

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

Order Instituting Rulemaking to Create a  
Consistent Regulatory Framework for  
Guidance, Planning and Evaluation of  
Integrated Distributed Energy Resources

Rulemaking 14-10-003  
(Filed October 2, 2014)

**OPENING COMMENTS OF THE  
CALIFORNIA EFFICIENCY + DEMAND MANAGEMENT COUNCIL  
ON ADMINISTRATIVE LAW JUDGE'S RULING INTRODUCING DISTRIBUTED  
ENERGY RESOURCES TARIFF STAFF PROPOSAL AND DIRECTING COMMENTS  
AND RESPONSES TO QUESTIONS**

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**I. INTRODUCTION**

The California Efficiency + Demand Management Council (the “Council”) appreciates this opportunity to submit these Opening Comments on Administrative Law Judge (“ALJ”) Kelly Hymes’ E- Ruling Introducing Distributed Energy Resources Tariff Staff Proposal and Directing Comments and Responses to Questions which was mailed on October 6, 2020 (“October 6 ALJ Ruling”) in Rulemaking (“R”) 14-10-003 (Integrated Distributed Energy Resources (“IDER”). These Opening Comments are timely filed and served pursuant to the Commission’s Rules of Practice and Procedure and the instructions accompanying the October 6 ALJ Ruling.

**II. THE BACKGROUND**

The Council is a statewide trade association of non-utility businesses that provide energy efficiency, demand response, and data analytics services and products in California.<sup>1</sup> Our member companies employ many thousands of Californians throughout the state. They include energy efficiency (“EE”), demand response (“DR”), and grid services technology providers, implementation and evaluation experts, energy service companies, engineering and architecture

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<sup>1</sup> Additional information about the Council, including the organization’s current membership, Board of Directors, antitrust guidelines and code of ethics for its members, can be found at <http://www.cedmc.org>. The views expressed by the Council are not necessarily those of its individual members.

firms, contractors, financing experts, workforce training entities, and manufacturers of EE products and equipment. The Council’s mission is to support appropriate EE and DR policies, programs, and technologies to create sustainable jobs, long-term economic growth, stable and reasonably priced energy infrastructures, and environmental improvement.

### **III. OVERVIEW**

The October 6 ALJ Ruling seeks comments on the Distributed Energy Resources Tariff Staff Proposal (“Staff Proposal”) and directs parties to respond to the questions contained in this Ruling.<sup>2</sup> The Council supports increasing opportunities for EE and DR across the board. It is our view that this proceeding potentially offers yet another opportunity to reiterate that EE and DR must be prioritized within the context of IDER programs and initiatives, given that they are in fact first in the Loading Order.<sup>3</sup> Building on these themes, the CPUC in 2012 established the so-called Loading Order which mandates that EE (and by extension DR) be pursued first, followed by renewables and lastly clean-fossil generation. With that said, the Ruling affords an opportunity to address a number of important issues that are of concern to the Council. First, we strongly believe that DERs in general need to be on a level playing field with traditional infrastructure investments.

Second, an economic analysis framework needs to be created that encourages the leveraging of private investment in DERs to achieve deferral benefits at least at marginal cost to ratepayers. Third, there must be full coordination with all DER program types overseen by the Commission (e.g., SGIP, NEM and energy efficiency and demand response) to ensure that all DER programs are leveraged to enhance the value of those programs to ratepayers and at the same time provide lower cost deferral solutions. As the Commission proceeds to refine its proposal over the next several months, we encourage their thoughtful consideration of these important issues.

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<sup>2</sup> October 6 ALJ Ruling, at p. 8.

<sup>3</sup> Please refer to <https://www.cpuc.ca.gov/irp/> for more background on the CPUC’s Loading Order.

#### IV. THE COUNCIL'S RESPONSES TO QUESTIONS IN THE OCTOBER 6 ALJ RULING

1. **Are the proposed guiding principles for the Staff Proposal, including the new principles, appropriate and complete? If not, what revisions and/or additions should be made.**

The Council is encouraged to see that many elements of the staff proposal are aligned with our priorities. However, we offer the following points related to each of the newly proposed principles as outlined on pp. 19-20 of the staff proposal:

