CALIFORNIA SOLAR ENERGY
INDUSTRIES ASSOCIATION

March 27, 2014

CPUC, Energy Division
Attn: Tariff Unit
505 Van Ness Ave., 4th Floor
San Francisco, CA 94102

CALSEIA Protest of Southern California Edison Advice Letter 3012-E-A

RE: Supplemental to Advice 3012-E – Advice Filing of Southern California Edison to Request Modification to the Allocation of the Remaining California Solar Initiative Megawatt and Incentive Funds

Introduction

In Advice Letter 3012-E-A, filed on March 21, 2014, Southern California Edison (SCE) proposes to make California Solar Initiative (CSI) funds intended for non-residential customers available to residential customers. The California Solar Energy Industries Association (CALSEIA) protests that proposal because the funds are needed to stimulate the non-commercial solar market, which will be poised to grow if SCE resumes offering the solar-friendly Option R rate.

1. **The real reason for low levels of non-residential solar installations is the lack of a solar-friendly commercial rate.**

Option R is a non-commercial rate with low demand charges that was created to stimulate investment by SCE customers in renewable energy. Participation in Option R was capped at 150 MW, and that cap was reached in October 2013. Customers who had been on the rate prior to reaching the cap continue to use the rate, but customers cannot switch to it.

The inability of customers to switch to Option R has greatly slowed the pace of solar installations in SCE territory. As noted in Advice Letter 3012-E-A, as SCE approached its limit on Option R, use of non-residential CSI funding went from 22% of available funds in the first quarter of 2013 to 3% of available funds in the following quarter, and it has stayed between 3% and 7% since then.[1]

SCE does not offer an explanation for the drop in non-residential solar installations in Advice Letter 3012-E-A, but many solar vendors who have done business with commercial customers in SCE territory attest that they are unable to sustain that business

[1] Advice 3012~~E-A~~, Figure 1, p. 3.

due to the lack of a solar-friendly rate. Numerous companies that previously focused on this market segment have either shrunk their businesses or turned their focus to other markets.

The best solution is to make Option R available to new customers and use the remaining CSI funding as it was originally allocated. If Option R is re-opened, solar vendors are convinced that the non-residential market segment will start moving again. The consistent, uninterrupted existence of a solar friendly rate in PG&E territory (A6) is a good example of how a solar friendly rate stimulates the commercial sector.

As part of SCE's most recent General Rate Case Phase 2, the utility agreed to make a proposal on Option R eligibility in the December 2013 Rate Design Window Application. In that filing, SCE proposed to maintain the cap on Option R so that new customers would continue to be excluded from the solar-friendly rate.[2] CALSEIA and other parties protested that proposal. At the pre-hearing conference on February 20, parties reached consensus on a schedule that will lead to a decision by the end of this year on whether to re-open Option R.

CALSEIA requests that the Commission deny SCE's proposal to shift CSI funding from the non-residential to the residential sector pending that decision.

2. CSI is meant to stimulate the market, not follow market segments that are performing the best.

SCE is proposing to move funding from the non-residential to the residential sector because the rate of installation is stronger in the residential sector. Advice Letter 3012-E-A states that SCE has "concluded that the shift between customer classes will better enable SCE to meet its CSI program goals." It further says, "SCE is experiencing a high rate of demand from residential customers for CSI reservations, with a slower rate of demand from non-residential customers."[3]

This is inappropriate given that the primary goal of CSI is market transformation. Moving incentives away from sectors that are more in need of stimulation is contrary to the principle of incentivizing market growth.

Another stated reason for SCE's proposal is that "SCE expects that non-residential incentive funds and MW will remain available beyond the statutory sunset date of the CSI program on December 31, 2016."[4] This point has merit, and if the Commission decides to maintain the cap on Option R and the non-residential market stays flat, shifting funds to the residential sector will be appropriate. In other words, if the non-residential market continues to be abandoned, it would be better to use the funds to meet CSI MW goals than not to use them at all. However, the better course would be to re-open Option R and use the non-residential CSI funds to stimulate the non-residential solar market.

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[2] A.13-12-015.
[3] Advice 3012-E-A, p. 2.
[4] Ibid., p. 3.

3. SCE has failed to involve stakeholders in determining what is best for the market.

In August 2012, the California Center for Sustainable Energy (CCSE) filed a petition for modification to reallocate CSI funds from the non-residential to the residential sector. The petition was motivated by a budget shortfall due to unforeseen circumstances.

SCE protested that move because "the reasoning that the Commission applied in D.06-08-028 for allocating MW between customer classes still applies today and should not be changed at this time."[5] SCE said it would undertake an analysis of the impact of a similar proposal for SCE territory if the Commission granted the CCSE petition, but that:

> "If SCE's analysis justifies the change of shifting MW between customer classes, then SCE would seek to build consensus on such a proposal before requesting a similar change in its own service territory."[6]

To CALSEIA's knowledge, SCE has done no such outreach to build consensus. The solar industry would indeed appreciate being involved in discussions about how best to build the solar market. We ask the Commission to reject SCE's proposal because it would not lead to the greatest amount of solar market transformation.

Thank you for the opportunity to submit these comments.

Respectfully,

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Service list of R.12-11-005

[5] SCE Response in R.10-05-004, September 4, 2012, p. 3.
[6] Ibid.