

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking Regarding Policies,  
Procedures and Rules for the California Solar  
Initiative, the Self-Generation Incentive Program  
and Other Distributed Generation Issues.

Rulemaking 12-11-005  
(Filed November 8, 2012)

**REPLY COMMENTS OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E) ON  
THE ASSIGNED COMMISSIONER'S RULING REGARDING THE  
INTERCONNECTION OF ENERGY STORAGE SYSTEMS PAIRED WITH  
RENEWABLE GENERATORS ELIGIBLE FOR NET ENERGY METERING**

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**I.  
INTRODUCTION**

San Diego Gas & Electric Company (“SDG&E”) respectfully submits these Reply Comments in response to the Opening Comments, filed on November 1, 2013, regarding the Assigned Commissioner’s Ruling Regarding the Interconnection of Energy Storage Systems Paired with Renewable Generators Eligible for Net Energy Metering (“ACR”) issued on October 17, 2013, to give storage devices meeting the Renewable Portfolio Standard (“RPS”) Eligibility Commission Guidebook (“Guidebook”) requirements the same benefits available to renewable generating facilities under the Net Energy Metering (“NEM”) tariffs until, at a minimum, December 31, 2015.

As explained in SDG&E’s Opening Comments, energy storage coupled with renewable resources or stand-alone energy storage systems should not be eligible for NEM treatment. The existing, transparent subsidies provided to energy storage devices through the Self Generation Incentive Program (“SGIP”) are substantial and generous.<sup>1</sup> These SGIP incentives coupled with

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<sup>1</sup> SDG&E states in its Opening Comments at p. 6 that applicants receive approximately 60% of the total cost of the energy storage system via SGIP rebates.

the Commission's recent approval of Decision ("D.") 13-10-040,<sup>2</sup> which sets a framework that requires the investor-owned utilities ("IOUs") to procure energy storage to meet specified targets, takes significant action to further develop the energy storage markets. Therefore, SDG&E believes that energy storage is generously incentivized at this time, without granting energy storage devices paired with renewable generators ("NEM-Paired Storage") the additional hidden subsidy of NEM benefits.

In these Reply Comments, SDG&E addresses the requests and recommendations submitted by parties in Opening Comments including that granting cost shifting is poor public policy and creating additional incentive programs for NEM-Paired Storage is not necessary. SDG&E also supports sizing requirements, believes NEM-Paired Storage customers should be responsible for all applicable metering costs, and demonstrates how parties' proposed estimation methodology for NEM generation is flawed. Lastly, SDG&E disagrees with the suggestion to immediately implement the ACR's proposed exemptions prior to a final decision and the notion that a sunset date is inconsistent with statutory requirements.

## **II. IT WOULD BE POOR PUBLIC POLICY TO EXACERBATE COST SHIFTING BETWEEN CUSTOMERS**

The NEM program grants exemptions from certain utility costs to applicable customers who use a renewable electric generation facility as defined in SDG&E's tariffs. The costs bypassed by NEM customers are borne by non-NEM customers. By design, therefore, the NEM program includes a hidden subsidy that shift costs between customers. The ACR's proposal to add NEM-Paired Storage to the NEM program would only increase the occurrence of cost shifting and would provide an additional subsidy that is in excess of the existing SGIP incentive storage customers receive without any support for why the current SGIP incentive is insufficient.

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<sup>2</sup> D.13-10-040 was issued on October 21, 2013 in R.10-12-007, and approved by the Commission on October 17, 2013.

As pointed out by The Utility Reform Network (“TURN”), “[i]t would be poor public policy to subsidize SGIP storage systems with tens of millions of dollars per year, but then to additionally subsidize distribution upgrade costs for those systems, rather than reducing distribution costs.”<sup>3</sup> While there are benefits to energy storage, those benefits should not be met with further subsidies causing customers to avoid paying their share of costs.

SDG&E also agrees with TURN “that the ACR tips too far in favor of the NEM customer-generator and the storage provider.”<sup>4</sup> Enabling technologies is an important goal; however, the Commission should not favor energy storage over other technologies or shift costs from NEM-Paired Storage to non-participating customers.

