

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

Agenda ID# 20201
RESOLUTION E-5190
January 27, 2022

R E S O L U T I O N

Resolution E-5190. Approval, with Modifications, of Evaluation Criteria for the Partnership Pilot and Standard Offer Contract Pilot Pursuant to Decision 21-02-006.

PROPOSED OUTCOME:

- Approves, with modifications, Joint Advice Letter San Diego Gas & Electric Company (SDG&E) 3780-E, Pacific Gas and Electric Company (PG&E) 6218-E, and Southern California Edison Company (SCE) 4514-E that establishes the evaluation criteria structure and content for the Partnership Pilot and the Standard-Offer-Contract Pilot of SDG&E, PG&E and SCE pursuant to Decision 21-02-006.

SAFETY CONSIDERATIONS:

- There are no safety considerations associated with this Resolution.

ESTIMATED COST:

- There are no costs associated with this Resolution.

By Joint Advice Letter SDG&E 3780-E, PG&E 6218-E, and SCE 4514-E Filed on June 3, 2021.

SUMMARY

On February 11, 2021, the California Public Utilities Commission (CPUC) issued Decision (D.) 21-02-006 adopting pilots to test two frameworks for procuring Distributed Energy Resources (DERs) to defer or avoid investor-owned utilities (IOU) traditional distribution capital investments as part of the Distribution

Investment Deferral Framework (DIDF). The pilots are: the Standard Offer Contract (SOC) and the Partnership Pilot.

Ordering Paragraphs 5 and 6 required an Energy Division led process for establishing evaluation criteria for the SOC pilot and Partnership Pilot. Energy Division was tasked with inviting party proposals on evaluation criteria and facilitating a workshop to discuss proposals. The IOUs were ordered to file a joint advice letter with proposed evaluation criteria taking party proposals and discussion at the workshop into consideration.

This Resolution approves with modifications the proposed evaluation criteria for the SOC and Partnership Pilot put forth in the Joint Advice Letter SDG&E 3780-E, PG&E 6218-E, and SCE 4514-E (the "Joint Advice Letter") pursuant to D.21-02-006.

Per the decision, evaluation of the pilots will occur during annual reviews, with midstream evaluations and final evaluations occurring during the annual DIDF reform process, which is led by Energy Division with consultation from the Distribution Planning Advisory Group (DPAG).

The approved evaluation criteria for the pilots include:

- Success, Performance, and Off-Ramp criteria
- Annual data reporting milestones, including:
 - Independent Evaluator (IE) DIDF Request for Offers (RFO)/SOC Report¹
 - IOU and IE Annual Partnership Pilot Evaluation Report
 - IOU and IE Midstream Partnership Pilot Evaluation Report

Attachment A "Partnership Pilot and Standard Offer Contract Evaluation Criteria Structure and Content" provides a description of the evaluation criteria structure and content as approved and modified by this Resolution.

¹ This report is the same as identified in the May 11, 2020, DIDF Ruling under the Independent Evaluator scope of work (R.14-08-013, May 11, 2020, Ruling, Appendix C, at 3) but with the addition of the SOC.

Attachment B “SOC and Partnership Pilot Evaluation Timeline” is the timeline for pilot evaluation activities and data and report release dates covering the years 2021 to 2026. The Resolution aligns the pilot evaluation timeline with the annual DIDF reform process to consolidate utility reporting and stakeholder comments into a single comment period each Spring. The timeline in this Resolution and Attachment B partially modify the DPAG schedule adopted in the June 21, 2021, DIDF Reform Ruling.²

BACKGROUND

Rulemaking 14-10-003, Rulemaking 14-08-013, and Decision 21-02-006

The pilots adopted by D.21-02-006 in Rulemaking (R.) 14-10-003 will test two alternative DER procurement methods to determine if these approaches can increase project success rates and overcome existing challenges in the Distribution Investment Deferral Framework (DIDF), which the CPUC currently uses to procure DERs to avoid or defer utility distribution investments to meet grid needs. The DIDF process was established in the R.14-08-013 Distributed Resources Planning (DRP) proceeding.³

The three-year SOC pilot is limited to in-front-of-the-meter DERs and streamlines the existing DIDF Request for Offer procurement method. The Partnership Pilot is a five-year pilot for behind-the-meter DERs where an aggregator enrolls new and existing DER customers to meet one or more grid needs.

