

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

Order Instituting Rulemaking Regarding Policies,
Procedures and Rules for Development of
Distribution Resources Plans Pursuant to Public
Utilities Code Section 769

Rulemaking 14-08-013

**COMMENTS OF
THE SOLAR ENERGY INDUSTRIES ASSOCIATION ON
ORDER INSTITUTING RULEMAKING**

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In accord with the Order Instituting Rulemaking (OIR) issued in the above captioned proceeding on August 14, 2014 by the California Public Utilities Commission (Commission) the Solar Energy Industries Association (SEIA)¹ submits these initial comments.

I. INTRODUCTION

The Commission opened this Rulemaking “to establish policies, procedures, and rules to guide California investor-owned electric utilities (IOUs) in developing their Distribution Resources Plan [DRP] Proposals, which they are required by Public Utilities Code Section 769 to file by July 1, 2015.”² SEIA applauds this action as it provides the opportunity for input by all impacted stakeholders *prior* to the submission of the DRP Proposals. The DRP process established by AB 327 represents a truly significant change in how the state approaches utility distribution planning, recognizing that distributed technologies, including distributed solar, energy efficiency, storage, and energy management solutions and demand response, can

¹ The comments contained in this filing represent the position of the Solar Energy Industries Association as an organization, but not necessarily the views of any particular member.

² Order Instituting Rulemaking Regarding Policies, Procedures and Rules for Development of Distribution Resources Plans Pursuant to Public Utilities Code Section 769, R. 14-08-013 (August 14, 2014) (OIR), p.2

complement and perhaps substitute for more conventional investments in distribution infrastructure. By requiring the utilities to develop DRPs, AB 327 creates a process whereby DER-driven solutions can, in effect, compete head to head with status quo approaches.

As noted in the OIR, “ traditional distribution system planning is limited in its ability to support State policies on [Distributed Energy Resources] DERs and emerging technologies.”³ The DRPs to be filed by the IOUs are required, among other things, to recognize “the need for investment to integrate cost-effective DERs and for actively identifying barriers to the deployment of DERs such as safety standards related to technology or operation of the distribution circuit.”⁴ California is not alone in its need to integrate DERs into the distribution planning of traditional electric utilities. In this regard, SEIA believes that this proceeding could provide guidance to other states with respect to the future of the electric grid, the services it must be able to provide, and the various players which will be critical to the advancement of distribution planning and operations. Accordingly, the Commission should take a measured approach, assuring the scope of the proceeding is sufficiently broad that all relevant information is gathered and all critical elements of grid operations are examined. It is with this in mind that SEIA offers these initial preliminary comments on the OIR.

II. COMMENTS ON SCOPE

In order for the Commission to meet its goal of a more full integration of DERs into [the IOUs’] distribution system planning, operations and investment in a cost-effective manner,⁵ the scope of this proceeding should be modified in the following manner:

³ OIR p. 3.

⁴ OIR, p. 3

⁵ *See* OIR p. 4

First, the Commission should compel the IOUs to provide absolute transparency regarding distribution grid management in a number of critical informational areas. Specifically, the IOUs should be required to provide detailed information on their current activities, and associated costs, for maintenance and upgrades to the electric grid. Included in such information should be a break out of the mitigating costs associated with energy efficiency, demand response and renewable energy interconnection. For example, under current interconnection processes, solar projects are often required to pay for upgrades to the distribution grid. It is unclear, however, how these upgrades, and payments therefore, are represented in the Commission's management of the IOUs' grid maintenance and upgrade plans and allowable cost recovery. Similarly, it is unclear how the reductions in grid use resulting from energy efficiency correlate to reduction in planned upgrades and how the IOUs calculate such impact. Access to such information and an understanding of how the utilities include distributed energy resources in their current distribution planning processes is a necessary part of the analysis of cost effective integration of DERs into the grid.

Moreover, such transparency will also mitigate or prevent conflicts that may arise from customers or third parties that want to invest in DER precisely to provide grid benefits. As noted in a report by MIT, one of the greatest challenge in implementing regulatory objectives is asymmetric information: "while a utility's demand characteristics and opportunities for cost reduction and investment may be fundamentally uncertain, managers of the utility typically have better information on these than does the regulator... this makes it impossible to simultaneously ensure exact cost recovery and provide optimal incentives for cost minimization."⁶ Without

⁶ Massachusetts Institute of Technology, *The Future of the Electric Grid* (2011) p.177 https://mitei.mit.edu/system/files/Electric_Grid_Full_Report.pdf

transparency, DER providers and customers will inevitably protest any rate changes (however justifiable) that can disadvantage DER.

