



June 16, 2017

Honorable Michael Picker, CPUC President
California Public Utilities Commission
505 Van Ness Ave
San Francisco, CA 94102

Submitted electronically to: Suzanne.Casazza@cpuc.ca.gov

RE: Comments of the California Solar Energy Industries Association on the CPUC's Staff White Paper Titled "Consumer and Retail Choice, the Role of the Utility, and an Evolving Regulatory Framework"

Dear President Picker:

The California Solar Energy Industries Association (CALSEIA) appreciates the opportunity to comment on the California Public Utility Commission's (Commission) Staff White Paper Titled "Consumer and Retail Choice, the Role of the Utility, and an Evolving Regulatory Framework" (White Paper).

Rooftop solar technologies, both photovoltaic (PV) and thermal, as well as distributed storage technologies, are key to meeting the state's goals of improving air quality, reducing greenhouse gas (GHG) emissions, supporting local jobs, offering local economic development opportunities, and providing customers with direct access to clean energy resources for the state. These technologies provide critical paths to achieve those goals more rapidly.

CALSEIA is supportive of Community Choice Aggregation (CCA) as another path to rapidly meeting those goals. CALSEIA supports CCA as long as a founding principle is the promotion of local clean energy deployment, including rooftop solar on homes and businesses and local procurement. CALSEIA also works with CCAs as they are launched to eliminate or minimize the loss of net energy metering credits when customers are switched from an IOU to CCA. As the state approaches questions around the regulatory framework of CCAs and distributed energy technologies, the state should avoid adding unnecessary barriers to their deployment.

Specifically, the Power Charge Indifference Adjustment (PCIA) and related departing load charges is at the core of the debate. As noted in the white paper (p.9), this charge in part reflects the early renewable energy contracts utilities entered into at higher costs than those available today. We understand the need to avoid penalizing early adopters of renewable energy

contracts. However, the PCIA and its underlying contracts are hindering the more rapid deployment of clean energy in CCAs, and measures should be taken to reduce that barrier.

White Paper makes a reference to the fact that Commission will “seek to continue to adjust rates and tariffs like the PCIA and NEM in ways “to both allow customers to continue to make choices they want while ensuring that all other customers are not left with an unfair allocation of costs” (page 10). The White Paper also envisions significant changes to the regulatory model and utility structure (page 14). In pursuing those measures, CALSEIA believes it would be inappropriate for a departing load charge like the PCIA or similar mechanism like a non-bypassable exit fee to be applied to utility customers who chose to deploy solar, storage and other distributed energy resources at their home, school, or business.

Utilities already have mechanisms for forecasting future growth of DERs, mostly based on the California Energy Commission’s (CEC) Integrated Energy Policy Report (IEPR). This ensures they are not over-procuring energy. When the growth of DERs is properly taken into account, new projects would not be seen as departing load. Rather, they would be anticipated resources coming on line to meet our state’s renewable electricity goal. Those customers should not be penalized if the utility entered into long-term contracts or made transmission and distribution system investments that did not properly take into account the growth of local distributed energy resources.

The state should use existing mechanisms like the IEPR, as well as the distribution resource planning (DRP) process to project DER growth for improved planning of contracts entered into by the IOUs. The state should also consider mechanisms to increase transparency into existing utility contracts, and as appropriate, encourage the utilities to renegotiate or terminate contracts which are no longer cost-effective or in the state’s interests of pursuing low carbon resources. Also, it would be inappropriate for the PCIA or similar fee to be applied to investor-owned utility customers who choose to deploy distributed energy resources because those customers are not, in fact, departing; they remain bundled customers of their utility.

Local solar, storage and other distributed clean energy resources are an important part of the solution to addressing climate change and meeting our state’s goals of reducing air pollution and carbon emissions. Approaching these resources as “departing load” or shifting costs onto other customers only frames them as part of the problem. There are paths forward for the continued sustainable growth of DERs and local CCA’s and CALSEIA looks forward to working with the Commission and CEC on developing the appropriate policy and regulatory signals to achieve that growth.

Thank you and your colleagues for the opportunity to submit these comments on the White Paper. Below are our answers to select questions posed to stakeholders.

I. Panel Discussion: What Customers Want

A. In this 'future' retail electric system, how do you see the role for the regulated utility evolving and what role do consumers' choices play in achieving broad public policy goals?

Offering consumers the choice to generate and store clean energy directly at the point of consumption is one of the most powerful mechanisms we have to more rapidly meet our broad public policy goals of reducing GHG emissions and local pollutants, and cutting dependence fossil fuels. Investment by the private sector in distributed resources at homes, businesses, schools, farms will help our state to achieve these goals more quickly and for less public investment in dollars. To achieve the goal of 100% renewable electricity, we need to install solar, storage and other resources across the state, which requires providing consumers the option to install on-site.

