase, we rename it the Partnership Pilot, as this name describes the multiple partnerships involved in the pilot.

Relatedly, the Staff Proposal discussed the use of distributed energy resources management systems (DERMS) with respect to the ability to dispatch individual distributed energy resources or aggregators that control aggregations of Behind-the-Meter distributed energy resources. Parties agree that for purposes of the Partnership Pilot, as well as the Standard-Offer-Contract Pilot discussed below, DERMS are not necessary.⁴⁴ However, SDG&E maintains that “as the number of distributed energy resources deferring needs and the number of distributed energy resources within distributed energy resources providers’ portfolios increases, existing operating systems may not be adequate and there may come a point where an extensive DERMS is required.”⁴⁵ We find no DERMS requirements should be ordered as a result of the Staff Proposal.

⁴¹ Sunrun Opening Comments, October 30, 2020 at 17-18.

⁴² CUE Opening Comments, October 30, 2020 at 17.

⁴³ SDG&E Opening Comments, October 30, 2020 at 21.

⁴⁴ See, SCE Opening Comments, October 30, 2020 at 12-13, SDG&E Opening Comments, October 30, 2020 at 22, Sunrun Opening Comments, October 30, 2020 at 18-19.

⁴⁵ SDG&E Opening Comments, October 30, 2020 at 22.

The following sections address the various elements of the Partnership Pilot and describe any proposed modifications we have adopted.

4.2.3.1. Partnership Pilot Prescreening Process

As described in the Staff Proposal, the proposed prescreening process claims several improvements to the solicitation process; it: 1) shortens the offer evaluation period; 2) reduces recurring submittal requirements; and 3) confirms vendor capacities needed for the expected deferral service.⁴⁶ PG&E, however, recommends the proposed prescreening process be deemed optional, contending it can create a burden on Utilities and counterparties.⁴⁷ Further, PG&E, as well as SDG&E, argue the information proposed for the prescreening process is not sufficiently specific and therefore not valuable.⁴⁸ In response CALSSA, SEIA, and Vote Solar submits PG&E and SDG&E misconstrue the intention of prescreening, which, they assert, is to broadly gauge developers' experience, financial strength, and ability to dispatch resources, and not to make project-specific determinations.⁴⁹

We agree that prescreening should lead to improvements in the solicitation process and should be tested for use in the Partnership Pilot. We also agree that the intention of prescreening is to ascertain the experience, financial strength, and dispatch ability of distributed energy resources providers in general terms. Accordingly, we adopt the required use of the prescreening process for testing in the Partnership Pilot, with the clarifications and modifications described below.

⁴⁶ Staff Proposal at 23.

⁴⁷ PG&E Opening Comments, October 30, 2020 at 8-9.

⁴⁸ PG&E Opening Comments, October 30, 2020 at 8-9 and SDG&E Opening Comments, October 30, 2020 at 10-11.

⁴⁹ CALSSA/SEIA/Vote Solar Reply Comments, November 10, 2020 at 3-4.

Following the issuance of this decision, Utilities shall meet and confer, at least once, with parties and other stakeholders to ascertain the elements of each utility's prescreening application. Utilities should be provided flexibility in the prescreening criteria due to the fact that each utility and each deferral opportunity requires different grid needs and grid architecture.⁵⁰ However, we agree that minimum provider viability should be the same across the three Utilities and should maintain technology neutrality and not inhibit new market entrants' viability.⁵¹ Within 90 days of the issuance of this decision, Utilities shall file a Tier 2 Advice Letter detailing the elements of the prescreening application, adhering to the guidance provided in this decision, including consistent minimum provider viability requirements that reflect technology neutrality and do not inhibit new market entrants' viability.

We maintain the proposed two-year prescreening effective period. We find this provides a balance between recognizing prior eligibility and performance of a provider while protecting against environmental changes and unknown impacts on the viability of providers (*e.g.*, effect of COVID-19).⁵²

With respect to the timing of the prescreening process, we maintain the proposed July 15th annual commencement date, and lasting 30 days. Public Advocates Office submits distributed energy resources providers should be prescreened after the release of the DDOR to address the identified grid needs.⁵³ SCE cautions that prescreening must be complete in time for the November 15

⁵⁰ CESA Opening Comments October 30, 2020 at 9.

⁵¹ *Id.* at 8.

⁵² *Id.* and CUE Opening Comments October 30, 2020 at 9.

⁵³ Public Advocates Office Opening Comments, October 30, 2020 at 7.

Advice Letter submittal.⁵⁴ We reiterate the prescreening process is intended to verify the general capabilities of potential participants and is not bound to a specific deferral project. The proposed July 15 annual commencement date provides time to proceed through the prescreening process.

On the subject of a prescreening fee, CUE opposes not charging a fee for participating in the prescreening process. CUE contends this would place an undue burden on ratepayers and decreases the cost-effectiveness of any distribution investment deferral.⁵⁵ CUE recommends factoring the prescreening costs in the cost cap but underscores that such costs would not be recovered if the resulting project is not cost-effective.⁵⁶ The Staff Proposal recommends no prescreening fee to maintain parity with the Distribution Investment Deferral Framework RFOs.⁵⁷

In order to maintain a level playing field across all resources, we should not adopt a prescreening fee. However, we agree that the costs to administer prescreening should be considered as part of the cost benefit analysis of the resource and considered during the evaluation of the Partnership Pilot to ensure accuracy and reasonableness of the prescreening costs.

4.2.3.2. Partnership Pilot Use of Ratable Procurement, Acceptance Trigger, and Procurement Margin

As previously discussed, one of the challenges of the DIDF has been that, although established to be technologically neutral, bids for Behind-The-Meter

⁵⁴ SCE Reply Comments, November 10, 2020 at 13.

⁵⁵ CUE Opening Comments, October 30, 2020 at 20.

⁵⁶ *Ibid.*

⁵⁷ Staff Proposal at 51.

resources have not been awarded contracts due to capacity size barriers.⁵⁸

Behind-the-Meter resources are generally smaller-sized resources from small business and residential customers. To confront this challenge, the Staff Proposal recommends the use of Ratable Procurement, in combination with an acceptance trigger and procurement margin. As described below, the combined effort of these three elements can increase Behind-the-Meter resource participation, which can then lead to increased flexibility and ratability.

The Staff Proposal explains that Ratable Procurement can apply to long term utility distribution deferral needs three to five years in the future. In response to a staff data request, PG&E describes Ratable Procurement as procuring incremental capacity annually to defer long term needs.⁵⁹ SCE adds that through the ratable approach, the entirety of a five-year need does not have to be procured by the Contingency Date for final design construction of the year five candidate deferral project.⁶⁰ A proponent of Ratable Procurement, SCE cautions that successful use of this approach requires the pilot to procure enough resources to defer the distribution investment for a minimum of two years in the future beyond the initial need date for the planned investment, and in increments of two years beyond each need date thereafter.⁶¹ Furthermore, Sunrun, also a support of Ratable Procurement, asserts that success requires ratable procurement principles to be accounted for during grid needs identification, project selection, contingency planning, procurement criteria

⁵⁸ Staff Proposal at 21-22.

⁵⁹ *Id.* at 25.

⁶⁰ *Ibid.*

⁶¹ SCE Opening Comments, October 30, 2020 at 7.

requirement identification, and related aspects of the procurement process.⁶² For such success, Sunrun recommends Utilities identify and prioritize appropriate projects to use this process; identify in the GNA and DDOR the procurement capacity amounts (or tranches) necessary to defer the contingency date in six month intervals; identify criteria to meet the full grid need; and prioritize selection of projects.⁶³ PG&E opposes ratable procurement. Highlighting the Staff Proposal acknowledgement that load growth is neither steady nor predictable, PG&E argues that only procuring part of the grid need each year raises the risk of under and over-procurement.⁶⁴ Also opposing ratable procurement, SDG&E asserts use of the approach could result in insufficient time to implement the contingency plan if incremental needs beyond the initial needs are not met.⁶⁵ However, SCE explains that its proposed two-year buffer provides sufficient time to determine whether the subscription is cost-effective and can meet the deferral need and is cost-effective, or a contingency solution should be implemented.⁶⁶ CUE contends that use of Ratable Procurement presents risks to ratepayer funds, if the Commission also adopts the 90 percent acceptance trigger.⁶⁷

We agree that use of Ratable Procurement could result in the expanded use of Behind-The-Meter resources, allowing the achievement of technology

⁶² Sunrun Opening Comments, October 30, 2020 at 8.

⁶³ *Ibid.*

⁶⁴ PG&E Opening Comments, October 30, 2020 at 9-10 citing Staff Proposal at 26, noting the challenge of Ratable Procurement.

⁶⁵ SDG&E Opening Comments, October 30, 2020 at 12-13.

⁶⁶ SCE Opening Comments, October 30, 2020 at 7.

⁶⁷ CUE Opening Comments, October 30, 2020 at 9-10.

neutrality. We find it reasonable to explore the use of Ratable Procurement through the Partnership Pilot including the three recommended safety measures to decrease risks of over and under procurement: the acceptance trigger, the procurement margin, and annual procurement goals (also referred to as tranches). Together, the four elements should create balance to protect against over and under procurement.

