

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



Request for Informal Comments

Following the Public Workshop Discussion of NEM Successor Tariff or Contract Options

Held April 23, 2014, 9:30am-1:00pm
at the California Public Utilities Commission

Workshop Documents available on CPUC's [NEM Successor Tariff or Contract Webpage](#).

Background and Overview

On April 23, 2014, Energy Division staff held a public workshop to facilitate a collaborative, informal discussion of the development of a successor tariff or contract to the current net energy metering (NEM) policy, pursuant to Assembly Bill (AB) 327 (Perea, 2013). This document provides an overview of the Guiding Principles and Program Elements discussed during the workshop, and solicits informal comments from parties to questions identified below. The purpose of this request is to give stakeholders the opportunity to inform the scope of issues that could be considered in the forthcoming NEM rulemaking or in the development of the NEM Alternatives Public Tool.

Informal comments must be served to the R.12-11-005 service list by **Friday May 30, 2014, 5:00pm PDT**. A more detailed account of the April workshop discussion can be found [here](#) on the CPUC website.

This document has three sections:

1. Presentation of possible Guiding Principles and Program Elements developed by Energy Division Staff, updated to reflect discussion during the April workshop
2. Request for Informal Stakeholder Comments
3. Tentative NEM Successor Tariff Proceeding 2014 Timeline

Presentation of Possible Guiding Principles and Program Elements

At the April 23rd workshop, Energy Division staff presented a list of possible Guiding Principles and Program Elements to consider in the development of a new tariff or contract. Stakeholder discussion of the Guiding Principles generally focused on the need for a simple, transparent and predictable set of rules. Several interpretations of the statutory provisions following AB 327 were also provided. The following *possible* Guiding Principles and Program Elements developed by Energy Division staff have been updated (in red) in an attempt to capture the discussion that occurred during the April public workshop.

Possible Guiding Principles for the Successor Tariff or Contract

- 1) The successor tariff or contract should be consistent with, and balance, the legislative goals identified in AB 327.¹
- 2) The successor tariff or contract should provide market certainty and predictability, considering customer expectations and long-term benefits of distributed generation.
- 3) The successor tariff or contract should encourage simple, transparent, and equitable policies for all customers.
- 4) The successor tariff or contract should promote innovation and growth among different technologies, applications, and financing structures.
- 5) The successor tariff or contract should be flexible, and include processes for future review and modification.
- 6) The successor tariff or contract should be consistent with other PUC policies and goals involving distributed energy resources, including, but not limited to:
 - Energy efficiency, zero-net-energy, energy storage, demand response, integrated demand-side management, renewable energy credits (RECs).
- 7) The future tariff or contract should include customer privacy protections.

¹ AB 327 directs the Commission to (1) Ensure sustainable growth in the DG industry, and include specific alternatives designed for growth among residential customers in disadvantaged communities; (2) Base the tariff/contract on the costs and benefits of the DG facility; (3) Ensure that the total benefits of the tariff to all customers and the electrical system are approximately equal to the total costs; (4) Establish terms of service and billing rules; and, (5) Permit greater than 1 MW systems to interconnect at reasonable charges if they do not have significant grid impacts

Successor Tariff or Contract Program Element Options

Updates in red below.

Possible Pricing Mechanisms		
	Contract	Tariff (also a type of contract)
Form of Compensation	Check	Bill Credit
Pricing	Avoided cost, value of renewable generation, dispatchability (for storage), market or market-adjusting price, locational benefits	Components of rates/tariff, could incorporate avoided costs, renewable adders, or market or market-adjusting price, locational benefits
Quantity & Timing	All generation or net exports, frequency of netting, fixed or variable compensation, contract duration	
Possible Secondary Program Elements	Interconnection application and distribution upgrade fee exemptions (program-wide or by location)	
	Faster interconnection processing times	
	Other rate component exemptions (departing load charges, standby charges, etc.)	
	Accessibility/utilization improvements to Renewable Energy Credit (REC) policies	
	Local grid benefit adders	
	Energy storage systems	
	System sizing constraints	
Possible Program Variants	Modification or elimination of net surplus compensation	
	Bill credit sharing among benefitting accounts, multi-metered properties, or contiguous parcels	
Program Administration	Processes for program review and modification	

Solicitation of Informal Stakeholder Comments

Please serve informal responses to the R.12-11-005 service list by **May 30, 2014, 5:00pm PDT**. Comments should be no longer than 7 pages in length, single-spaced. Comments received by the date and time above will be posted to the CPUC's NEM Successor Tariff website.