Utilities clearly have a role to play in maintaining and operating the distribution system, and that role may continue as a monopoly. But their role should evolve to one that fosters and facilitates customer adoption of distributed energy resources and integrates those resources into distribution system. In some instances, customer-owned resources may provide services that have traditionally been provided by utility-owned equipment at a lower cost. Thus, the regulated utility model may need to evolve in order to make utilities financially indifferent between services that are provided through utility capital expenditures and those provided by third-party DERs.

B. As technology and customer engagement evolves, what regulatory models do you believe are best suited to allow customers to make the choices they want while ensuring that all necessary investments are made to achieve California's environmental and reliability goals? Do you think that the CPUC should react to it over time, or attempt to shape its direction (and conditions)?

We believe the state Legislature and energy agencies have done an admirable job to date of recognizing the issues arising from the evolution of distributed energy resources and pursuing processes like the DRP, IDER, IRP and Grid Modernization framework that seek to evolve the regulatory framework over time to adapt to and accommodate these technologies.

C. Should residential customers have access to alternative retail suppliers other than CCAs? If so, describe the types of choices you want to have?

Residential customers should have access to install or directly receive benefits from solar, storage, and other clean energy technologies in their homes, regardless of their energy provider (i.e., IOU, municipal utility, co-op, or CCA).

D. One concern about expanding consumer choice is safeguarding consumer from bad actors, what consumer protections need to be in place going forward? Are there any specific conditions, beyond essential consumer protections, that should be imposed on non-Utility load serving entities that want to serve the residential market? Should consumer protections be limited to for-profit entities and not CCAs? Should the regulated utilities always be available as a provider of last resort?

CALSEIA agrees that consumer protection is at the core of providing solar to potential customers, and has long-championed multiple measures to address this issue. First, CALSEIA members adhere to a code of ethics of advertising, selling, and installing solar. Second, CALSEIA offers a hotline for consumers to have CALSEIA investigate complaints through the website at <http://calseia.org/contractor-investigation>, email at info@calseia.org, or calling 916-228-4567. CALSEIA's complaint investigation is an open process, and any investigation will be with the full knowledge of all parties involved. In addition, consumers can also utilize the Contractor State License Board, which is an excellent resource for investigating both licensed and unlicensed contractors in California. Their website is <http://www.cslb.ca.gov>. Third, CALSEIA is developing a Consumer Guide to Solar Power which will empower consumers with information, the right questions, and contacts for ensuring they make the decision that is best for them when considering installing solar on their home or business. Fourth, CALSEIA is working to make disclosure forms for solar transactions standard throughout the industry to ensure consumers have clear information when making a decision to go solar. This includes a solar lease disclosure form and a solar power purchase agreement (PPA) disclosure form developed by the Solar Energy Industries Association (SEIA). SEIA's disclosure forms are available at www.seia.org/research-resources/solar-transaction-disclosure-forms. Finally, as noted in the White Paper, the CPUC has convened discussions on this topic and will be developing a solar information packet for consumers per CPUC Decision 16-01-044. CALSEIA encourages the promotion and utilization of these consumer protection measures.

In addition, consumer protections for Utility customers need specific attention. Customers who have solar, and more recently battery storage, regularly experience problems with their Utilities. While there are mechanisms for resolving these issues, i.e., the CPUC Ombudsman and ADR process; these mechanisms are not widely known by the majority of solar customers.

II. Panel Discussion: State of Customer Choice in California

A. Having heard from the customer panel, what value or services does your company/organization offer customers that is distinct from the distribution utility? Are there specific innovations in tariffs or services that you are better equipped to provide than the traditional utilities?

CALSEIA members offer customers products and services that deploy zero-carbon renewable energy resources and battery storage to help customers manage their energy costs in a way that eliminates or dramatically reduces GHG emissions. CALSEIA members do not offer tariffs; rather, they help customers respond to tariffs that are established by the CPUC and regulated utilities.

In regulation of the electric utilities, the CPUC often seeks to design tariffs that send price signals intended to achieve beneficial public policy outcomes – for example, reduction of system costs and pollution through tariffs that encourage customers to serve their own energy needs with carbon-free energy, to consume energy when it is relatively inexpensive to produce, and to avoid consuming energy when it is expensive and from fossil fuels. Because many customers do not have the time, inclination or ability to respond to these price signals, CALSEIA member companies provide products and services that allow customers to effortlessly respond to those price signals through solar PV generation, solar thermal, battery storage, smart thermostats and emerging technologies like smart inverters. We believe non-utility technology companies are best suited to provide these services due to their ability to innovate and provide scalable deployment at least cost.

B. As retail choice grows, whether through the growth in CCA programs, customer adoption of DERs, or reinstatement of full direct access, what do you see as the role for the regulated utility and where do you see your company/organization competing and cooperating with the utility?

The regulated utility's role should be to manage the distribution grid safely and reliability in a manner that allows for the lowest cost and most rapid decarbonization of electricity sources.

C. As competition evolves and as competitive suppliers and technologies presumably supply greater shares of customers' electric energy needs, what regulatory models do you believe are best suited to promote competition while ensuring that all necessary investments are made to achieve California's environmental goals while maintaining reliability? Why?

