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)

INFORMAL POST-WORKSHOP COMMENTS OF THE INTERSTATE RENEWABLE ENERGY COUNCIL, INC.

In response to the Commission's May 16, 2014 request, the Interstate Renewable Energy Council, Inc. (IREC) respectfully submits these informal comments related to the public workshop discussion of the net energy metering (NEM) successor tariff or contract options. IREC attended the workshop, held on April 23, 2014 at the Commission. The scope of IREC's work nationwide includes expanding programs that facilitate consumers' ability to host a renewable energy system to directly self-supply energy needs or sell energy. IREC has recently participated or is currently participating in a number of state-level proceedings related to NEM and the valuation of distributed generation, including proceedings in Nevada, Minnesota and Arizona.

IREC specifically offers our comments on two of the Commission's identified topics: (1) possible guiding principles and (2) alternatives in disadvantaged communities.

Possible Guiding Principles

IREC generally supports the Guiding Principles identified by the Commission, with the modification identified below. We believe that together they underscore the wisdom of retaining the current NEM framework instead of designing a new paradigm.

NEM has served California very well to date, resulting in the installation of over two gigawatts of net-metered solar facilities and helping to cut the cost of small-scale solar in half.[1] IREC expects that NEM would continue to ensure sustainable growth in the distributed generation (DG) industry, and encourage innovation and growth among different technologies, applications and financing structures, as envisioned under the first and fourth Guiding Principles. In line with the third Guiding Principle, IREC agrees that the successor tariff or contract should be simple and transparent, just as NEM is today. By keeping the existing NEM framework, the Commission will promote market certainty and predictability, consistent with the second Guiding Principle, because NEM is familiar to the market and intuitive for customers.

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[1] Go Solar California: California Solar Statistics, http://californiasolarstatistics.ca.gov.

In line with this position, IREC recommends that the Guiding Principles be modified to explicitly protect consumers' right to self-generate, either by creating a new principle or updating an existing one. This ability is fundamental to NEM currently and should continue going forward. Moreover it is required under federal law. *See* 18 CFR §292.303 (implementing the Public Utility Regulatory Policies Act of 1978 (PURPA)). If the Commission retains the existing NEM framework, as IREC suggests, then it will also maintain consumers' right to self-generate.

IREC recognizes that the Commission's October 2013 *California Net Energy Metering Ratepayer Impacts Evaluation* by Energy + Environmental Economics (E3) (E3 NEM Study) showed a net cost associated with the current NEM tariff. Setting aside IREC's concerns with the underlying methodology used, as expressed in previous comments, the E3 NEM Study is out-of-date and irrelevant to the Commission's consideration of the successor NEM tariff or contract. In conducting its evaluation, E3 relied on existing rate structures, however the Commission is in the process of redesigning rates in Rulemaking (R.) 12-06-013. Because NEM is inextricably dependent on the underlying rate structure, the E3 NEM Study results have no bearing on the conversation about the future of NEM.

The redesigned rates that emerge from R.12-06-013 should address many, if not all, of the concerns associated with subsidization captured by the E3 NEM Study. Once rates have been updated pursuant to R.12-06-013, NEM should comply with the requirement in Assembly Bill (AB) 327 that the "total benefits of the tariff to all customers and the electrical system are approximately equal to the total costs," Cal. Pub. Util. Code §2827.1(b)(4), consistent with the first Guiding Principle.

To the extent E3's methodology when applied to NEM under the new rate regime still shows a subsidy, IREC suggests three specific modifications to the E3 approach. First, although IREC disagrees with the use of a Resource Balance Year (RBY) in this methodology, if it is used, IREC recommends that it be set to the present day. Doing so will more properly reflect the capacity benefits of NEM systems, which are significant from the moment a system is installed. Second, IREC recommends that NEM valuation should consider the societal benefits enjoyed by non-participants, including economic development, health and environmental benefits. And third, IREC suggests that any new valuation should consider the value of NEM systems with the addition or enhancement of storage, as provided in D.14-05-033. Storage allows NEM systems to realize substantially improved capacity values, particularly with the assumption of utility control of storage system dispatch. These three modifications would comport with AB 327's mandate that the total benefits of the NEM tariff to all customers and the electrical system be approximately equal to the total costs. IREC is confident that, when the E3 model is adjusted in these ways to account for the benefits of NEM more fully, NEM's total benefits will be equal to, and perhaps exceed, its total costs.

IREC recognizes that some adjustments to the utilities' current NEM tariffs may be needed to bring them into full compliance with AB 327 and the proposed Guiding Principles, for example the addition of customer privacy protections. Nonetheless, IREC urges the Commission to continue to rely on the existing NEM framework, which has already proven that it can meet the Legislature's and Commission's goals.

Alternatives in Disadvantaged Communities

IREC appreciates the Commission's acknowledgment of IREC's CleanCARE proposal as one of the possible ways to encourage DG growth among residential customers in disadvantaged communities pursuant to AB 327. IREC initially proposed the CleanCARE concept in R.12-06-013 on May 29, 2013, as a pilot program. We continue to believe it holds great promise.

In short, CleanCARE would provide an alternative to the current discount that participants in the California Alternate Rates for Energy (CARE) program receive. It would use a portion of the existing CARE subsidy to provide participating customers access to a "clean energy package," including shared renewable energy, energy efficiency, and possibly other elements, such as energy storage. The benefits of the clean energy package, including bill credits from the shared renewables, would allow these customers to achieve the same or increased bill reductions as compared to their bills under the existing CARE program. In this way, CleanCARE would bring the benefits of investing in renewable energy to low-income customers and communities, while retaining CARE's goal of providing affordable energy for low-income and medical baseline customers. In fact, CleanCARE may be able to accomplish this goal more cost-effectively.

For more detail on the CleanCARE proposal, IREC directs interested parties to our filing in R.12-06-013 and the associated appendix, which summarizes our proposed program deign. IREC continues to welcome feedback or questions from the Commission and other stakeholders on CleanCARE.

Respectfully submitted this 29th day of May, 2014,

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