The decision required an Energy Division led process for establishing evaluation criteria for the SOC and Partnership Pilots. Energy Division was tasked with inviting party proposals on evaluation criteria and facilitating a workshop to discuss proposals.⁴ Annual reforms, midstream evaluations and final evaluations are to take place during the annual DIDF reform process, which is led by Energy

² R.14-08-013, June 21, 2021, “Administrative Law Judge’s Ruling on Recommended Reforms for the Distribution Investment Deferral Framework Process,” at 10 to 12.

³ The DIDF was established in D.18-02-004 and then subsequently reformed through annual ALJ Rulings issued in R.14.08-013.

⁴ D.21-02-006, Ordering Paragraph 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 12. No later than 90 days from the issuance of this decision, Energy Division is authorized to facilitate a workshop to discuss these proposals.”

Division with consultation from the Distribution Planning Advisory Group (DPAG).⁵

Pursuant to D.21-02-006, Energy Division requested parties to the Integrated Distributed Energy Resources (IDER) and DRP proceedings to submit proposals for evaluation criteria in accordance with instructions provided by Energy Division. On April 9, 2021, the IOUs, Public Advocates Office (Cal Advocates), and Clean Coalition filed comments proposing evaluation criteria for the SOC and Partnership Pilot and filed reply comments April 16, 2021. On May 4, 2021, Energy Division facilitated a workshop to discuss these proposals and seek consensus on issues raised.

Joint Advice Letter 3780-E, 6218-E, and 4514-E

Pursuant to D.21-02-006 Ordering Paragraphs 5 and 6, the IOUs filed a joint advice letter on June 3, 2021, requesting approval of the evaluation criteria for the Partnership Pilot and the SOC pilot, taking party proposals and discussion at the workshop into consideration.

NOTICE

Notice of the Joint Advice Letter was made by publication in the Commission's Daily Calendar. SDG&E states that a copy of the Advice Letter was mailed and distributed in accordance with Section 4 of General Order 96-B and served to the Service List for R.21-06-01 (the R.14-10-003 and R.14-08-013 successor proceeding).

PROTESTS

On June 23, 2021, the Joint Advice Letter was timely protested by the Public Advocates Office (Cal Advocates) and the Clean Coalition (jointly, "the Parties").

⁵ D.21-02-006, Ordering Paragraph 6: "... 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."

The IOUs filed a joint timely response to the protests of the Parties on June 30, 2021.

We address the Parties' protests and the joint IOU reply in the Discussion Section below.

DISCUSSION

The Commission has reviewed the Advice Letter, the protest, and the response to protests and approves the Advice Letter with the modifications described below and in Attachments A and B.

The following is a summary of the issues raised in protests, the Joint IOU's replies, and the Commission's determination.

Issue 1: Timing of IOU data release to the Independent Evaluator (IE)

Cal Advocates states in its protest that the Independent Evaluator (IE) should have access to relevant data prior to the IOUs completing their own analysis to provide the IE more time to conduct a thorough assessment of data.⁶ The joint IOUs agree with Cal Advocates' recommendation in their reply.⁷

The Commission agrees that the IOUs must provide relevant data to the IE within a timeframe that allows the IE to conduct a thorough assessment of data. An updated timeline of data and report release dates are included in Attachment B. In addition, we clarify that the data shared with the IE must also be shared with Energy Division.

Issue 2: Timing of IE and IOU Report Release and Timeline of Evaluation

Cal Advocates recommends that the IE and IOU report timeline be updated to ensure Energy Division and parties have adequate time to review reports prior to the DPAG process: "The independent evaluator's report and recommendations should be provided to the Energy Division and service

⁶ Cal Advocates Protest at 7 and 8.