The Staff Proposal recommends a 90 percent acceptance trigger to balance ratepayer and provider risks, contending that if Utilities procure 90 percent of the grid need during the subscription period, it is likely they will procure the remaining grid need.⁶⁸ CESA asserts the Staff Proposal is insufficiently aggressive, arguing that a 90 percent acceptance trigger does not reflect project-specific factors and would deter some market participation by having customers who have already subscribed to a portion of the tariff capacity wait for the remaining capacity to be subscribed up to the acceptance trigger.⁶⁹ We adopt the 90 percent acceptance trigger for (at least) the first year of the Partnership Pilot, but we require the acceptance trigger to be included as a performance metric, during the review process, to determine whether the trigger should be increased or decreased. While we are skeptical that the acceptance trigger should fall to levels suggested by CESA (*i.e.*, 32 percent), if we see that distributed energy resources customers show positive interest in use of the Tariff, we can consider a decrease to the acceptance trigger in the future. We also clarify the acceptance trigger will be set for each annual procurement goal. As described by CESA, setting an acceptance trigger that recognizes year-by-year

⁶⁸ Staff Proposal at 28.

⁶⁹ CESA Opening Comments, October 30, 2020 at 15-17.

needs could allow for early projects to get moving and extend the overall subscription period to support distributed energy resources deployment, customer acquisition, and marketing and outreach.⁷⁰

Second, we adopt the 120 percent procurement margin from the Staff Proposal, at which point the subscription period would end. As noted by CESA, the margin is intended to protect against customer attrition or failure of distributed energy resources deployments and underperformance.⁷¹ We agree with CESA this margin can and should be updated to account for grid needs. The procurement margin shall be included as an evaluation metric in order to ascertain, during the reform process, whether to revise the margin.

Third, annual procurement goals (*i.e.*, procurement tranches) should further reduce the risk of over procurement. If the annual procurement goal is not met, then the contingency would be triggered, and no further procurement would occur in the subsequent year. SCE proposed a two-year period and Sunrun proposed a 6-month period. The Staff Proposal identified a 12-month period.⁷² An annual period is reasonable for pilot purposes, and Utilities are best positioned to identify the procurement goal, which would be specific to each grid need (MW/MWh requirements). Accordingly, each utility shall establish an annual procurement goal sufficient to defer the grid need for at least one year and update it annually until the entire grid need is met. Furthermore, the annual refinement process may review this approach to establishing the annual procurement goal.

⁷⁰ *Id.* at 16-17.

⁷¹ CESA Opening Comments, October 30, 2020 at 11.

⁷² Staff Proposal at 26.

Relatedly, the design details of the annual procurement goal must be developed by Utilities. In comments to the proposed decision, SCE recommends refinement to the payment structure in terms of the dollar per kilowatt (kW). SCE proposes this refinement would necessitate flexibility in establishing annual procurement goals.⁷³ SCE requests the Commission to allow Utilities to set annual tariff budgets to enable consistent per kW deployment, reservation, and performance payments over the full deferral term. SCE explains the budgets would be established to maintain the same aggregate budget throughout the entire deferral period with an annual deferral value and cost cap largely fixed.

SCE's comments highlight the importance of the design of the annual procurement goals. As described in SCE's comments, designs resulting in declining payments over time could lead to a lack of interest by customers or customers losing interest in participating.⁷⁴ SCE requests the Utilities be allowed to develop and present design approaches for approval in the November 15 advice letters. Review of the design approaches should, however, be conducted by the DPAG when reviewing the deferral opportunities Utilities propose to pilot.

Accordingly, Utility GNA/DDOR filing shall identify the following procurement goals design elements:

- Number of procurement goals or tranches and length of time for each goal for the duration of the deferral opportunity;
- Start date of each tranche;
- Capacity need for each tranche;

⁷³ SCE Opening Comments to Proposed Decision at 6-9.

⁷⁴ *Id.* at 7-9.

- Deployment, reservation, and performance payment amounts for each tranche; and
- Description of the method uses for tranche design and any updates necessary due to annual forecast changes.

To facilitate discussion, a preliminary list of tranche design topic areas is provided here:

- Format and content of procurement tranches and payment structures published by Utilities upon subscription period launch.
- Consistency between Utilities' approaches to tranche design.
- Annual forecast updates and resultant changes in procurement goals and payment amounts. To what extent should payments remain consistent year to year or vary?
- Consideration of various scenarios and payment impacts.
- Accounting for the allocation of unspent performance payment budgets to address forecast need increases. In some years, distributed energy resources may receive the reservation payment but not be dispatched.

Energy Division is authorized to establish dates and times for tranche discussion in the DPAG schedule as needed. DPAG feedback shall inform Utility November 15 advice letter filings requesting approval to launch subscription periods.

In order for Ratable Procurement and its three safety procedures (acceptance trigger, procurement margin, and annual procurement goals) to be properly tested, five cycles of annual procurement are needed. The Staff Proposal notes that five years is the longest grid-need forecast term for most

GNA/DDOR planned investments.⁷⁵ While we agree that five cycles are needed to properly test the four elements, we are also cognizant of party calls for off-ramps. Hence, as we previously determined, we allow for a mid-project review and an off-ramp at year three to determine, based on previously determined evaluation criteria, whether to continue with procurement in years four and five. We reiterate that launched projects will complete implementation and meet the terms of commenced contracts. The mid-project review will be conducted by Energy Division in collaboration with the DPAG.

4.2.3.3. Partnership Pilot Use of the Simple Pricing Method, with 85 Percent Tariff Budget

The Staff Proposal recommends use of a Simple Pricing Method for the Partnership Pilot, whereby the tariff budget would be set at 85 percent of the cost cap of the planned investment. The cost cap is defined as equal to the deferral value of the planned investment. While this approach would result in less price competition, the Staff Proposal contends it would ensure ratepayer savings.⁷⁶ As described below, we find this method reasonable for its simplicity and ratepayer protections and adopt its use with a tariff budget set at 85 percent of the cost cap.

We begin with the threshold argument from SDG&E that cost caps should be confidential to mitigate risk of market manipulation.⁷⁷ SDG&E asserts that publication of the cost caps could allow vendors to deduce the estimated capital cost of the planned investment, thereby compromising the competitive process for building the planned investment in the event distributed energy resources are

⁷⁵ Staff Proposal at 39.

⁷⁶ Staff Proposal at 30.

⁷⁷ SDG&E Opening Comments, October 30, 2020 at 14.

not able to defer the planned investment.⁷⁸ We disagree. If cost caps are publicized, all vendors will have access to the same information and vendors will still have to offer the most competitive bid.

Parties disagree on where to set the tariff budget as well as the flexibility Utilities should have on adjusting the tariff budget. CESA and AEE assert setting the tariff budget at 100 percent of the cost cap will allow for a greater chance of pilot success.⁷⁹ Because we are looking at deferring or avoiding distribution investments, a successful pilot should result in cost savings for ratepayers. Hence, setting the tariff budget at a certain percentage of the planned investment cost should ensure those ratepayer savings. Accordingly, we decline to set the tariff budget at 100 percent of the cost cap. We find it reasonable to establish the initial tariff budget at 85 percent of the cost cap. We require the 85 percent tariff budget to be reviewed during the reform process to see whether we should revise it for subsequent pilot years. This does not affect the underlying specific planned investment cost cap.

With respect to permitting flexibility of the cost cap, the Staff Proposal recommends requiring Utilities to submit final cost caps with the November 15 request for approval to launch subscription periods; which was recently adopted in the DIDF process with Reform No. 33.⁸⁰ Further, Staff recommends the cost caps only be increased, but not adjusted downward, if the grid need increases or

⁷⁸ SDG&E Opening Comments, October 30, 2020 at 15.

⁷⁹ CESA Opening Comments, October 30, 2020 at 13-14 and AEE Reply Comments, November 10, 2020 at 7.

⁸⁰ May 1, 2020 Administrative Law Judge Ruling, which states, "From the date of RFP issuance, the cost cap for the planned investment shall not be updated prior to distributed energy resources deferral contract execution or notification to Energy Division and all DPAG stakeholders that no bids were accepted."

changes during an open subscription period.⁸¹ PG&E opposes the one-way cap adjustment contending it is counter to cost-effective based distribution deferral principles. PG&E argues the cost cap should be adjusted to reflect the cost of the traditional wire solution.⁸² SCE and SDG&E support two-way adjustment of the cost cap. In response, CESA highlights that fluctuating budgets led to challenges in customer acquisition and project finance ability as seen with the DIDF RFO moving target issue.⁸³

We find it reasonable to require a final price cap on November 15, to provide consistency between the two processes. We also find the one-way adjustment provides market certainty that customers enrolling in the Partnership Pilot will receive the payment stated at the subscription period launch.⁸⁴ We note, in the case of the Partnership Pilot, the launch date will be requested in the November 15 Advice Letter. Accordingly, Utilities shall submit final cost caps for the Partnership Pilot on November 15. The price cap and its flexibility will be reviewed during the reform process to ensure its continued reasonableness.

4.2.3.4. Partnership Pilot Subscription Period, Contingency Date, and Reservation Period

The Staff Proposal defines the subscription period as the period in which tariff offers are accepted. Utilities would be required to accept offers starting when offers meet or exceed the acceptance trigger of 90 percent and up to the procurement margin of 120 percent or the contingency date, which would be

⁸¹ Staff Proposal at 27.

⁸² PG&E Opening Comments, October 30, 2020 at 11.

⁸³ CESA Reply Comments, November 10, 2020 at 7.

⁸⁴ *Ibid.*

provided at the time of the subscription period launch. The other related milestone in the Staff Proposal is the offer reservation period, which is established at the launch of the subscription period and can be vetted in the DPAG.

Parties' comments with respect to the subscription period include discussion of the acceptance trigger and the procurement margin. We have previously opined on the acceptance trigger and procurement margin and do not repeat the discussion here. PG&E recommends establishing a set subscription period of no more than six months to provide certainty to Utilities and developments.⁸⁵ SCE argues six months is not sufficient time in certain cases.⁸⁶ While we recognize PG&E's concern regarding certainty, we agree that six months may not be sufficient time, especially in the case of aggregators. Hence, we decline to set any additional time limits on the subscription period. We will review the subscription period on an annual basis to determine whether it should be revised.

