Informal Comments by Jeanne Clinton[[1]](#footnote-1), representing self, June 15, 2017

Request of CPUC President Michael Picker regarding

**Customer and Retail Choice En Banc Panel Discussions and White Paper**

| **Panel and Question Reference** | **Comment** |
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| I. A and B and IV. B | **Treatment of Non-Residential Customer Commitments to Purchase “Renewable” or “Green” Energy.** Many large corporations have committed to purchase green energy nationwide across their facilities. Some may do this by purchasing ownership or output commitments to renewable energy production facilities. Others may make such commitments via green power aggregators not dedicated to specific renewable facilities. California needs to clarify how such arrangements are to be treated, e.g. as a) recognized “offsets” to energy otherwise purchased by their chosen provider (utilities, CCAs, or ESPs) or b) as a purchase of RECs but not commodity in a non-California-recognized self-regulating market. In turn, California energy policy positions are needed on:   * what such arrangements mean for the default provider, * end user or provider contributions to fixed and maintenance costs of the grid, * acceptable tenors (e. g. minimums or standard time periods) for such arrangements, and * how to “count” such procurement commitments against renewable or other clean energy goals or targets. |
| II. A and C. | **Continuity of Tariff Structures to Enable Customer Financial Analysis of Distributed Clean Energy Choices**. Whether contemplating direct customer investment in DERs or execution of PPAs, end users (and their DER providers) need to have a certain amount of confidence in the stability of default tariff STRUCTURES, if not their absolute values. This means that the existence and general level of demand charges and time-of-use definitions and price variations need to be reasonably predictable, and with structures that can be relied on for some minimum tenors, such as 10 years. That may be too short, however, for technology solutions with 20-25 year expected lifetimes. This kind of predictability is essential to inform investment and acceptance choices in behind-the-meter DERs for clean energy, assuming it is state policy to encourage these. |
| III. B., IV. A and D. | **Other Types of Investments; Regulatory Steps; and Utility Profit Changes**. End users have historically paid for their energy consumption on a pay-as-you-go basis, via their monthly utility or ESP bills. End users are NOT asked to front the capital or arrange financing to build 20-30 years’ worth of energy supply facilities and infrastructure. Yet, end users and building/industry owners ARE expected to front the capital necessary for behind-the-meter clean energy solutions – whether EE, solar, storage, or DR investments. (In some cases, third-parties have evolved to take on ownership of the assets, including arranging capital sources and structuring user payment arrangements.) Efficiency is perhaps the singular behind-the-meter resource where the real estate/ facility owner still must take on the capital obligation for EE investments. Most real estate and business investment paradigms fall far short of 20-30 year horizons, and view as a relative low priority off-setting monthly/annual energy operating costs. As we look at new frameworks for supplying energy and supporting infrastructure to achieve our clean energy and GHG goals, it may be an ideal time to explore the potential for utilities to extend their traditional capital structures and customer payment arrangements to support efficiency investments behind-the-meter.  Various models can be explored, including “EE-as-a-Service”, utility ownership of the assets, utility “nega-watt” PPAs for demand reduction delivered under third-party performance contracts, and tariff-based cost recovery for EE equipment installed or services rendered.  An examination of new structures could look at the bigger picture of how to amass and “secure” the need for tens of billions of dollars of investment, and how to surpass current limitations on short-term investment horizons of building and business owners, credit qualifications, and “split incentive” problems between owners and renters. Oher arrangements could be explored to obtain the workable forms of efficiency leases and PPAs, akin to innovations seen in distributed solar markets.  Key aspects to explore regarding such potential structures would include the utility roles in such capital commitment arrangements (asset owner, counter-party, “bank”), cost of capital, potential for quality standards or equivalent performance assurances, market appeal of different offerings or structures, utility profit (profit margins or return on equity) arrangements, and assurances of competitive markets for solutions providers. |
| IV. D. | **Locus of EE Administration Among Proliferation of Clean Energy Providers.** As the numbers ofpower commodity providers expand, it will become increasingly important to consolidate EE administration either at statewide or large sub-state regional levels. Two of the greatest challenges to achieving economically appealing energy efficiency potential are to make simplified offers and to reflect scale economies in pricing delivery. Having separate program administration by as many as 4 IOUs, 40+ POUs, a dozen or more CCAs, a dozen or more ESPs, and numerous local governments and other special entities cannot support either the necessary simplified offers or scaled delivery pricing. Consolidation of “program” designs and delivery selection will be essential to capture an optimal quantity of cost-effective efficiency. Payment arrangements to support this consolidated administration can be accomplished through a combination of IRP planning and resource procurement payment allocations. |

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