⁷ Joint IOU Reply at 2.

lists just prior to the start of the DPAG process, and the IOUs' report and recommendations should be provided to the Energy Division and service lists 30 days before the start of the DPAG process."⁸ In their reply, the IOUs agree with this recommendation.

The Commission agrees on the need to update the IOU and IE report timeline to allow Energy Division and parties enough time to review reports before the start of the DPAG process. An updated timeline of data and report release dates are included in Attachment B. We note that because project procurement and performance phases can end at various times, and due to the need to complete annual evaluation milestones, the IOUs will be required to provide the previous year's annual pilot data in January of each year. This is a different schedule than either the IOUs or Cal Advocates propose. Given the short window to complete pilot evaluations in time to inform mid-term evaluations and off-ramp consideration it is reasonable to collect IOU data each January during the pilot period.

The evaluation activities timeline in this Resolution and Attachment B partially modify the DPAG schedule adopted in the June 21, 2021, DIDF Reform Ruling.⁹ We see the benefit of aligning the annual DIDF reform stakeholder process with the annual pilot evaluation reporting and stakeholder process to reduce regulatory burdens for parties and the CPUC. Aligning these two processes allows there to be an annual ALJ Ruling each spring that addresses related DIDF topics as follows:

1. May 2022 – Annual DIDF Reform and Updates to SOC/Partnership Pilot.
2. May 2023 – Annual DIDF Reform, Updates to SOC/Partnership Pilot, whether to launch third year of SOC.
3. May 2024 – Annual DIDF Reform, Updates to SOC¹⁰/Partnership Pilot, whether to launch fourth and fifth years of Partnership Pilot.

⁸ Cal Advocates Protest at 3.

⁹ R.14-08-013, June 21, 2021, "Administrative Law Judge's Ruling on Recommended Reforms for the Distribution Investment Deferral Framework Process," at 10 to 12.

¹⁰ If SOC is still operating.

4. May 2024 – Annual DIDF Reform, Updates to SOC/Partnership Pilot.¹¹
5. May 2025 – Annual DIDF Reform, Updates to SOC/Partnership Pilot.¹²

Prior to the spring DIDF ALJ ruling there will be stakeholder opening and reply comments in April. The complete timeline for both pilots is described in greater detail in Attachment B. The primary changes to the DIDF schedule for 2022 to achieve this alignment are as follows:

- The IE RFO Report currently due within 30 days of RFO contract execution in January is now the IE RFO and SOC Report and is due on February 14, 2022.
- DIDF Reform Opening Comments are changed from February 20, 2022, to April 4, 2022.
- DIDF Reform Reply Comments are changed from March 20, 2022, to April 18, 2022.

Issue 3: Single Independent Evaluator for Joint IOUs

Cal Advocates and the Clean Coalition recommend the use of a single IE between the three IOUs to increase transparency and consistency, with Cal Advocates further recommending that the DPAG have input in approving or rejecting the hiring of the IE if the IOUs propose a change. The joint IOUs argue that the use of a single IE is impractical and that DPAG should not have authority to approve/reject IE hiring, as this is outside of the scope of DPAG's role.

The Commission declines to require a single IE for the IOUs as it is impractical. Energy Division will continue to approve IE hiring and scope of work per the R.14-08-013, May 11, 2020, DIDF Ruling.¹³ Practices already established in the DIDF, such as this, will continue, because the new Pilots are fully integrated into the DIDF. Attachment A is updated to reflect these conclusions.

¹¹ If SOC and/or Partnership Pilot are still operating.

¹² If SOC and/or Partnership Pilot are still operating.

¹³ R.14-08-013, May 11, 2020, "Administrative Law Judge's Ruling Modifying the Distribution Investment Deferral Framework – Filing and Process Requirements," at 87.