With respect to the contingency date, the Staff Proposal recommends the date be established at the subscription period launch. The Staff Proposal defines the contingency date as the date identified by a utility for implementing the contingency plan. Further, staff explains it marks the point at which a utility no longer pursues the deferral of a traditional planned investment by procuring a distributed energy resource and instead moves forward with the traditional solution. The Staff Proposal underscores each contingency date and implementation plan depend on grid need type and timing and the lead time

⁸⁵ PG&E Opening Comments, October 30, 2020 at 10-11.

⁸⁶ SCE Reply Comments, November 10, 2020 at 6.

needed to implement the traditional solution.⁸⁷ CESA and SCE concur that the contingency date is unique to each planned investment.⁸⁸ We agree the contingency date should be dependent upon the planned investment. Accordingly, we adopt the staff recommendation regarding the contingency date, as proposed.

The other related milestone is the reservation period, during which time offer reservations may be filed by Providers, along with affidavits to demonstrate sufficient customers to fulfill the grid need. SDG&E argues the reservation period is not needed if the Commission adopts a prequalification process that requires all distributed energy resources to be operational. SDG&E contends this would eliminate queue hogging and phantom projects.⁸⁹ This is true. However, as we previously stated, the prescreening process we adopt in this decision (for the purposes of testing) is intended to ascertain the experience, financial strength, and dispatch ability of distributed energy resources providers in general terms. To balance this approach, we should adopt the reservation period and the required affidavit, which will combat the concern of queue hogging and phantom projects.

SCE and CESA support the use of the reservation process and the affidavit.⁹⁰ However, CESA suggests the Commission consider an upfront contracting approach in the tariff to address its concern of burdensome

⁸⁷ Staff Proposal at 4.

⁸⁸ CESA Opening Comments, October 30, 2020 at 4, and 11-13; SCE Opening Comments, October 30, 2020 at 8.

⁸⁹ SDG&E Opening Comments, October 30, 2020 at 14-15.

⁹⁰ SCE Opening Comments, October 30, 2020 at 9 and CESA Opening Comments, October 30, 2020 at 4 and 14-15.

affidavits.⁹¹ We are not convinced the affidavit is burdensome but will consider the burden level during the annual review process.

4.2.3.5. Partnership Pilot Tiered Payment Structure

Hoping to encourage additional distributed energy resource participation in deferral distribution investment, the Staff Proposal developed a four-tiered payment structure that should “ensure ongoing, sufficient [distributed energy resources] capability, and pay for successful dispatch.”⁹² The first tier would pay providers upfront to install a distributed energy resources solution and commit to dispatch in accordance with the contract; staff proposes a payment of 20 percent of the tariff cost cap. The second tier would pay providers during test events, ensuring a customer is technically capable of dispatching when called. The third tier would pay providers to reserve a specific amount of capacity and energy during a specified timeframe. The fourth tier would pay providers to dispatch according to the contracted criteria and would be calculated on a dollar per kilowatt per month, based on the cost cap.⁹³ The Staff Proposal clarifies that if a grid need does not arise, providers are not paid. This, staff contends will increase cost-effectiveness and allow for over-procurement to address changing grid needs.⁹⁴ We discuss each tier separately.

Several parties support the deployment tier as a way to reduce upfront systems costs, which Sunrun contends is a major hurdle to customer adoption of

⁹¹ CESA Opening Comments, October 30, 2020 at 4 and 14-15.

⁹² Staff Proposal at 32.

⁹³ *Ibid.*

⁹⁴ *Ibid.*

advanced distributed energy resources.⁹⁵ PG&E cautions that there should be no upfront payment for resources already sourced through SGIP or net energy metering.⁹⁶ We find it reasonable to adopt the deployment tier in order to decrease one of the barriers to distributed energy resources adoption. SDG&E and CUE oppose upfront payments as there is no benefit to ratepayers.⁹⁷ We disagree and find the reduction of the adoption barrier is good for ratepayers. Increased adoption improves the likelihood of distribution investment deferral or avoidance. We also agree with PG&E, that existing resources, while eligible for other payments, should not receive the deployment payment. As noted in the Staff Proposal, providers must disclose if their customers are signed up to any other existing distributed energy resources programs such as SGIP or net energy metering.⁹⁸ With respect to the timing of the deployment payment, we clarify that the deployment payment may be made according to the terms of the contract after offer reservations are filed, affidavits of interest are provided to the utility, the 90 percent acceptance trigger is reached, and the contract is signed.⁹⁹ We find a 20 percent of cap payment is reasonable, given the assurances of operability. We also find this level of payment provides ample assurance to aggregators and developers in comparison to remaining ratepayer risks.

⁹⁵ Sunrun Opening Comments, October 30, 2020 at 14. *See also* CESA Opening Comments, October 30, 2020 at 4 and 18; CALSSA Opening Comments, October 30, 2020 at 3; and SCE Opening Comments, October 30, 2020 at 11.

⁹⁶ PG&E Opening Comments, October 30, 2020 at 13.

⁹⁷ SDG&E Opening Comments, October 30, 2020 at 18-19 and CUE Opening Comments, October 30, 2020 at 13-14.

⁹⁸ Staff Proposal at 28.

⁹⁹ Staff Proposal at 27-28.

Moving on to the test payment, we find there is little support for this payment tier. CALSSA maintains it is unnecessary if tests happen infrequently and are of short duration.¹⁰⁰ Further, contending there is no ratepayer benefits for the testing payment, SDG&E underscores a test is currently a prerequisite in the TNPF for getting contract payment and therefore should not be a payment tier.¹⁰¹ We find that because the test is a prerequisite of the TNPF, a test payment would create inequities between the Tariff and the DIDF. We also find it simplifies the structure to omit one of the four tiers.

With respect to the capacity reservation and performance tiers, CALSSA recommends that, of the remaining 65 percent of the cost cap, the balance should be weighted heavily toward capacity payments as it is a steady stream of payment and provides greater financial certainty to providers.¹⁰² Public Advocates Office recommends the Commission prioritize performance-based payments.¹⁰³ PG&E agrees with Public Advocates Office, contending customers savings are only realized if distributed energy resources can perform to defer the grid need.¹⁰⁴ SCE adds that inadequate payment for performance could lead to reliability issues and extra ratepayer cost if grid needs are not met and traditional wire solution is required.¹⁰⁵ The Staff Proposal notes that the performance payment tier is created with the thought that if the grid need does not arise, cost-effectiveness will increase and allow for over-procurement to address

¹⁰⁰ CALSSA Opening Comments, October 30, 2020 at 3.

¹⁰¹ SDG&E Opening Comments, October 30, 2020 at 18-19.

¹⁰² CALSSA Opening Comments, October 30, 2020 at 3-4.

¹⁰³ Public Advocates Office Opening Comments, October 30, 2020 at 10.

¹⁰⁴ PG&E Opening Comments, October 30, 2020 at 14.

¹⁰⁵ SCE Reply Comments, November 10, 2020 at 11.

changing grid needs. Hence, for the purpose of the Partnership Pilot, the reservation payment tier will be allocated 30 percent of the cost cap and the performance payment will be allocated 50 percent of the cost cap. This allocation provides a balance between several competing objectives of this pilot: improving certainty to providers, improving cost-effectiveness, and addressing changing grid needs.

4.2.3.6. Partnership Pilot Marketing and Outreach

The Staff Proposal explains that a “critical challenge Behind-The-Meter developers face is acquiring the customers necessary to host the requisite amount of capacity, leading to uncertainty.”¹⁰⁶ Relying upon an earlier proposal in this proceeding from CALSSA, the Staff Proposal recommends two marketing coordination opportunities for providers and Utilities. First, require Utilities to be a marketing partner with approved distributed energy resources aggregators, where utilities would distribute aggregators’ marketing materials. Second, require Utilities to inform customers about the pilot via a dedicated page on the Utilities’ website, where customers would have the ability to opt-in to receive direct solicitations from approved providers about pilot opportunities. The Staff Proposal recommends that during the pilot, providers should not be charged for these marketing efforts. Further, for the duration of the pilot, staff recommends Utilities would track these costs in their Distribution Deferral Memorandum Accounts and request recovery during their General Rate Cases.

AEE, CALSSA, CESA and Sunrun all support the marketing proposal, noting that the pilot should leverage existing Utility relationships in existing

¹⁰⁶ Staff Proposal at 29.

programs.¹⁰⁷ Utilities oppose the marketing proposal. SDG&E contends Utilities provide publicly available maps that show customer composition and generation hosting capacity information throughout each utility's service area.¹⁰⁸ PG&E calls the proposal a risk to ratepayers, infeasible, and unlawful.¹⁰⁹ SCE argues the proposals are unfair to bidders in other RFOs.¹¹⁰

We agree that distribution of Partnership Pilot aggregators' marketing materials would create an unfair advantage over bidders in other RFOs. SCE suggests Utilities could, instead, provide customers with information on third-party distributed energy resources tariff options similar to what it does for other third-party energy service providers.¹¹¹ We find SCE's recommendation would provide a level playing field for all energy service providers. To ensure this recommendation addresses the previously described challenge of acquiring the customers necessary to host the requisite amount of capacity, thereby decreasing aggregator uncertainty, we define the following requirements: 1) no later than April 30, each of the Utilities shall have developed a page on their website that describes this pilot, advertises the upcoming launch of the subscription, and provides notice that aggregators will be looking for customers to enroll in the Partnership Pilot, so that customers revisit the webpage again by September 15; and 2) once aggregators have passed prescreening, Utilities shall

¹⁰⁷ AEE Opening Comments, October 30, 2020 at 5; CALSSA Opening Comments, October 30, 2020 at 3; CESA Opening Comments, October 30, 2020 at 4, 17, and 18; and Sunrun Opening Comments, October 30, 2020 at 13.