Questions on Possible Guiding Principles

- 1. Possible Guiding Principles:** Are there any clarifying edits or additions that should be considered to the seven possible Guiding Principles provided above? Please describe how any new Guiding Principles are distinct from those already discussed.
- 2. Sustainable Growth:** The first legislative requirement for the NEM Successor Tariff—the ‘sustainable growth’ requirement for renewable customer generation—elicited many comments and interpretations during the workshop. What are the possible definitions and metrics the Commission could consider when implementing the following requirement?

“Ensure that the standard contract or tariff made available to eligible customer generators ensures that customer-sited renewable distributed generation continues to grow sustainably.”²

Questions on Possible Program Elements

- 1. Possible Program Elements:** Are there any clarifying edits or additions that could be considered to the list of possible Program Elements provided above? Please describe how any new Program Elements are distinct from those already discussed.
- 2. Local Grid Adders/Interconnection Fee Exemptions:** To what extent could local grid benefits or preferred locations (discussion during the workshop touched upon the possibility of local grid adders as well as interconnection fee

² Public Utilities Code Section 2827.1(b)(1). For the text of this section, please visit: http://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=PUC§ionNum=2827.1.

exemptions in certain locations) be captured and incentivized in the design of the new tariff or contract? Do we have enough information to be able to capture and value these benefits or locations, and if so, at what scale?

3. **Projects greater than 1 MW:** AB 327 allows projects greater than 1 MW that do not have a significant impact on the distribution grid to be built to the size of onsite load if the projects are subject to reasonable interconnection charges under Rule 21. What are possible definitions and metrics the Commission could consider when determining whether or not a project has a 'significant impact' on the distribution system?
4. **Alternatives in Disadvantaged Communities:** AB 327 requires that the Commission include specific alternatives designed for the growth of distributed generation among residential customers in disadvantaged communities. Parties noted during the workshop the importance of virtual net energy metering (VNM) to the deployment of renewable generation in multi-family affordable housing communities, as well as IREC's CleanCARE rate proposal. Are there any other considerations that the Commission could take into account in the design of alternatives (either a new tariff or contract, or variations to the Program Elements) in disadvantaged communities?

Additional Comments

1. Are there any other issues not mentioned during the April workshop (see meeting minutes [here](#)), that could be considered in the forthcoming NEM proceeding, or in the development of the NEM Alternatives Public Tool?

Tentative Schedule for NEM Successor Tariff (March-December 2014)

<u>Proceeding</u>	<u>2014 Tentative Schedule</u>								
	<u>March</u>	<u>April</u>	<u>May</u>	<u>June - July</u>	<u>August</u>	<u>September - November</u>		<u>By 12/31/14</u>	
NEM Successor Tariff Proceeding <i>(Customer Gen. Section)</i>	NEM Alternatives Public Tool RFP Issued (March 6)	Initial NEM Successor Tariff/Contract Workshop (April 23)	Contractor Selected for NEM Alternatives Public Tool RFP (May 12)	Potential NEM Successor Tariff OIR Released					'Draft' NEM Alternatives Public Tool Released for Stakeholder Review
			Request for Informal Comments (Due May 30)						
Rates Proceeding (R.12-06-013) <i>(Rates Section)</i>			May Pre-Hearing Conference (May 13)			Phase 1 Intervenor Opening Testimony (Sept. 15)	Phase 1 Rebuttal Testimony (Oct. 8)	Phase 1 Evidentiary Hearings Begin (Nov. 3)	Phase 1 Opening Briefs Filed (Dec. 8)