

## PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



## PUBLIC WORKSHOP MINUTES

## Discussion of NEM Successor Tariff or Contract Options

April 23, 2014, 9:30am-1:00pm

California Public Utilities Commission

505 Van Ness Avenue – Auditorium

San Francisco, CA 94102

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

**A. Introduction and Overview**

(Ehren Seybert - CPUC)

- Background information on net energy metering (NEM) program in California and Assembly Bill 327 (Perea, 2013)
- The purpose of this workshop is to:
  - 1.) Outline the expectations and schedule for the development of a successor tariff or standard contract
  - 2.) Promote open, collaborative discussion regarding *possible* Guiding Principles and Program Elements to consider in the new tariff or contract
  - 3.) Discuss other issues relevant to the forthcoming NEM proceeding
- Role of the NEM Alternatives public tool
  - The purpose of the public tool is to:
    - 1) Evaluate the costs and benefits of NEM and NEM-alternatives under a range of retail rate forecasts in order to meet the requirements set forth in AB 327, and (2) utilize quantitative data to inform stakeholder discussion of key issues/variables of interest

- The tool must be able to evaluate the costs/benefits of different NEM alternatives, from a ratepayer and customer-generator perspective, under different rate scenarios
- Final design of the public tool will be the subject of future workshops, expected in June or July
- Coordination with the retail rates OIR necessary

## **B. Discussion of Possible Guiding Principles**

(Jason Perkins – CPUC)

### Energy Division Staff Presentation

- What are Guiding Principles?
  - Goals for our new successor tariff/contract to achieve
  - Criteria by which to judge proposals
  - Consensus-based normative statements
    - “The successor tariff should...”
  
- Possible Guiding Principles developed by Energy Division staff:
  1. *The successor tariff/contract should* be consistent with and balance the legislative goals identified in AB 327
  2. *The successor tariff/contract should* minimize uncertainty in the market (and financing of) customer generation projects
  3. *The successor tariff/contract should* encourage simple, transparent, and equitable policies for all parties, customers and utilities
  4. *The successor tariff/contract should* promote innovation and growth among different technologies and financing structures
  5. *The successor tariff/contract should* be consistent with the Commission’s policies and goals related to distributed energy resources, such as:
    - Energy efficiency, Zero-Net Energy, energy storage, demand response, integrated demand-side management, renewable energy credits (RECs)

## Stakeholder Discussion

1. *What are the most important objective(s) to consider in developing the new contract or tariff? What are the most important values to the customer-generator and to all other ratepayers? Are there any lessons learned from the implementation of NEM (and NEM variants), the California Solar Initiative (CSI), or the Self-Generation Incentive Program (SGIP) that could be applied to the successor contract or tariff?*
  - Simplicity, particularly for customer-generators (e.g., no additional meter, easy to understand and administer, doesn't require calculating all of the costs and benefits of DG), transparency, reliability and predictability (as it relates to a reasonable rate of return)
    - Previous starts and stops in SGIP resulted in market uncertainty
    - CSI was long-term and reliable; provided customers with a clear roadmap and a reasonable return; and, the rules didn't change
  - Keep customers whole, including non-participating customers
  - NEM works: the theoretical concept is easy for customers to understand, the program provides long-term certainty, and the costs should be reevaluated under rate reform
    - However, NEM billing, and specifically the underlying retail rates that NEM is based upon, is not easily understood
  - Previous 1 MW limitation constrained technological advancements, such as larger wind turbines
  - CSI successfully incorporated declining incentives that were clear, transparent, flexible, and successfully facilitated market adoption
  
2. *AB 327 directs the Commission to 'ensure that customer-sited renewable distributed generation continues to grow sustainably.' How could this 'sustainable growth' goal be defined?*
  - Each year the market has more earnings/projects than previous year
  - Continuation of current growth trends
  - Growth that does not rely on subsidies, and requires customer-generators to pay their fair share
  - The prioritization of growth in the non-residential sector

- Market transformation, using the metrics developed in the evaluation of energy efficiency (EE) and the CSI program
  - Growth doesn't need to be exponential; may be a curve
3. *Do stakeholders have any other potential guiding principles that the Commission should take into account?* The successor tariff or contract could:
- Account for future innovations in distributed generation (DG) technologies and applications
  - Promote transparency, reliability and predictability (considering long-term plans and customer expectations)
  - Incorporate flexibility in design, including opportunities for future review and modification
  - Include privacy protections
  - Incorporate local grid benefits