¹⁰⁸ SDG&E Opening Comments, October 30, 2020 at 16.

¹⁰⁹ PG&E Opening Comments, October 30, 2020 at 12 and PG&E Reply Comments, November 10, 2020 at 9.

¹¹⁰ SCE Opening Comments, October 30, 2020 at 10.

¹¹¹ *Ibid.*

include prescreened aggregator contact information on the Partnership Pilot web page so that customers can contact the aggregator to enroll. Additionally, Utilities shall enable customers to opt-in to being contacted by eligible aggregators. We find the development of the website should fulfill the challenge without any concerns of unlawful practices.

With respect to the costs for these efforts, we find it reasonable to direct Utilities to track the costs in Distribution Deferral Administrative Costs Memorandum Account and seek recovery in their respective General Rate Cases. We track these costs to ascertain a marketing fee, if the Commission would determine it reasonable to impose such a fee should the Partnership Pilot become a permanent tariff.

4.2.3.7. Incrementality

The Staff Proposal contends Utilities' approaches to incrementality should be clarified and aligned to provide certainty to market participant stakeholders. Staff explains that D.16-12-036 requires Utilities to recognize that a distributed energy resources is eligible to provide multiple incremental services and shall be compensated for each service.¹¹² Further, a May 11, 2020 Ruling in R.14-08-013 addressed incrementality for SGIP, NEM, and Energy Efficiency distributed energy resources in the DIDF and included incrementality requirement language for Utilities. Staff proposes Utilities adopt the language provided in the Staff Proposal, which is largely based on the language in the May 11, 2020 Ruling.

The Commission has determined in D.16-12-036 that distributed energy resources can provide multiple incremental services and should be compensated for each service. We find the incrementality language proposed by staff to be

¹¹² Staff Proposal at 33 citing D.16-12-036 at Ordering Paragraph 3f.

reasonable and its adoption should lead to improved certainty for providers and increased availability of distributed energy resources. We adopt the incrementality language contained in the Staff Proposal and require Utilities to follow the language for the purposes of all distributed energy resources solicitations, including the Partnership Pilot, the DIDF RFO, and the Standard Offer Contract Pilot.

We address arguments that distributed energy resources receiving SGIP incentives or net energy metering tariffs should not be eligible for another incentive. We reiterate that payments distributed energy resources receive for enrollment and participation in this pilot are in return for a service provided, and therefore not an incentive.

We decline to adopt the SCE request to allow Utilities to follow their preferred method for incrementality. We are not persuaded by SCE's assertion that different methods for distributed energy resources solicitation approaches would create confusion by third parties.¹¹³ The May 11, 2020 Ruling stated that incrementality approach among Utilities should be consistent.¹¹⁴ We affirm that statement here today.

Lastly, SDG&E argues the Commission should not move forward with incrementality rules in this proceeding until it reforms SGIP and net energy metering.¹¹⁵ We are not aware of any reform being pursued in SGIP and we disagree that reforms in this proceeding should wait for reforms in the net energy metering proceeding.

¹¹³ SCE Opening Comments, October 30, 2020 at 11.

¹¹⁴ CESA Reply Comments, November 10, 2020 at 8 citing May 11, 2020 Ruling at 77.

¹¹⁵ SDG&E Opening Comments, October 30, 2020 at 20-21.

4.3. Request for Offer Streamlining

Below we discuss the proposed revisions to the current RFO process and the party comments to those proposed revisions. As discussed in detail below, we adopt elimination of the November 15 Tier 2 Advice Letters, and the additional language to Reform No. 40.

4.3.1. Proposed Revisions to the Current Request for Offer Process

The Staff Proposal offers three revisions to the current RFO process.

First, to enable Utilities to more expeditiously procure distributed energy resources to defer grid needs, the Staff Proposal recommends elimination of the Utilities' November 15 Tier 2 Advice Letters seeking approval to launch RFOs on Tier 1 deferral opportunities. This would allow Utilities to launch RFOs on August 15, which is five months earlier in the solicitation schedule.

Second, the November 15 Advice Letter would continue to be required seeking approval to not launch an RFP for any remaining deferral opportunities, as amended by Reform No. 40 in the May 7, 2019 *Administrative Law Judge Ruling Modifying the Distribution Investment Deferral Framework Filing and Process Requirements*. However, Staff proposes that Reform No. 40 be revised to add the phrase, "or other planned investments."

The Staff Proposal highlights two previous reforms also approved in the previously cited May 7, 2019 Administrative Law Judge Ruling: 1) Reform 42, whereby Utilities are no longer required to explain minor changes to forecast operational requirements, cost caps, or planned investment costs that do not impact deferral viability after the RFO launch and throughout the contract period; and 2) Reform 41, whereby Utilities are no longer required to file a Tier 2 Advice Letter for contract approval if the forecast and operational requirements

do not change. The Tier 2 Advice Letter was replaced by an Information Only Submittal with the Energy Division upon contract execution.

Table 2, below, presents a timeline of the current RFO process and proposed revisions.

Table 2 Current RFO Process and Proposed Revisions		
Date	Current Process	Revised Process
Spring 2021	1) DIDF Reforms Ruling 2) Pre DPAG	1) No change 2) No change
Spring/Summer 2021	Pre-DPAG continued	1) No change
August 15, 2021	1) GNA/DDOR filings, Final IPE ¹¹⁶ Plans circulated 2) DPAG period begins	1) No change 2) No change 3) Utilities launch RFOs 4) Utilities launch SCO pilot for one Tier 1 deferral candidate
September 5, 2021	IPE Preliminary Analysis of GNA/DDOR Data Adequacy for Utilities	No change
September – November 2021	1) DPAG meetings 2) Tier 2 Advice Letter seeking approval to launch RFO (11/15/2021) 3) Tier 2 Advice Letter for not launching RFPs for all	1) No change 2) Tier 2 Advice Letter seeking approval to launch RFOs for projects elevated to Tier One during the DPAG meeting 3) No change
December 2021-Spring 2022	1) Post-DPAG	1) No change 2) No Change 3) No change

¹¹⁶ IPE is the acronym for Independent Primary Engineer.

Table 2 Current RFO Process and Proposed Revisions		
	2) Review and approval of Advice Letter seeking approval to launch RFOs and Advice Letter for not launching 3) DIDF reform process	
January 2022	1) Annual DIDF reform comments due	1) No change 2) Launch second round of RFOs (if needed)
February 2022	1) IPE Post DPAG Report 2) Comments on IPE Post DPAG Report and replies to January 20 reform comments due	1) No change 2) No change 3) Information-Only submittal notification of executed contracts for RFP solicitations and SCO pilot

4.3.2. Adoption of RFO Revisions

With the exception of CUE and PG&E, parties are generally supportive of the proposed RFO revisions with recommended revisions. For example, CESA supports the streamlining proposals but cautions that annual input by stakeholders is necessary to ensure the proposals are working as expected.¹¹⁷ Public Advocates Office submits the revisions could “expedite the procurement of [distributed energy resources], shorten the RFO process, and mitigate interconnection uncertainties.”¹¹⁸

CUE opposes the proposal to eliminate the November 15 Tier 2 Advice Letter that seeks approval to launch. CUE argues removal of this Commission

¹¹⁷ CESA Opening Comments, October 30, 2020 at 24-25.

¹¹⁸ Public Advocates Office Opening Comments, October 30, 2020 at 18-19.

review, in addition to the Tier 2 Advice Letter for contract approval eliminated by Reform No. 41, gives Utilities “unreviewed latitude in making decisions in the DIDF process.”¹¹⁹ We note that Reform 41 only eliminates the contract approval Advice Letter if the forecast and operational requirements do not change.¹²⁰

The purpose of the previously-adopted reforms and those proposed here is to streamline the DIDF process. The proposed elimination of the November 15 Advice Letter would result in a noticeably earlier launch of the RFO, allowing a more expeditious procurement process for deferring distribution investment. Furthermore, the input of the DPAG prior to the launch provides the review necessary for this process. We underscore that the DIDF process includes an annual reform process, whereby Utilities are ordered to propose DIDF modifications in the Tier 2 Advice Letters requesting approval of distribution deferral projects. Should any stakeholder, including CUE, have continued and verifiable concerns of additionally needed Commission review, the elimination of the Advice Letter can be reconsidered in that process and, if necessary, reversed. Furthermore, this same reform process should address CESA’s request regarding reviewing lessons learned on an annual basis. Hence, we find it reasonable to eliminate the November 15 Tier 2 Advice Letter that seeks approval to launch the Tier 1 deferral opportunity solicitation. We clarify that the November 15 Tier 2 Advice Letter is required if additional Tier One opportunities are identified during the DPAG. This would result in the launch of a second round of RFOs, which shall adhere to the current DIDF/RFO schedule.

¹¹⁹ CUE Opening Comments, October 30, 2020 at 19-20.

¹²⁰ May 7, 2020 Administrative Law Judge Ruling, Attachment A at 96.