As a general matter, CALSEIA believes the state should establish the principle that

customers should always be allowed to generate their own energy to meet their own usage behind the meter, provided that energy is supplied by clean carbon-free generation sources. Given that much of the necessary investment to meeting California's environmental goals will be through the deployment of carbon-free generating resources, this policy will encourage customers to generate and serve their load with carbon-free energy to the greatest extent possible and help avoid new transmission or distribution investments.

In a future where significant amounts of customers serve their own electric load with on-site generation, new regulatory models may be necessary ensure that the utilities have sufficient revenue to make necessary investments in their distribution systems to ensure efficient, reliable and affordable electric system function. This may necessitate the evolution to a system where utility shareholders have the opportunity to earn returns through means other than investment of capital. Other jurisdictions have moved toward these alternative revenue mechanisms, such as RIIO in Great Britain and REV in New York. California is also experimenting with new revenue models for utilities by allowing utility shareholders to capture a portion of the savings that accrues when distributed resources defer capital investments. The state should continue to evaluate and refine these types of alternative revenue mechanisms.

G. What role do you see yourselves as competitive suppliers playing in the provision of service to low-income and hard to serve customers? How do we ensure that these customers receive the same level and cost of service as higher income and easier to reach customers?

CALSEIA will continue to perform an active role in helping increase access to solar and storage across the state for low-income and disadvantaged communities. We continue to press for measures which will help lower the cost of solar, such as streamlined permitting and interconnection processes and stability in regulatory structures. A robust, sustainably growing solar market will lower the cost of solar for everyone. CALSEIA has also been active in helping shape and implement critical programs like Single-Family Affordable Housing Program (SASH), Multifamily Affordable Housing Program (MASH), and the Multifamily Affordable Housing Solar Roofs Program (MAHSR) under AB 693 (Eggman) that all help lower the cost of solar for these communities, and provide that extra bridge as the underlying costs continue to decrease. Programs like these should be continued through IOUs, CCAs, munis, and co-ops in order to provide everyone with access to these resources.

IV. "Big Think Presentation" on the Future of Retail Electricity Service

B. Two kinds of customer choice are accelerating: customer-sited DERs and retail choice (either through CCAs and/or through other customer-driven processes). Do you see this as inevitable, or not? Do you think that the CPUC should react to it and/or adopt policy changes to shape it, or some of both?

The continued expansion and deployment of customer-sited DERs is not inevitable, as policies and regulations can either enable or hinder their deployment. The CPUC should do a mix of shaping and responding to this growth. And in so doing, it is important that the CPUC follow state law to ensure the continued sustainable growth of distributed solar through tariffs and successors to NEM. While the continued expansion of DERs is not inevitable, markets tend to be most efficient when they are driven by competition, and thus policymakers should seek to accommodate the transition of energy services from a highly regulated monopoly market to one that is decentralized and competitive as emerging technologies make that transition increasingly possible.

The primary challenge facing the state is to integrate these resource into the electric system in a way that makes the maximum use of the benefits they can provide so that the state is not “over-procuring” energy, capacity, ancillary services, transmission and distribution capacity. To that end, it is important that utilities provide transparent access to grid data needs so that third-party DER providers can offer solutions to emerging grid needs through resources sited on the customer side of the meter.

C. What entity should have final responsibility for ensuring California meets its 2030 clean energy and climate goals?

The Governor should have final responsibility, but ultimately, meeting the state’s 2030 clean energy and climate goals will be a multi-pronged effort pursued by multiple state agencies, utilities, companies and actors. CARB is clearly the agency that is best suited to monitoring emissions, setting the 2030 goal, and tracking progress toward it. Other agencies, like the CPUC and the CEC, should be responsible for the portions of that goal that are assigned to the utilities they oversee. However, because some emissions reductions may be transferred across different sectors, policymakers should be careful to ensure that the goals for each sector are not excessively compartmentalized. To this end, continuing the state’s successful cap and trade program is an important way to ensure that the 2030 climate goal is achieved.

D. What changes do each of these trends require of the distribution utilities and the regulatory framework? What are implications for resource procurement, long-term reliability and renewable integration particularly in view of the state's aggressive climate goals? What changes, if any, in the way utilities earn their profits are necessitated by the growth in these kinds of departing loads?

As customers increasingly adopt clean energy technologies, the distribution utilities and the regulatory framework will need to evolve to anticipate, accommodate, and maximize the value of these technologies. The Commission should continue its grid planning and modernization process and continue to examine alternate means for utilities to earn profits (such as infrastructure as service) in order to ensure that utilities are not biased in favor of capital investments over customer-owned DERs. Moreover, providing access to data on grid needs will allow third-party DER providers to offer solutions to grid needs with potential savings for all ratepayers.

Thank you again for the opportunity to provide these comments and answers to these questions.

Respectfully,

A handwritten signature in cursive script that reads "Kelly Knutsen".

Kelly Knutsen
Senior Policy Advisor
California Solar Energy Industries Association