### **III. ADDITIONAL INCENTIVE PROGRAMS ARE UNNECESSARY**

In its Opening Comments, the California Solar Energy Industries Association (“CALSEIA”) recommends “that the CPUC consider implementing an incentive program to encourage customer-generators to install NEM Eligible Generator systems, just as the existing SGIP program encourages the use of on-site batteries for peak-shaving.”<sup>5</sup> SDG&E strongly disagrees with CALSEIA’s suggestion that the existing subsidies NEM-Paired Storage customers receive through the SGIP program are inadequate. In fact, SDG&E estimated in its Opening Comments that the current SGIP program covers approximately 60% of the cost of the energy storage device.<sup>6</sup> CALSEIA is requesting that storage devices receive additional incentive money on top of the current SGIP rebates. These excessive incentives are unnecessary and are paid for by California ratepayers. Accordingly, the Commission should not create additional incentive programs to subsidize energy storage.

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<sup>3</sup> TURN Opening Comments, at p. 3.

<sup>4</sup> *Id.*, at pp. 5-6.

<sup>5</sup> CALSEIA Opening Comments, at p 8.

<sup>6</sup> SDG&E Opening Comments, at p. 6.

#### **IV. SIZING REQUIREMENTS FOR NEM-PAIRED STORAGE DEVICES ARE APPROPRIATE**

SDG&E supports sizing requirements and agrees with Pacific Gas and Electric Company (“PG&E”) that “[s]ize limits are needed to ensure that the Commission’s concern in the ACR does not become a reality, namely a customer abusing the subsidy by installing a large storage system paired with a much smaller NEM-eligible generating facility.”<sup>7</sup>

Therefore, SDG&E proposes the following sizing requirements:

- From a power perspective, energy storage systems should be no larger than the AC nameplate rating of the photovoltaic (“PV”) inverter; and
- From an energy perspective, energy storage systems should be no larger than the energy production of the PV system during any given day.

SDG&E believes the requirements above are reasonable because it eliminates the ability of the energy storage device to store more than the energy that would be produced by the PV system.

Some parties disagreed with sizing limitations for energy storage devices. Opposing parties, such as the Solar Energy Industries Association (“SEIA”) and Sunverge Energy, claim that sizing limits “forestall many customers from adopting the storage technology” and “do not benefit a developing market.”<sup>8</sup> SDG&E believes that the Commission is already properly incentivizing energy storage devices through SGIP and by approving D.13-10-040. If a customer is interested in purchasing an energy storage device, the SGIP rebate will likely be the most influential factor in the customer’s decision-making process.

Moreover, some parties, SolarCity and SEIA for example, proposed that smaller customers (10 kW and 5 kW, respectively) should be exempt from sizing requirements on the basis that it “would be practical and would reflect the reality on the ground that there are very few storage system sizes that are currently commercially available below that size.”<sup>9</sup> SDG&E

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<sup>7</sup> PG&E Opening Comments, at p. 9.

<sup>8</sup> Sunverge Opening Comments, at p. 9.

<sup>9</sup> SolarCity Opening Comments, at p.13.

believes such comments reflect a greater concern with bypassing utility costs than in preserving and promoting the reliability of the electrical grid. From SDG&E’s perspective, there is no distinction between size limits since a one MW storage device will have the same impact on the electrical grid as ten 100 kW systems. NEM-Paired Storage, irrespective of size, should be subject to size limits.

**V.  
NEM-PAIRED STORAGE CUSTOMERS SHOULD BE RESPONSIBLE FOR ALL  
APPLICABLE METERING COSTS**

In an effort to minimize costs (meter and other related costs) to NEM-Paired Storage customers, SolarCity requests “that the Commission require the IOUs to allow the use of a more cost-effective smart meter for net generation output metering and impose a cost cap (e.g., \$400) for all fees associated with the smart meter.”<sup>10</sup> SDG&E opposes SolarCity’s request. NEM-Paired Storage customers should not receive a special exemption from established metering costs borne by all other customers who require additional metering needs. Metering helps ensure accuracy both from a system and billing perspective. As stated by the Interstate Renewable Energy Council (“IREC”) in Opening Comments, “...to ensure the integrity of the current NEM tariff protocols...Net Generation Output Metering (“NGOM”) should be installed on all NEM-eligible generators that add storage capacity to their facilities where it is feasible to do so...”<sup>11</sup> Also, the \$400 metering cost cap suggested by SolarCity is an arbitrary figure. SolarCity based its \$400 metering cap on a quote they received from PG&E of an estimated metering cost requirements for a specific customer for a specific system size and configuration. This hardly constitutes evidence that all customers’ metering cost requirements will be \$400. Metering costs can vary and depending on the type of meter required. If a metering cap was introduced, any meter-related costs above and beyond the metering cap will be paid by non-participating customers. This would provide NEM-Paired Storage customers another hidden subsidy and

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<sup>10</sup> *Id.*, at p. 6.