Issue 4: Role of Independent Evaluator and IE Scope of Work

In its protest, Cal Advocates asks that the Joint IOU advice letter be “supplemented to clarify that the IE is to undertake its own analysis and draw its own conclusions, in addition to auditing the process and recommendations of the IOUs.” The IOUs disagree with this recommendation and state that they leave it to the IEs’ discretion whether to carry out a full independent analysis if they consider it necessary. Thus, the IOUs argue it does not need to be written into the Advice Letter.

Cal Advocates also recommends that the Evaluation Criteria clarify that “the independent evaluator is not required to make a recommendation on any aspect of the pilot or regarding off-ramping, including where there is insufficient data available.”¹⁴

The Commission clarifies here the role of the IE is to review the IOU pilot solicitation process, outcomes, and recommendations and present their own independent analysis and recommendations on pilot improvement and off-ramp considerations. We also acknowledge that where there is insufficient data available the IE is not required to make a recommendation on a particular aspect of the pilot including off-ramping.

Therefore, we direct the IOUs to amend the IE scope of work to clarify that the IE may undertake its own analysis in parallel to the IOUs, and the IE is empowered to draw its own conclusions based on its parallel analysis, the IOU analysis, or some combination of the two.

Consistent with the R.14-08-013, May 11, 2020, DIDF Reform Ruling, the Energy Division may approve and modify the IE scope of work.¹⁵

Issue 5: Aggregator and Customer Survey Design and Implementation

¹⁴ Cal Advocates Protest at 3.

¹⁵ R. 14-08-013, May 11, 2020, “Administrative Law Judge’s Ruling Modifying the Distribution Investment Deferral Framework – Filing and Process Requirements,” at 87.

In the Evaluation Criteria, the IOUs state that aggregator and customer surveys can be conducted by either “the IOUs or a third party.”¹⁶ Cal Advocates argues against the IOUs conducting the surveys and recommends that the IE be required to conduct the aggregator and customer surveys to allow participants to “provide more honest and thorough responses, especially if the surveys include questions about the IOUs’ performance and engagement with the survey participants.”¹⁷

The IOUs disagree with Cal Advocates’ recommendation and request that Energy Division grant flexibility regarding who conducts surveys for the following reasons: 1) “each IOU has its own respective resources for and experience in conducting surveys” (e.g., the IOUs routinely survey DIDF RFO participants on the process); 2) IOUs often contract with qualified third-party market research firms for various customer programs and the IEs may not have the expertise in conducting surveys that a third-party market research firm or the IOUs might have.¹⁸

The Commission agrees with Cal Advocates on the benefits of having a third-party conduct surveys to allow for more honest and thorough responses. Therefore, surveys should be conducted by third-parties and not the IOUs. However, we agree with the IOUs that the selected IE may not have the necessary expertise to conduct surveys and therefore will allow the IOUs the flexibility to use either the IE or third-party market research firms to conduct surveys.

Issue 6: Inclusion of Upfront Costs in Pilot Cost-Effectiveness Calculations

In its protest, the Clean Coalition states that one-time upfront costs such as developing a website, initiating the pre-screening process, and beginning the market strategies should not count against pilot long term success or lead to the determination that pilots are not cost-effective as these costs will not continue beyond the first two cycles of the pilots.¹⁹ In addition, they state that an

¹⁶ IOU Joint Advice Letter at 8.

¹⁷ Cal Advocates Protest at 6.

¹⁸ Joint IOU Reply at 3.

¹⁹ The Clean Coalition Protest at 2.

itemized and categorized expense list of funds spent on the implementation of the two pilots be provided before an IOU final report is submitted to the IE.

The IOUs reply that they believe IOUs may recommend that a pilot can be off-ramped if “administrative costs, unavoidable contingency costs, and other unforeseen costs not included in the deferral value calculation resulted in the deferral being not cost-effective.”²⁰ The IOUs claim this is consistent with D.21-02-006.²¹ by citing D.21.02.006: “*when considering cost-effectiveness, the Commission should look at ‘the total costs to execute and maintain the [tariff]’, including marketing and pre-screening costs...*” The decision goes on to say: “*we agree with SCE that we should consider all costs when determining cost-effectiveness.*”²² The IOUs further state that their position is reflected in Ordering Paragraph 1a on cost-effectiveness.