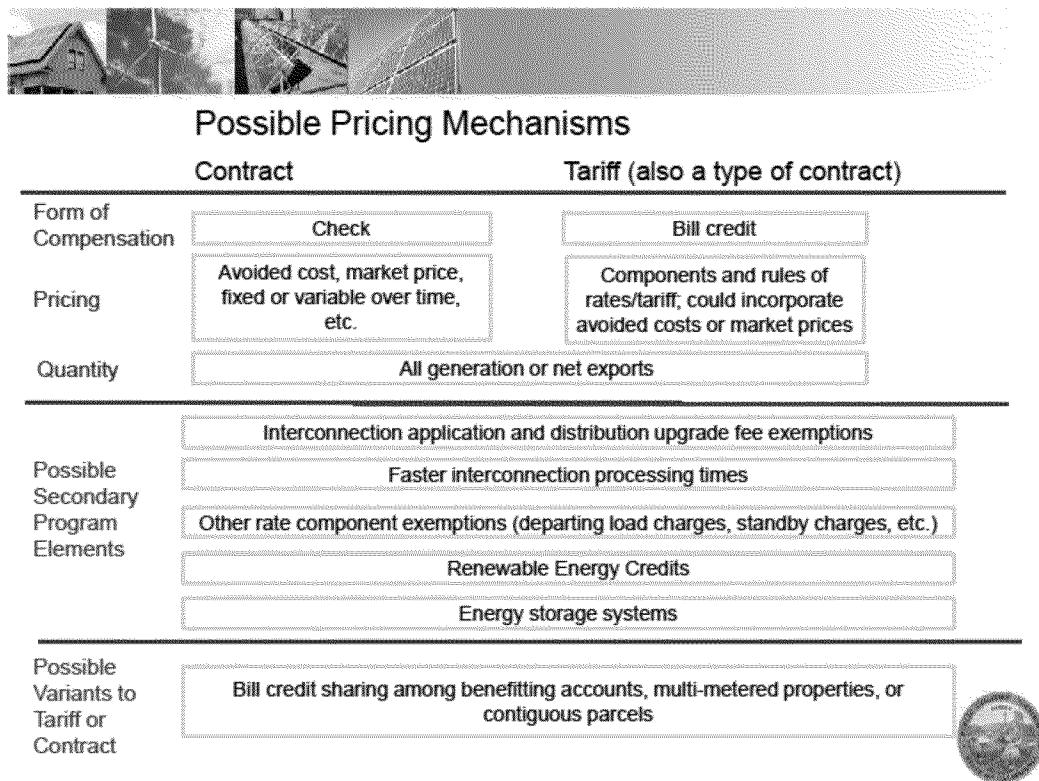
### **C. Discussion of Successor Tariff Program Element Options**

(Ehren Seybert - CPUC)

#### Energy Division Staff Presentation

- What are Program Elements?
  - All of the individual components that could be included in the design of the successor tariff/contract. For example, current NEM policy incorporates NEM billing credits, faster interconnection times and associated avoided fees, avoided standby charges, and avoided departing load charges

- Possible Program Elements developed by Energy Division staff



### Stakeholder Discussion

1. *Defining a successor contract versus tariff: what types of pricing mechanisms could be considered in the successor tariff or contract? What are all the elements of a pricing mechanism to consider in designing the successor tariff or contract? Which terms of service and billing rules must be considered for customer-generators under these two categories?*

- Other possible Program Elements could include:
  - System sizing constraints
  - How frequent netting takes place
  - The duration of the standard contract
  - Modification or elimination of net surplus compensation
  - A mid-course review (since the program will be uncapped)
- Within the pricing mechanism itself, new tariff/contract could consider:
  - Metering requirements
  - Renewable integration charges