PG&E asserts it is not feasible to launch the RFO on August 15, as proposed by Staff. PG&E highlights that the current and proposed timelines require GNA/DDOR filings on August 15. PG&E explains that it must meet with DPAG, incorporate DPAG input, finalize the prioritization, and refine the operational needs of the distributed energy resources deferral projects. PG&E recommends a November 15 launch while supporting the elimination of the Advice Letter approving the launch.¹²¹ In reply comments, SCE asserts it can reasonably launch the RFO within one month of the GNA/DDOR filing. We find it reasonable to revise the annual launch date to September 15 to provide additional time after the filing of the GNA/DDOR. Accordingly, we adopt the recommendation in the Staff Proposal to eliminate the November 15 Tier 2 Advice Letter that seeks approval to launch and move the annual launch date to September 15.

While supportive of all other RFO Streamlining recommendations, SCE recommends prescreening not be required; PG&E concurs.¹²² SCE argues that many RFO participants are project developers and not aggregators and may only be interested in the RFO and not the tariff.¹²³ SDG&E goes further and requests more prescriptive prescreening, as noted in the distribution deferral tariff discussion above.

As stated in the Staff Proposal, the Commission continues to explore ways to streamline the competitive solicitation framework to reduce regulatory filings

¹²¹ PG&E Opening Comments, October 30, 2020 at 20.

¹²² PG&E Opening Comments, October 30, 2020 at 20 and SCE Opening Comments, October 30, 2020 at 16.

¹²³ SCE Opening Comments, October 30, 2020 at 16.

and decrease the process time. As such, we find use of the prescreening process for all distributed energy resources solicitations could be an efficient approach to streamlining the RFO. However, in comments to the proposed decision, SCE contends its current process for screening bidder is robust and successful.¹²⁴ Upon further review, we decline to adopt its use as a requirement of all distributed energy resources solicitations

No party commented on the proposal to revise Reform No. 40 to add the phrase, “or other planned investment.” We find the additional language reasonable and adopt it.

4.4. Standard Offer Contract and Pilot

Below we describe the Standard Offer Contract and the proposed associated pilot. We adopt a modified version of the pilot, as described below.

4.4.1. Proposed Standard Offer Contract

The Staff Proposal offers a second framework for distributed energy resources solicitations whereby a Standard Offer Contract (Contract), based on the existing Technology-Neutral Pro Forma, would be used to decrease the transactional costs and risks present in the current RFO process. Staff highlights this framework is intended for larger scale providers of In-Front-of-Meter distributed energy resources but could also be used by an aggregator of multiple customer-sized Behind-The-Meter distributed energy resources.

4.4.2. Proposed Pilot

The Staff Proposal recommends testing the Contract framework in a five-year pilot. Similar to the adopted Partnership pilot, the Contract framework pilot would overlap with the current GNA/DDOR/DIDF RFO process. Utilities

¹²⁴ SCE Opening Comments to Proposed Decision at 10.

would select one Tier 1 deferral opportunity from the GNA/DDOR filings to test the Contract framework. Here again, the Contract pilot would last approximately five years during which time Utilities would be required to launch no less than one Tier 1 candidate deferral opportunity during each DIDF annual cycle. The Staff Proposal recommends Energy Division determine whether to extend or reduce the pilot period based upon Utilities' annual status updates and reporting on tariff outcomes.

Maintaining the current DIDF timeline, Staff proposes the Contract pilot would require Utilities select the required deferral opportunity annually on August 15, beginning in 2021. The Contract pilot would require Utilities to provide notice of the distributed energy resource services needed to defer planned investments along with a price sheet to procure the services.

Staff proposes use of the Simple Auction Pricing Method to allow for market-driven pricing. This pricing method would require Utilities to release cost caps for deferral projects, followed by submission of pricing sheets by interested providers during the subscription period. Staff contends public release of the cost cap ensures a transparent and fair bidding process. The Staff Proposal recommends that when the 90 percent acceptance trigger is met, Utilities would be required to sign contracts with providers.

4.4.3. Adoption of Standard Offer Contract Pilot

Parties support the adoption of the Standard Offer Contract pilot to varying degrees and with modifications. Accordingly, we direct Utilities to conduct a three-year test of the Standard Offer Contract, for In-Front-Of-Meter resources only, using the Technology-Neutral Pro Forma as the base contract. We find that a three-year pilot, with regular reviews through the DIDF reform process is sufficient to provide an indication of success and, if successful, allow

for adoption of a permanent program. To address party concerns, we make other modifications to the Staff Proposal, as discussed below.

CESA supports adoption of the Standard-Contract-Offer pilot, asserting that the sourcing mechanism could potentially deliver incremental efficiency benefits through reduced transaction costs, increase the viability of deferral, and encourage additional market participation.¹²⁵ CESA notes the solicitation approach in the pilot is similar to the current RFO solicitation effort and contends minor refinement of the pilot makes it feasible to test in the 2021-2022 DIDF cycle.¹²⁶

Parties assert the Technology-Neutral Pro Forma (TNPF) (previously adopted in this proceeding) is appropriate for use in this pilot but requires revision by interested stakeholders. We agree. However, Utilities should not be required to confer with other parties or stakeholders twice prior to finalizing the contract. As noted by SCE, the parties and other relevant stakeholders vetted the TNPF through an extensive development process with annual Commission-approved updates; more than one meeting to discuss additional changes would be duplicative.¹²⁷ Hence, within 60 days from the issuance of this decision, Utilities shall host a meeting to discuss further needed changes to the TNPF, with input from parties requested by Utilities prior to the discussion. Utilities shall include the final proposed changes to the TNPF in the Tier 2 Advice Letter required 90 days from the issuance of this decision.

¹²⁵ CESA Opening Comments, October 30, 2020 at 25.

¹²⁶ CESA Opening Comments, October 30, 2020 at 28-29.

¹²⁷ SCE Opening Comments, October 30, 2020 at 17-18.

We agree with SCE's assessment of the equity of the pilots with respect to In-Front-Of-Meter and Behind-The-Meter resources and adopt the request to limit this pilot to In-Front-Of-Meter resources only.¹²⁸ As noted in the Staff Proposal, the Standard-Offer-Contract pilot is likely best suited for larger scale providers of In-Front-Of-Meter resources.¹²⁹ We agree and find this simplifies the administration of the two simultaneous pilots. We note, however, that the Commission may consider expansion to all resources in the future

The Staff Proposal recommends a five-year pilot of the Standard-Offer-Contract. CESA maintains the Commission should not wait for over five years to determine whether this pilot should become permanent, and highlights the adoption of the DIDF annual process just over one year after implementation of the Competitive Solicitation Framework.¹³⁰ SDG&E asserts the Commission should create guardrails in the pilot, whereby only one Tier 1 deferral project would be piloted by one utility in the first year of a three-year pilot; the project would then be monitored for three years, and, if successful, the Commission would move forward with other Tier 1 projects in subsequent DIDF cycle.¹³¹ SCE also argues for a shorter pilot time of no more than three years, with annual reviews.¹³²

We agree that a five-year pilot is unnecessarily lengthy, but we also find SDG&E's approach unnecessarily stringent. We adopt an approach similar to the

¹²⁸ See SCE Opening Comments, October 30, 2020 at 16-17.

¹²⁹ Staff Proposal at 52.

¹³⁰ CESA Opening Comments, October 30, 2020 at 25.

¹³¹ SDG&E Opening Comments, October 30, 2020 at 4.

¹³² SCE, Opening Comments, October 30, 2020 at 17.

annual DIDF reform process, where a three-year pilot would be evaluated during the annual DIDF reform process to determine whether the pilot should be modified. But we should also provide a guardrail or off-ramp, as recommended by SDG&E and Public Advocates Office to ensure protection of ratepayer funds.¹³³ Accordingly, following two annual reforms, we will determine whether the pilot is a success and should be continued – based on the pilot metrics to be adopted by the Commission (as previously discussed) – or should be terminated.

With respect to the pricing method for the Standard Offer Contract pilot, parties. CESA supports the staff proposed simple auction pricing method but contends standard product definitions and operational requirements may be needed.¹³⁴ PG&E does not oppose use of the simple pricing method (at 85 percent of the cost cap) but prefers, with the support of SCE, the simple auction pricing method. PG&E contends “an auction method could yield more competitive results.”¹³⁵ CUE and SDG&E oppose the publication of cost caps, maintaining competition and cost-effectiveness would suffer.¹³⁶

In our discussion of the Distribution Deferral Tariff, we found it reasonable to publish cost caps. For consistency sake, we find it reasonable to use the same approach in the Standard Offer Contract pilot. However, with respect to the pricing method itself, we expect multiple developers will make offers in response to Utilities releasing their distributed energy resources services needs along with the corresponding price sheet, which may make the simple

¹³³ Public Advocates Office Opening Comments, October 30, 2020 at 5.

¹³⁴ CESA Opening Comments, October 30, 2020 at 26-27.

¹³⁵ PG&E Opening Comments, October 30, 2020 at 21-22.

¹³⁶ CUE Opening Comments, October 30, 2020 at 22 and SDG&E Opening Comments, October 30, 2020 at 17.

pricing method infeasible. Whereas the simple auction pricing method should provide a more competitive and equitable process when offers are reviewed and selected. Accordingly, we adopt the staff proposed simple auction pricing method.

5. Comments on Proposed Decision

The proposed decision of Administrative Law Judge Hymes in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on January 25, 2021 by 350 Bay Area, AEE, Council, CESA, Center for Energy Efficiency and Renewable Technology (CEERT), Clean Coalition, CUE, PG&E, SDG&E, SCE, SunRun, and TURN, and reply comments were filed on February 1, 2021 by CESA, PG&E, Public Advocates Office, SDG&E, SEIA/Vote Solar, and SCE. Clarifications and corrections were made throughout this decision in response to comments. Several parties reiterated positions previously on the record and, thus, are not addressed again in this decision. We address certain comments and related changes here.