In their Reply the IOUs agreed to the request to provide itemized and categorized expenses by stating: “Thus, the final IOU report, which is provided to the IE prior to the due date for the IE’s report, would need to include categorized expenses. To include these expenses in the final IOU report, it will be necessary that these expenses are itemized, tracked and summarized prior to the report’s finalization and therefore prior to the date on which the IOU report is submitted to the IE.”

The Commission makes the following determination on the two points raised by the Clean Coalition:

- If the IOUs want administrative, contingency, and contract costs for IE reports to be considered in pilot evaluation, the IOUs should provide itemized and categorized expenses.
- Tracking administrative, emergency contingency and contract costs that are determined to be incremental to costs the utility would have incurred absent the pilots, complies with D.21-02-006 which states that total costs to execute and maintain the tariff should be

²⁰ Joint IOU Reply at 3.

²¹ Joint IOU Reply at 3.

²² D.21-02-006 at 17.

considered in cost-effectiveness.²³ Such cost tracking is also consistent with D.21-02-006 Ordering Paragraph 1a which states in Guiding Principle A that the distributed energy resources distribution deferral tariff shall be designed to:

“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.”²⁴

- Consistent with IDER Pilot Guiding Principle A, these costs may be taken into consideration during the mid-stream and end of pilot evaluation, to the extent they are known, available, and verified and/or approved by Energy Division and/or the CPUC. The IOUs will not double count costs incurred for ongoing distribution planning and operations. Disputed and/or unverified cost information cannot be relied upon for making cost-effectiveness determinations. Administrative, emergency contingency and contract costs are described in Attachment A.

Guiding Principle F states that the DER distribution deferral tariff shall be designed to *“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.”²⁵* This principle is also relevant to mid-stream and end of pilot cost-effectiveness evaluation and both principles need to be balanced in making determinations on success of the pilots.

Issue 7: Distributed Energy Resources Management Systems (DERMS)

In its protest, the Clean Coalition recommends that evaluation reports should include an analysis of the value added from installing DERMS, which could optimize the DER and change project economics. Although DERMS are not required for these pilots, IOUs will be rolling out DERMS in the next five years, therefore, the Clean Coalition asks that mid-stream and end of pilot

²³ IOU Joint Advice Letter at 10 and 11.

²⁴ D.21-02-006 at 77.

²⁵ D.21-02-006 at 78.

evaluations should consider the impact that DERMS have had or could have on project success. The Clean Coalition recommends that “each cycle, the IOUs analyze the value that DERMS could add to one project for each pilot, which the IE and the DPAG can use to ascertain a holistic value of DER deferral.”²⁶

The IOUs oppose this recommendation, stating “the IOUs will have varying degrees of DERMS availability during the pilots and without full capabilities, it is overly burdensome to try to evaluate whether DERMS could have made a difference and how.”²⁷ In addition, DERMS are not required as part of the SOC and Partnership Pilots.

The Commission agrees that running counter scenarios may be burdensome. Since DERMS are not required for the pilots and are not universally implemented we do not require analysis of DERMS in evaluation reports. However, when DERMS are included in a specific pilot project we do want analysis of DERMS’ impact on project success included in the evaluation process. We direct Energy Division to determine when DERMS should be included in the scope of the evaluation process.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this Resolution must be served on all parties and subject to at least 30 days public review. Any comments are due within 20 days of the date of its mailing and publication on the Commission’s website and in accordance with any instructions accompanying the notice. Section 311(g)(2) provides that this 30-day review period and 20-day comment period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day review and 20-day comment period for the draft of this Resolution was neither waived nor reduced. Accordingly, this draft Resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

²⁶ Clean Coalition Protests at 2-3.

²⁷ Joint IOU Reply at 5.