<sup>11</sup> IREC Opening Comments, at p. 7.

would further shift costs to non-participating customers. Accordingly, SolarCity's metering cap recommendation should be disregarded.

**VI.  
ESTIMATION METHODOLOGIES IN LIEU OF METERING SOLUTIONS ARE  
FLAWED**

Parties such as the California Energy Storage Alliance ("CESA") and SolarCity, recommend that the Commission consider estimation methodologies for NEM generation in lieu of metering requirements. SolarCity, in particular, offers two estimation approaches for consideration. SDG&E finds SolarCity's estimation methods to be flawed and, consistent with its Opening Comments, believes a technical solution is required.

SDG&E follows metering standards and accuracy requirements in accordance with its Electric Rules and American National Standards for metering as specified in various American National Standards Institute ("ANSI") standards. Specifically, the solid state meters used by SDG&E to bill its customers' energy consumption and production are in compliance with ANSI 12.20, the American National Standard for Electricity Meters, which established .2 and .5 Accuracy Classes. Any new methodology to calculate customers' energy consumption and production should adhere to the same accuracy requirements as preserved by SDG&E. Unless NEM-Paired Storage customers can provide the same quality of data to SDG&E using an estimation methodology, any estimating approach is flawed. In order to accurately service its customers, SDG&E must be able to measure the outflow from NEM-Paired Storage devices. Absent that precise measurement, SDG&E does not know how the NEM-Paired Storage device is being used or what it is doing. With many unknowns in this equation, appropriately billing, servicing, and providing grid support become challenging. SDG&E recommends that the Commission reject the presented estimation methodologies and require metering solutions.

**VII.**  
**THE PROPOSALS IN THE ACR CANNOT BE IMPLEMENTED PRIOR TO THE  
ISSUANCE OF A FINAL DECISION**

SolarCity requests that “the IOUs should not delay recognizing exemptions from interconnection costs until a final decision is issued.”<sup>12</sup> SDG&E disagrees. In fact, SolarCity here is prejudging the outcome of a final decision on this matter by assuming the proposed exemption of interconnection costs will be adopted.

The Commission has established procedures in place that cannot be circumvented to benefit energy storage customers, even if “the timeframe for coming to a final decision...is unclear.”<sup>13</sup> As described in the ACR, “[a]fter the parties file comment and reply comments on this ruling, the assigned Commission will issue a proposed decision.”<sup>14</sup> Pursuant to Rule 14.3 of the Commission’s Rules of Practice and Procedure, following the issuance of a proposed decision, opening and reply comments will be permitted prior to a final decision being voted on during a Commission business meeting. SDG&E cannot bypass the Commission’s established procedures to meet SolarCity’s request.

**VIII.**  
**THE CREATION OF A SUNSET DATE IS CONSISTENT WITH STATUTE AND  
SHOULD BE ESTABLISHED, IF THE PROPOSED EXEMPTION IS ADOPTED**

SEIA claims that because no sunset date exists in Public Utilities Code Section 2827(g), which provides NEM facilities fee exemptions, there can be no sunset date to the exemption afforded to NEM-Paired Storage devices.<sup>15</sup> Likewise, SolarCity cautions the Commission saying “it would be inappropriate and possibly inconsistent with the statute for the Commission to attempt to rescind the exemption from interconnection charges after expiration of the ACR’s interim period at the end of 2015.”<sup>16</sup> However, SEIA and SolarCity fail to recognize that the

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<sup>12</sup> SolarCity Opening Comments, at p. 4.

<sup>13</sup> *Id.*

<sup>14</sup> ACR, at p. 2.

<sup>15</sup> SEIA Opening Comments, at p. 3.

<sup>16</sup> SolarCity Opening Comments, at p. 10.



ACR proposes to provide NEM-Paired Storage these exemptions “on a provisional basis.”<sup>17</sup> As a result, the applicability of the Public Utilities Code for NEM-Paired Storage at the end of the provisional term remains to be decided at Commission. Further, in its Opening Comments, TURN concludes that the “proposed exemptions are not required by statute.”<sup>18</sup> If NEM-Paired Storage is not, by statute, NEM eligible, a sunset date is not inconsistent with the Public Utilities Code. Therefore, a sunset date of December 15, 2013 should be established by the Commission if the proposed exemptions are adopted.

**IX.  
CONCLUSION**

SDG&E appreciates the opportunity to provide these reply comments for the Commission’s consideration.

DATED at Los Angeles, California, this 8<sup>th</sup> day of November, 2013.

Respectfully submitted,

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<sup>17</sup> ACR, at p. 7.

<sup>18</sup> TURN Opening Comments, at p. 3.