- Local grid adders
  - Existing Renewable Energy Credit (REC) policies could be improved by:
    - Eliminating metering requirements
    - Making the fee structure for aggregators less cost prohibitive
    - Including RECs in the calculation of costs and benefits; making it easier to sell RECs to the investor-owned utilities (IOU)
2. *What types of alternatives, including alternative tariffs/contracts or modified program elements, could be considered for residential customers in disadvantaged communities? Are there other ownership structure or customer class considerations?*
- CleanCARE Pilot Proposal: Instead of getting CARE discount, qualifying customers could use the funds to install renewable generation
  - Virtual Net Energy Metering (VNM) is an important policy component to multifamily affordable housing DG installations
3. *To what extent could local grid benefits/interactions with the electric grid be considered or incentivized in the design of a new tariff? Do we have enough information to be able to capture and incentivize these benefits?*
- Could be potentially difficult to determine the value of individual systems; availability of information depends upon the granularity of data; and, grid conditions change rapidly, so the tariff may also need to change frequently
  - Local grid adders to a feed-in tariff rate could incorporate:
    - Local capacity resource area
    - Distribution areas in load pockets
    - West facing panel orientation, for solar PV
    - Distribution upgrade avoided costs (though, these may be difficult to capture and quantify)
  - Could also include fee exemptions, such as avoided interconnection/distribution upgrade fees, in areas that would benefit the most from the deployment of distributed energy resources
  - Data on local grid benefits could come through:
    - The Distributed Resources Plan

- Smart inverter plans (not expected until next year)
  - Existing maps used for projects participating in the RPS Program
  - Any adder would need to anticipate future operational cost increases and grid management issues
  - Need for capacity in Southern California should be considered
  - Local benefits should only be identified for larger projects
  - Separate from local grid benefits, the attributes of the power / power quality (e.g. smoothing of production with storage) could be considered in pricing mechanism
4. *AB 327 allows projects greater than 1 MW that do not have a significant impact of 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 processes are underway, or need to be initiated, that would help evaluate this statutory requirement?*
- Need to define 'significant'
  - Pre-studies would avoid each project from having to be studied on an individual basis
  - NEM aggregation and the Renewable Energy Self-Generation Credit Transfer (RES-BCT) program are critical to larger system sizes
  - May consider upgrading existing 1 MW projects to larger capacities
  - Additional scrutiny is needed on safety and reliability of the grid, which may be better addressed under the Rule 21 proceeding. Pilot projects may also be a good way to evaluate safety and reliability impacts that may stem from larger projects

#### **D. Other Topics to Consider in NEM Successor Tariff Proceeding**

(Ehren Seybert - CPUC)

- New NEM successor proceeding expected to open this Summer
- Informal written comments will be solicited on possible Guiding Principles and Program Elements
- Contractor for the NEM Alternatives Public Tool is expected to be selected and approved by the end of June. Stakeholder workshop(s) on the public tool will begin June-July, and will determine:

- How the tool will be designed and used
- The scope of inputs to be included in the tool

### Stakeholder Discussion

1. *Are there any other topics related to the design of the new tariff or contract that should be considered in the new NEM Proceeding?*
  - The new NEM rulemaking should consider, and be coordinated with, the development of the Distribution Resource Plans (DRP), retail rate reform (Proceeding R.12-06-013), changes to Rule 21 (Proceeding R.11-09-011), and any successor issues arising from the NEM storage Proposed Decision (PD) in proceeding R.12-11-005
  - Future joint workshops with Rule 21, and specifically the development of the DRP, could be beneficial
2. *When do parties want to begin submitting proposals for the new tariff or contract, even if those proposals are only in draft form?*
  - Submitting draft proposals before the creation of the public tool would ensure that all available options have data before submitting final proposals sometime next year
  - It doesn't make sense for parties to file proposals until they have results to work from, including a revised analysis of the existing NEM program under revised rates
  - Energy Division staff commented that draft proposals would not be needed before the development of the public tool, as long as parties were able to accurately identify all of the Program Elements that they *might* want to include in their proposal
3. *Are there any additional questions pertaining directly to the NEM Public Tool?*
  - The public tool could include:
    - An update the results of the 2013 NEM study in order to evaluate existing NEM policies under changing retail rates
    - Long-term, lifecycle analysis
    - GHG benefits, societal benefits, and water impacts (as part of the public tool or as a separate but coordinated analysis)



- An evaluation of only exports to the grid versus all generation
- Design of the public tool could include:
  - *Note: This will also be the subject of a forthcoming workshop once a contractor has been selected*
  - Parties could provide a range of data for the consultant to put into the public tool; if results are too simple, the tool might not be useful
  - Consultants could provide a range of results from the public tool
  - Alternatively, the tool could be designed for public use, incorporating a limited number of key inputs that could be modified
- Energy storage can now provide load shifting, which could increase the capacity value of solar PV