FINDINGS

1. Decision 21-02-006 directed San Diego Gas & Electric Company, Pacific Gas and Electric Company, and Southern California Edison Company to file an Advice Letter to request approval for the proposed evaluation criteria for the Partnership Pilot and the Standard the Standard-Offer-Contract Pilot.
2. Decision 21-02-006, Ordering Paragraph 6, directs Energy Division to conduct the evaluation process while taking San Diego Gas & Electric Company, Pacific Gas and Electric Company, Southern California Edison Company, Independent Evaluator, and Distribution Planning Advisory Group reports and recommendations into account.
3. Aligning the annual Distribution Investment Deferral Framework reform stakeholder process with the annual pilot evaluation reporting and stakeholder process reduces regulatory burdens for parties and improves efficiency.
4. The Rulemaking 14-08-013, May 11, 2020, Distribution Investment Deferral Framework (DIDF) Reform Ruling authorizes Energy Division to approve and modify the Independent Evaluator scope of work for DIDF solicitations.²⁸
5. It is reasonable for San Diego Gas & Electric Company, Pacific Gas and Electric Company, and Southern California Edison Company to provide relevant data to the Independent Evaluator (IE) within a timeframe that allows the IE to conduct a thorough assessment of data.
6. It is reasonable for data shared with the Independent Evaluator to be shared with Energy Division.
7. Variations in project procurement and performance phase lengths make it reasonable to require San Diego Gas & Electric Company, Pacific Gas and Electric Company, and Southern California Edison Company to provide the previous year's annual pilot data in January of each year to complete annual evaluation milestones.
8. Tracking administrative, emergency contingency and contract costs that are determined to be incremental to costs the utility would have incurred absent the pilots, complies with Decision 21-02-006. Such cost tracking is also consistent with Decision 21-02-006 Ordering Paragraph 1 Guiding Principles A and F.

²⁸ R.14-08-013, May 11, 2020, "Administrative Law Judge's Ruling Modifying the Distribution Investment Deferral Framework – Filing and Process Requirements," at 87.

THEREFORE IT IS ORDERED THAT:

1. The request of San Diego Gas & Electric (SDG&E), Pacific Gas & Electric (PG&E), and Southern California Edison (SCE) to adopt the evaluation criteria for the Partnership Pilot and the Standard the Standard-Offer-Contract Pilot as proposed in Joint Advice Letter SDG&E 3780-E, PG&E 6218-E, and SCE 4514-E, is approved with the modifications described herein.
2. Attachment A "Partnership Pilot and Standard Offer Contract Evaluation Criteria Structure and Content," describes the evaluation criteria structure and content as approved and modified by this Resolution.
3. Attachment B "Standard Offer Contract and Partnership Pilot Evaluation Timeline" provides a timeline of pilot evaluation activities, required reports, and data and report release dates covering the years 2021 to 2026 as approved and modified by this Resolution. This timeline partially modifies the Distribution Planning Advisory Group schedule adopted in the R.14-08-013, June 21, 2021, Distribution Investment Deferral Framework Reform Ruling.
4. The pilot evaluation timeline will be aligned with the annual Distribution Investment Deferral Framework reform process to consolidate utility reporting and stakeholder comments into a single comment period each Spring. As such, each May, an Administrative Law Judge Ruling in the R.21-06-017 proceeding (or its successor) shall address annual reforms, annual pilot improvements, and off-ramp determinations in relevant years as detailed in Attachment B.
5. The Independent Evaluator (IE) and San Diego Gas & Electric, Pacific Gas & Electric, and Southern California Edison (the "IOUs") shall submit to the Service List for R.21-06-017 or its successor the following reports as part of the pilot evaluation process (see Attachment B for full description of each report contents and timeline of due dates):
 - a. IE DIDF Request for Offers/Standard Offer Contract Report
 - b. IOU and IE Annual Partnership Pilot Evaluation Report
 - c. IOU and IE Midstream Partnership Pilot Evaluation Report

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on January 27, 2022, the following Commissioners voting favorably thereon:

Rachel Peterson
Executive Director