Second, the Commission should assure that the scope of this proceeding is sufficiently broad to cover which new responsibilities, such as determining the locational or temporal value of DER to the grid or aligning pricing mechanisms to encourage optimal DER deployment, may be needed for meeting current grid operations as well an exploration of what new services could enhance grid operations, such a storage, electric vehicle management, ancillary services, VAR control, and other such features. In both instances, the Commission should explore which market player(s) (*e.g.*, the utility, DR or solar providers, new actors) is the best positioned to meet the need. Given the promise of DER and emerging business models, we encourage the Commission to first investigate market-based approaches to provide grid solutions rather than defaulting to the regulated utilities, a tendency for many states.⁷ Allowing competitive players to vie for these opportunities will promote innovation and new least-cost options, and will stimulate even more capital inflows for grid investments, thereby minimizing the use of ratepayer funds and the cost to all grid users. The regulated utilities will be expected to continue making obligatory investments for the public, but it is important that an objective and transparent process exists to determine that such investments indeed cannot be sufficiently and cost-effectively met through competitive markets.

Finally, rather than being focused solely on the incorporation of DER into distribution system planning and operation, the Commission should ensure that the scope of this proceeding includes discussion of what elements should be removed from such planning and operations. In

⁷ Hempling, Scott . *Incumbency vs. Diversity, Monopoly vs. Merits: Who Should Provide the New Distribution Platforms?* (July 2014) www.scotthemplinglaw.com/essays/distribution-control

other words, there should be consideration of practices and services that are outdated or no longer performing optimally. For example, current distribution planning processes may assume “worst-case scenarios” that are far-removed from reality and thus are overly conservative and increase costs for no practical benefit to customers. Similarly, planning processes or thresholds that may have made sense in the past, owing to the limited ability to monitor and control resources in real time, may no longer be appropriate. In addition, on a broader scale, the Commission is encouraged to examine the role of the regulated utilities in both owning and operating the grid. Since many of the DERs (which will be owned by customers or third parties) can displace future investments by the regulated utility, it faces an inherent conflict of interest in integrating more DERs. It is therefore imperative for the Commission to develop strong control mechanisms to mitigate this conflict of interest, because even the perception of unfairness can discourage investment in DER.

Updating or modifying past practices and services allows for more efficient and cost effective DER deployment.

III. COMMENTS ON PROCESS

A. Coordination with Other Proceedings

Through the compilation of the initial service list in this proceeding, the OIR indirectly recognized the broad impact of this Rulemaking. Thus, in addition to the Load Serving Entities in the state, the Rulemaking was served on the California Energy Commission (CEC), the California Independent System Operator (CAISO) and the parties to a multitude of Commission proceedings including the Resource Adequacy Rulemaking (R. 11-102-023), the Energy Efficiency Rulemaking (R. 13-11-005) and the Rule 21 Interconnection Rulemaking (R.11-09-011). In the Scoping Memo, however, the Commission, in addition to considering the

proceedings directly before it, should also speak to the interrelation between this DER Rulemaking and potentially proceedings at the CEC and the CAISO. For example, the CAISO has recently initiated a storage road-mapping initiative that could provide information that would inform this effort. The Scoping Memo should fashion the schedule in this proceeding so as to enable the Commission to draw the essential input and determinations from these other proceeding. Such is necessary to have an integrated approach to future DERs.

B. Consistency in Submittals

The OIR sets forth a preliminary procedural schedule which, in addition to this initial round of comments on the scope of the OIR, calls for comments on a draft Staff Proposal for Guidance on Distribution Resources Plan Proposal and then the IOU submittal of their DRPs in July 2015. It is conceivable that additional filings will be added to the scope. In order that parties can effectively participate in this proceeding, it is critical that the Commission order consistency in all filings required of the IOUs (including their DRs). In other words the IOUs should be required to follow the same format, units of measurement, and terminology.

III. CONCLUSION

SEIA appreciates the opportunity to provide these initial comments on the OIR, and looks forward to full participation in the proceeding.

Respectfully submitted September 5, 2014 at San Francisco, California.

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