PG&E recommends the proposed decision be revised to eliminate the requirement for Utilities to request approval of the proposed language for the Partnership Pilot webpage. PG&E contends the timeline is challenging and the need to approve the webpage language will impede the process. We find this request reasonable and have removed the Advice Letter requirement. We agree the information required for the webpage will be factual in nature.¹³⁷

¹³⁷ PG&E Opening Comments to Proposed Decision at 7.

SCE recommends the use of Prescreening not be required in the DIDF RFO. Maintaining prescreening is used to assess the viability of potential bidders, SCE contends it has a successful track record of screening RFO participants through its current practices.¹³⁸ SCE maintains requiring prescreening in the RFO or Standard Offer Contract processes would be counterproductive and complicate the process. We agree that prescreening should not be a requirement in the RFO process and have made changes in the decision to remove the requirement.

6. Assignment of Proceeding

Marybel Batjer is the assigned Commissioner and Kelly A. Hymes is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. Certain proposed principles focus on the pilot and not the tariff and are not considered to be principles for distributed energy resources distribution deferral tariffs.

2. Cost-effectiveness, minimizing incremental costs and eliminating barriers to deployment of distributed energy resources are key to the development of the distributed energy resources tariff and are appropriate in the discussion of the development of guiding principles.

3. Distributed energy resources' differing abilities is a fact, not a principle.

4. Proposed principle 2 would conflict with the policy of technology neutrality.

5. Certain contents of proposed principle 3 are not consistent with the purpose of the distributed energy resources tariff.

¹³⁸ SCE Opening Comments on Proposed Decision at 10 and 11.

6. Distributed energy resource customers receive a payment for a service, not an incentive for that service.

7. Proposed principle 3 addresses elements broader than the distributed energy resources tariff.

8. The relevant contents of proposed principle 3 (*i.e.*, importance of cost reduction relative to other available options) should be maintained but revised.

9. The statement, “deferral tariffs are effective substitutes for competitive processes,” should not be included in proposed principle 7.

10. The foundation of proposed principle 7, leveraging private investments, is an element in ensuring cost-effectiveness.

11. The foundation of proposed principle 8, leveraging existing distributed energy resources, is valuable but must be balanced with the protection against double payments.

12. Tariff design should encourage innovation.

13. The following three concepts should be incorporated into the guiding principles for tariff design: ensuring cost-effective solutions; ensuring incremental services; and avoiding double payments.

14. Concepts specific to tariff and/or contract provisions are not design principles.

15. The Avoided Cost Calculator has been updated in this proceeding to address avoided costs of distributed energy resources.

16. Technology neutrality and leveraging of private distributed energy resources investment should be components of the tariff guiding principles.

17. The Commission should consider all costs when determining cost effectiveness.

18. Cost effectiveness is key to the development of the distributed energy resources distribution deferral tariff.

19. The distributed energy resources distribution deferral tariff provides a payment, not an incentive.

20. Eliminating barriers to the deployment of cost-effective distributed energy resources for distribution deferral is a key element to the development of the distributed energy resources distribution deferral tariff.

21. Key to the success of the distribution deferral tariff are technology neutrality and ensuring fair treatment of distributed energy resources compared with the traditional infrastructure investments.

22. Behind-the-Meter distributed energy resources should be treated equally with In-Front-Of-Meter resources.

23. Equal treatment of all distributed energy resources is necessary for the success of the distribution deferral tariff.

24. Language to exclude program administration and program costs is not a principle.

25. Revenue requirement recovery should be transparent.

26. Tariff design guiding principles should emphasize cost-effectiveness and maximize ratepayer savings.

27. Tariff design guiding principles should include the encouragement of innovation.

28. It is reasonable, for simplicity, to combine the aspects of leveraging private investment in distributed energy resources and leveraging existing distributed energy resource into one principle.

29. It is unnecessary and biased to list two examples of existing distributed energy resources.

30. The guiding principles should ensure that payments are incremental so that distributed energy resources customers do not receive double payments.

31. The current DIDF process presents several challenges, including that of over and under procurement, which hinder its success.

32. The risk of under and over procurement is not eliminated in the proposed tariff.

33. The objective of the proposed tariff pilot is to test the proposed tariff, refine, and test again.

34. There are challenges with the DIDF process that cannot be cured within the process because of the nature of the RFO.

35. The proposed tariff pilot is designed to address the challenges of the DIDF process.

36. The proposed tariff Incentive pilot is designed to allow the refinement of the solutions if the original solution is not successful.

37. There is value in allowing for adaptation and experimentation.

38. A tariff pilot evaluation process should include evaluation metrics to determine success.

39. The tariff pilot evaluation metrics should be developed prior to the launch of the pilot in August 2021.

40. The working group Public Advocates Office reference was formed prior to the issuance of D.16-12-036 and developed proposals for the Competitive Solicitation Framework adopted in that decision.

41. A series of workshops, tariff proposals offered by parties, and comments to those proposals led to the development of the Staff Proposal.

42. The design of the staff proposed distributed energy resources tariff and tariff pilot has been presented to parties and parties have commented on both.

43. It is unnecessary to adopt Public Advocates Office's recommendation to establish a working group to design a distributed energy resources tariff and pilot.

44. There is a need for the development of off-ramps and evaluation criteria for the Partnership Pilot.

45. It is unnecessary to introduce a separate working group to develop evaluation criteria and oversee the pilot evaluation.

46. D.16-12-036, which established the DPAG, does not limit the membership of the group.

47. D.18-02-004 describes the composition of the DPAG as consisting of Utilities, Commission staff, an independent professional engineer, non-market participants, and market participants.

48. DPAG membership is open to all parties to this proceeding.

49. Neither the word, "incentive," nor the phrase, "Clean Energy," are appropriate for use in the title of the staff proposed distributed energy resources distribution deferral tariff pilot.

50. The name, Partnership Tariff describes the multiple partnerships involved in the Pilot.

51. No DERMS requirements are needed to be ordered as a result of the Staff Proposal.

52. Prescreening is likely to lead to improvements in the solicitation process.

53. The intention of prescreening is to ascertain the experience, financial strength, and dispatch ability of distributed energy resources providers in general terms.

54. Each utility and each deferral opportunity require different grid needs and grid architecture.

55. Utilities should be provided flexibility in the prescreening criteria.

56. Minimum provider viability is likely to be the same across Utilities and likely to maintain technology neutrality and not inhibit new market entrants' viability.

57. A two-year prescreening effective period provides balance between recognizing prior eligibility and performance of a provider while protecting against environmental changes and unknown impacts on the viability of providers.

58. The prescreening process is intended to verify the general capabilities of participants and is not bound to a specific deferral project.

59. The proposed July 15 annual commencement date provides time to proceed through the prescreening process.

60. Not adopting a prescreening process fee maintains a level playing field across all resources.

61. Bids for Behind-the-Meter resources are generally smaller-sized resources from small business and residential customers.

62. The combined effort of Ratable Procurement, the acceptance trigger, and a procurement margin in the Partnership Pilot can increase Behind-the-Meter resource participation, which can then lead to increased flexibility and ratability.

63. Ratable Procurement, the acceptance trigger, a procurement margin, and procurement goals should create balance to protect against over and under procurement.

64. We are skeptical that the acceptance trigger should fall to levels as low as 32 percent.

65. The Simple Pricing Method is reasonable for its simplicity and ratepayer protections.

66. If cost caps are publicized, all vendors will have access to the same information and vendors will still have to offer the most competitive bid.

67. Because we are deferring or avoiding distribution investments, a successful pilot is likely to result in cost savings for ratepayers.

68. Setting the tariff budget at a certain percentage of the planned investment cost is likely to ensure those ratepayer savings.

69. It is reasonable to establish the initial tariff budget at 85 percent of the cost cap.

70. Reform No. 33 in the DIDF process requires Utilities to submit final cost caps with the November 15 request for approval to launch subscriptions periods.

71. Adopting a similar requirement to Reform No. 33 in the Partnership Pilot will provide consistency between the DIDF and the pilot.

72. The one-way adjustment of the tariff budget provides market certainty that customers enrolling in the Partnership Pilot will receive the payment stated at the subscription period launch.

73. A six month subscription period may not provide sufficient time, especially in the case of aggregators.

74. The contingency date should be dependent upon the planned investment.

75. The prescreening process we adopt in this decision is intended to ascertain the experience, financial strength, and dispatch ability of distributed energy resources providers in general terms.

76. Adoption of the reservation period and the required affidavit to combat the concern of queue hogging and phantom projects balances the use of the prescreening process.

77. The affidavits have not been found to be burdensome.

78. Adoption of the deployment tier is likely to reduce upfront system costs for distributed energy resources providers, thus decreasing a barrier to distributed energy resources adoption.

79. The reduction of the adoption barrier is good for ratepayers since increased adoption improves the likelihood of distribution investment deferral or avoidance.

80. Existing resources should not receive deployment payment, as they are already deployed and may have received an incentive to deploy.

81. The deployment payment may be made according to the terms of the contract after offer reservations are filed, affidavits of interest are provided to the utility, the 90 percent acceptance trigger is reached, and a contract is signed.

82. An amount of 20 percent of tariff budget is a reasonable deployment payment, given the assurances of operability.

83. The 20 percent of tariff budget provides ample assurance to aggregators and developers in comparison to remaining ratepayer risks.

84. Because a test is a prerequisite of the TNPF, a test payment would create inequities between the Partnership Pilot and the DIDF.

85. Elimination of the test payment tier simplifies the tier structure.

86. The performance payment tier is created with the thought that if the grid need does not arise, cost effectiveness will increase and allow for over procurement to address changing needs.

87. An allocation of 30 percent of the tariff budget to the reservation payment tier and 50 percent of the tariff budget to the performance payment tier provides a balance between competing objectives of this pilot: improving certainty to providers, improving cost-effectiveness, and addressing changing grid needs.

88. Behind-the-Meter developers face a challenge in acquiring the customers necessary to host the requisite amount of capacity, which creates uncertainty.

89. Distribution of Partnership Pilot aggregators' marketing materials would create an unfair advantage over bidders in other RFOs.

90. SCE's recommendation to provide customers with information on third-party distributed energy resources tariff options would provide a level playing field for all energy service providers.

91. Development of a specific webpage should help Behind-the-Meter developers meet the challenge of acquiring enough customers and capacity.

92. It is reasonable to direct Utilities to track marketing costs in the Distribution Deferral Administrative Costs Memorandum Account and seek recovery in their respective General Rate Cases.

93. The marketing costs are tracked to ascertain a marketing fee, if the Commission determines it reasonable to impose such a fee should the Partnership Pilot become a permanent tariff.

94. The Commission determined in D.16-12-036 that distributed energy resources can provide multiple incremental services and should be compensated for each service.

95. The incrementality language contained in the Staff Proposal should lead to improved certainty for providers and increased availability of distributed energy resources.

96. Payments distributed energy resources providers receive for enrollment and participation in the Partnership Pilot are in return for a service provided and are not an incentive.

97. The May 11, 2020 Ruling stated that incrementality approaches among Utilities should be consistent.

98. The purpose of the previously-adopted reforms and those proposed here is to streamline the DIDF process.

99. The proposed elimination of the November 15 Advice Letter would result in a noticeably earlier launch of the RFO, allowing a more expeditious procurement process for deferring distribution investment.

100. The input of the DPAG prior to the launch provides the review necessary for this process.

101. The DIDF process includes an annual reform process, whereby Utilities are ordered to propose DIDF modifications in comments due annually on January 20.

102. It is reasonable to eliminate the November 15 Tier 2 Advice Letter that seeks approval to launch the RFO solicitation.

103. It is reasonable to revise the annual launch date to September 15 to provide additional time after the filing of the GNA/DDOR.

104. The Commission continues to explore ways to streamline the competitive solicitation framework to reduce regulatory filings and decrease the process time.

105. No party commented on the proposal to revise Reform No. 40 to add the phrase, “or other planned investment.”

106. The additional language for Reform No. 40 is reasonable.

107. Parties support the adoption of the Standard Offer Contract pilot to varying degrees and with modifications.

108. A three-year pilot of the Standard Offer Contract, with annual reviews, is sufficient to provide an indication of success and, if successful, allow for adoption of a permanent program.

109. The TNPF is appropriate for use in this pilot but requires revision by interested stakeholders.

110. Utilities should not be required to confer with parties or other stakeholders more than once prior to finalizing the TNPF.

111. Parties and other relevant stakeholders vetted the TNPF through an extensive development process with annual Commission-approved updates.

112. More than one meeting to discuss additional changes to the TNPF would be duplicative.

113. The Standard-Offer-Contract is likely best suited for larger scale providers of In-Front-Of-Meter resources.

114. Limiting the Standard-Offer-Contract to In-Front-Of-Meter resources simplifies the administration of two simultaneous pilots.

115. A five-year pilot for the Standard Offer Contract pilot is unnecessarily lengthy and SDG&E’s approach is unnecessarily stringent.

116. To ensure protection of ratepayer funds, we should provide a guardrail or off-ramp for the Standard-Offer-Contract pilot.

117. In our discussion of the Partnership Pilot, we found it reasonable to publish cost caps; for consistency sake, we find it reasonable to use the same approach for the Standard-Offer-Contract pilot.

118. We expect multiple developers will make offers in response to Utilities releasing their distributed energy resources services needs along with the corresponding price sheet, which may make the simple pricing method infeasible.

119. The simple auction pricing method is likely to provide a more competitive and equitable process than the simple pricing method when offers are reviewed and selected.

Conclusions of Law

1. The Commission should adopt the revised six guiding principles for the design of distributed energy resources tariffs.
2. The Commission should pilot the distributed energy resources distribution deferral tariff, with modifications.
3. The tariff pilot should be retitled as, the Partnership Pilot.
4. Prescreening should be tested in the Partnership Pilot, as defined and modified in this decision.
5. The Commission should not adopt a prescreening fee for the duration of the Partnership Pilot.
6. The costs to administer prescreening should be considered as part of the cost-benefit analysis of the resource.
7. The Commission should adopt the use of Ratable Procurement in the Partnership Pilot in combination with a 90 percent acceptance trigger and a 120 percent procurement margin.

8. The Commission should adopt the use of the simple pricing method with a tariff budget of 85 percent of the cost cap and a final submission date of November 15.

9. The Commission should not set any additional time limits on the subscription period and should adopt the subscription period as proposed.

10. The Commission should adopt the contingency date as proposed.

11. The Commission should adopt the combined use of the reservation period and the required affidavit.

12. The Commission should adopt a three tier payment structure with the following allocations: deployment payment tier – 20 percent of the tariff budget; capacity reservation payment tier – 30 percent of the tariff budget; and performance payment tier – 50 percent of the tariff budget.

13. The Commission should require Utilities to develop marketing web sites to assist Behind-The-Meter developers address marketing challenges.

14. The Commission should direct Utilities to track the marketing costs in their Distribution Deferral Memorandum Accounts and seek recovery in their respective General Rate Cases.

15. The Commission should eliminate the November 15 Tier 2 Advice Letter seeking approval to launch the RFO solicitation.

16. The Commission should revise the RFO launch date to September 15, annually.

17. The Commission should modify Reform No. 40 to add the language, “or other planned investment.”

18. The Commission should adopt a three-year pilot of the Standard-Offer-Contract, with modifications of the Staff Proposal.

19. The Commission should direct Utilities to confer with stakeholders to update the TNPF for use in the Standard-Offer-Contract pilot.

20. The Commission should limit the Standard-Offer-Contract pilot to In-Front-Of-Meter resources and the Partnership Pilot to Behind-The-Meter resources.

21. The Commission should adopt the same approach used in the Partnership Pilot and publish cost caps in the Standard-Offer-Contract pilot.

22. The Commission should adopt the simple auction pricing method for the Standard-Offer-Contract pilot.

O R D E R

IT IS ORDERED that:

1. The following six guiding principles are adopted for the design of distributed energy resources tariffs. The distributed energy resources distribution deferral tariff shall be designed to:

- a) Provide a payment to distributed energy resource customers for distribution deferral resources, where the total costs to execute and maintain the distributed energy resource distribution deferral tariff reduces overall energy system costs, relative to other available options;
- b) Result in a level playing field for distributed energy resources in comparison with traditional infrastructure investments, while also achieving technology neutrality across all distributed energy resources;
- c) Enable Utilities to recover all Commission-approved revenue requirements equitably and transparently from both participating and non-participating customers;
- d) Improve the deployment and utilization of cost-effective distributed energy resources for distribution deferral purposes, relative to other mechanisms currently available,

to maximize savings to ratepayers while also encouraging innovation of distributed energy resources;

- e) Leverage private investment in distributed energy resources, including existing distributed energy resources participating in other Commission programs not already providing deferral services, to achieve distribution deferral benefits of least marginal cost to ratepayers; and
- f) Ensure payments to distributed energy resources customers for distributed energy resources distribution deferral are incremental and total no more than the deferral value cost cap.

2. The distributed energy resources distribution deferral tariff pilot (Pilot) recommended in the Staff Proposal attached to this decision is adopted with the following elements and revisions:

- a) The five-year Pilot is renamed the Partnership Pilot and is limited to Behind-the-Meter resources.
- b) Prescreening, at no cost to providers, shall be used in the Pilot with a two-year effective period and shall be initiated annually on July 15 and last 30 days.
- c) Ratable Procurement shall be used in combination with a 90 percent acceptance trigger and a procurement margin of 120 percent.
- d) The Simple Pricing Method shall be used, with a tariff budget of 85 percent of the cost cap and a final cost cap submission date of November 15 within the Tier 2 Advice Letter requesting to launch subscription periods for the Partnership Pilot. Cost caps shall not be revised downward after the submission. Cost cap revisions are subject to review in the Distribution Investment Deferral Framework reform process.
- e) The subscription period and contingency date are adopted as proposed. After reaching the 90 percent acceptance trigger, subscription periods for the next procurement goal or tranche shall open.

- f) The reservation period and affidavit are adopted as proposed.
- g) The Tiered Payment Structure is simplified to three tiers with the following allocations: deployment payment tier – 20 percent of the tariff budget; capacity reservation payment tier – 30 percent of the tariff budget; and performance payment tier – 50 percent of the tariff budget.
- h) Offer acceptance and contract execution procedures are adopted as proposed in the attached Staff Proposal.

3. Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company shall identify, in their annual Grid Needs Assessments/Distribution Deferral Opportunity Report, the procurement goal parameters listed in this Ordering Paragraph for each deferral opportunity using ratable procurement as adopted in Ordering Paragraph 2. Procurement goal is defined as the amount of capacity needed to defer the planned investment for no less than one year. The parameters contained in the Grid Needs Assessment/Distribution Deferral Opportunity Report are considered to be preliminary and will be reviewed during the Distribution Planning Advisory Group review process and finalized for inclusion in the November 15 advice letters. Procurement goals may be updated annually during the DPAG process until the entire grid need is met or the contingency date occurs, whichever happens sooner.

- (a) Total procurement goal defined by the number of tranches and the amount of capacity to be procured in each tranche;
- (b) Subscription period start date and duration for each tranche;
- (c) Contingency date for each tranche; and

- (d) Date by which capacity of each tranche must be operational.

4. Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company (Utilities) shall each identify, in their annual Grid Needs Assessments/Distribution Deferral Opportunity Report,

- i) the proposed total tariff budget for each Partnership Pilot deferral opportunity;
- ii) the tariff budget for each tranche identified in Ordering Paragraph 3;
- iii) a listing of each monthly procurement tranche update and report on overall procurement progress inclusive through 30 days prior to the Grid Needs Assessment/Distribution Deferral Opportunity Report filing date. Utilities shall each present a description and quantitative presentation of the procurement goal or tranche and tariff budget design including deployment, reservation, and performance payment amounts for each tranche. Future refinements to these designs may be reviewed in the annual Distribution Planning Advisory Group review process and the annual Distribution Investment Deferral Framework reform process. Utilities shall include the final tariff budget and procurement goal tranche designs, based on Distribution Planning Advisory Group feedback, in the November 15 Advice Letters.

5. The Energy Division is authorized to invite party proposals on evaluation criteria for the Partnership Pilot adopted in Ordering Paragraph 2 and the Standard Offer Contract Pilot adopted in Ordering Paragraph 9. No later than 90 days from the issuance of this decision, Energy Division is authorized to facilitate a workshop to discuss these proposals.

6. No later than 30 days from the date of the workshop in Ordering Paragraph 4, Pacific Gas and Electric Company, San Diego Gas & Electric Company and Southern California Edison Company shall jointly submit a Tier 1 Advice Letter seeking

approval of the evaluation criteria for the Partnership Pilot and the Standard-Offer-Contract pilot, taking party proposals and discussion at the workshop into consideration. Evaluation criteria shall include review of the acceptance criteria, procurement margin, and subscription period. The evaluation shall be conducted during the Distribution Investment Deferral Framework annual reform process, culminating with an ultimate determination of whether to adopt the Partnership Pilot and/or Standard Offer Contract as permanent solutions. During the third procurement cycle, the Energy Division in consultation with the Distribution Planning Advisory Group is authorized to perform a mid-stream evaluation to determine whether to move forward with procurement for years four and five of the Partnership Pilot. Continuation of procurement in years four and five based on the review will be determined in an Administrative Law Judge Ruling in this proceeding or its successor proceeding.

7. No later than 90 days from the issuance of this decision, Pacific Gas and Electric Company, San Diego Gas & Electric Company and Southern California Edison Company shall each submit a Tier 2 Advice Letter detailing the elements of the prescreening application and adhering to the following guidance: minimum provider viability should be the same across all three utilities and should maintain technology neutrality and not inhibit new market entrants' viability.

8. No later than April 30, 2021, Pacific Gas and Electric Company, San Diego Gas & Electric Company and Southern California Edison Company (Utilities) shall have each developed a page on their company website that describes the Partnership Pilot, advertises the upcoming launch of the Pilot subscription and notices availability of procurement tranches within 30 days of tranche opening,

identifies monthly updated Procurement Goals for each deferral opportunity, and provides notice that aggregators will be looking for customers to enroll in the Tariff Pilot and customers should revisit the webpage again by September 15. Once aggregators have passed prescreening, Utilities shall include prescreened aggregator contact information on the Partnership Pilot web page no later than September 15, so that customers can contract the aggregator directly to enroll in the Tariff. Utilities shall enable customers to opt-in to being contacted by eligible aggregators.

9. Pacific Gas and Electric Company, San Diego Gas & Electric Company and Southern California Edison Company shall each track the costs of implementing Ordering Paragraph 7 in their Distribution Deferral Administrative Costs Memorandum Account and seek recovery in their respective General Rate Cases.

10. Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company (Utilities) shall adhere to the following incrementality policies:

- (a) Self-Generation Incentive Program (SGIP): Projects receiving SGIP funding shall be considered fully incremental for the purposes of all Distribution Investment Deferral Framework (DIDF) procurement mechanisms (*e.g.*, Request For Offer (RFO) bids, Standard Offer Contracts, and deferral tariff offers), if the provider commits to meeting the dispatch requirements pursuant to the contract for the utility-solicited deferral services. Utilities shall treat SGIP projects that provide an incremental service as fully incremental. SGIP projects must meet all applicable SGIP requirements to obtain SGIP incentives. SGIP projects do not currently have an obligation to respond to utility dispatch signals. As a result, a commitment of SGIP capacity to meet dispatch requirements shall be considered an incremental service

above and beyond what is compensated via SGIP. Utilities shall treat any SGIP incentivized storage project that provides the services they are soliciting as wholly incremental. Utilities shall give the provider the full payment for services procured irrespective of any additional SGIP incentives payments the provider may receive. SGIP program costs should not be counted against DIDF cost-effectiveness assessments, because DIDF procurements are intended to leverage both public and private distributed energy resources investments. For DIDF purposes, SGIP costs are “sunk costs” that occur regardless of the DIDF. SGIP incentivizes customers to install storage technology, but SGIP does not direct customers to defer utility distribution investments or locate their storage in areas with grid needs. Deferral tariffs would add to (and leverage) SGIP incentives for customers that commit to siting storage in areas with grid needs and ensuring their energy storage is dispatchable as required by Utilities. This applies to both new and existing SGIP participants.

- (b) Net Energy Metering (NEM): Projects already compensated through NEM shall be considered fully incremental for the purposes of all DIDF procurement mechanisms (*e.g.*, RFO bids, Standard Offer Contracts, and deferral tariff offers) if the distributed energy resources provider makes a material enhancement to provide the utility-solicited deferral services (*e.g.*, the addition of storage that commits to meeting the dispatch requirements described in the solicitation terms and pursuant to the contract for the utility-solicited deferral services). NEM projects without material enhancement (*i.e.*, storage) shall not be considered incremental
- (c) Energy Efficiency Resources (Not in the Portfolio): New energy efficiency projects should be allowed to either demonstrate incrementality subject to the energy efficiency program administrator review or elect to use a pre-specified “overlap factor” method. Providers that

choose energy efficiency program administrator review would describe their proposed energy efficiency measures and targeted market segments and demonstrate that the projects do not overlap with the energy efficiency program administrator's existing energy efficiency programs. Program incrementality using this method could range from 0 percent to 100 percent based on energy efficiency program administrator review. Alternatively, providers can use a pre-specified "overlap factor" method that does not require an explicit demonstration of incrementality. With this approach, a proposed energy efficiency program is assumed to be 80 percent incremental. Their contribution to the grid need is discounted by 20 percent. For example, assuming the need is 1 megawatt (MW), an energy efficiency proposal using this "haircut" method must deliver 1.2 MW. Utilities, in consultation with the Distribution Planning Advisory Group, may propose to Energy Division to modify the overlap factor percentage and method, and Energy Division may approve modifications.

- (d) Energy Efficiency Resources (In the Portfolio): Projects already included in a utility energy efficiency program portfolio should not be considered incremental without a material enhancement for the purpose of all DIDF procurement mechanisms (*e.g.*, RFO bids, Standard Offer Contracts, and deferral tariff offers.) The enhancement must be clearly demonstrable above and beyond the scope of the original energy efficiency measures and installations to be considered wholly incremental.
- (e) Demand Response Resources: Demand Response offers are eligible for the purposes of all DIDF procurement mechanisms (*e.g.*, RFO bids, Standard Offer Contracts, and deferral tariff offers, including pilots.) Such offers are fully incremental as long as the provider commits to meeting the dispatch requirements pursuant to the contract for the utility-solicited deferral services and the

commitment does not conflict with the Demand Response programs to which the provider is already subscribed.

11. The current Request for Offer process in the Distribution Investment Deferral Framework is revised such that the annual November 15 Tier 2 Advice Letter seeking approval to launch the Requests for Offer is eliminated. Pacific Gas and Electric Company, San Diego Gas & Electric Company and Southern California Edison Company (Utilities) shall launch the Requests for Offers annually, on September 15. Pilot in the Requests for Offer process. Reform No. 40 of the Distribution Investment Deferral Framework reform process is modified to add the language “or other planned investment.”

12. The Standard Offer Contract pilot recommended in the Staff Proposal attached to this decision is adopted with the following elements and revisions:

- a) The pilot shall be conducted for three years, with reviews conducted in the annual Distribution Investment Deferral Framework reform process;
- b) The Technology-Neutral Pro Forma contract shall be used as the standard contract;
- c) The pilot shall be limited to In-Front-Of-Meter resources only; and
- d) The pilot shall use published cost caps, and the simple auction pricing method.

13. Within 60 days from the issuance of this decision, Pacific Gas and Electric Company, San Diego Gas & Electric Company and Southern California Edison Company (Utilities) shall host a meeting to discuss further needed changes to the Technology-Neutral Pro Forma (TNPF) contract, with input from parties requested by Utilities prior to the discussion. Utilities shall include the final proposed changes to the TNPF in the Tier 2 Advice Letter required 90 days from the issuance of this decision.

14. Rulemaking 14-10-003 remains open.

This order is effective today.

Dated February 11, 2021, at San Francisco, California.

MARYBEL BATJER

President

MARTHA GUZMAN ACEVES

CLIFFORD RECHTSCHAFFEN

GENEVIEVE SHIROMA

Commissioners

Attachment A:
Commission Energy Division Staff Proposal
Distributed Energy Resources Deferral Tariff and
Request for Offer Streamlining