- ***Technology Neutrality.*** While the Council fully supports the concept of technology neutrality, we do not believe that all technologies applicable for DER programs are treated in the same manner. For example, EE and DR resources are currently overseen by the Commission on a far more granular basis than other DER technologies, with rules and procedures governing baselines, net-to-gross discounts, and lengthy project review procedures that other DERs such as behind the meter storage and distributed generation resources are not subjected to. We encourage the Commission to take a comprehensive look at its current uneven treatment of EE and DR resources across all proceedings where these issues apply and make appropriate adjustments.
- ***Private Investment Leveraging.*** The Council applauds the inclusion of leveraging of private investment as a guiding principle of DER policies. With that said, the Commission's current adherence to a Total Resource Cost ("TRC") testing framework for EE and DR resources in effect discourages private investment. The Council has addressed the substance of this argument in numerous opening comments from this and other proceedings.<sup>4</sup> We respectfully request that the Commission immediately adopt the Council's recommended rule modification by switching the cost-effectiveness testing framework to the Program Administrator Cost ("PAC") testing for all EE and DR resources. By doing this, private investment for all DERs will be encouraged.
- ***Program Coordination.*** The Council wholly supports leveraging of all existing DER programs (including those under the guise of EE and DR resources) for the purpose of

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<sup>4</sup> See the Council's previous opening comments for references to this cost-effectiveness issue in this proceeding (dated 4/15/19 and 4/2/20), the EE proceeding R.13-11-005 (dated 8/5/19, 8/22/20, 9/1/20, 10/16/20, and 10/22/20), the decarbonization proceeding R.19-01-001 (dated 10/9/20), and the IRP proceeding R.16-02-007 (dated 3/12/20).

deferring or avoiding traditional carbon-emitting traditional investments in generation, transmission, distribution, and other overlapping activities. At the moment, there is far too little coordination across various demand-side activities overseen by the Commission. The Council encourages the Commission to take a wholistic approach to all demand-side resources that it oversees in an effort to achieve complete coordination, realize scale economies, optimize ratepayer benefits, and meet the state's aggressive carbon reduction goals.

2. **For each of the following elements of the proposed Clean Energy Customer Incentive, explain what modifications, if any, should be made:**
  - a. **Prescreening process;**
  - b. **Use of ratable procurement;**
  - c. **Subscription period and contingency date;**
  - d. **Cost cap and forecast;**
  - e. **Offer reservation, offer acceptance and procurement;**
  - f. **Acceptance trigger and contingency planning;**
  - g. **Marketing and Outreach;**
  - h. **Pricing Methods;**
  - i. **Tiered Payment Structure;**
  - j. **Payment Structure to allow for non-dispatchable distributed energy resources;**
  - k. **Incrementality; and**
  - l. **The proposed tariff name, Clean Energy Customer Incentive.**

The Council does not have comments at this time but reserves the right to offer reply comments based on the responses by other parties.

3. **What level of utility Distributed Energy Resources Management System (DERMS) functionality is necessary for distributed energy resources to defer Distribution Deferral Opportunity Report planned investments through the proposed Clean Energy Customer Incentive? Could aggregators perform the DERMS function for the utilities?**

The Council believes that device-level control is not necessary for DERs to be used for distribution deferral planned investments. By utilizing advanced metering infrastructure and quantifying the change in energy consumption achieved at the meter with consistent transparent methods and open-source code the utilities could track the impacts of the CECI. Aggregators could also perform the DERMS function for the utilities, but device-level control should not be

required to implement this tariff. This can leverage investments already made in AMI and minimize additional costs and delays for the pilot efforts.

- 4. Staff proposes testing the Clean Energy Customer Incentive and its elements through three separate pilots, but we focus only on the pilot proposed to begin in August 2021 (Pilot 1). What, if any, modifications to the proposed Incentive Pilot 1 should be made?**

The Council does not have comments at this time but reserves the right to offer reply comments based on the responses by other parties.

- 5. Explain why the Commission should or should not adopt the Clean Energy Customer Incentive and Implement Incentive Pilot 1 in August of 2021, either as proposed or with modifications?**

The Council does not have comments at this time but reserves the right to offer reply comments based on the responses by other parties.

- 6. Explain whether the Commission should or should not adopt the proposed changes to the Requests for Offers process in order to streamline the process, including the allotted time for contract execution?**

The Council believes the Commission should adopt changes to the Requests for Offers process to streamline and expedite the process.

- 7. The Staff Proposal recommends a pilot of the Standard Offer Contract. For each of the following elements of the proposed Standard Offer Contract pilot, explain what modifications, if any, should be made:**
  - a. Pilot period;**
  - b. Pricing;**
  - c. Procurement mechanism;**
  - d. Marketing and outreach; and**
  - e. Allotted time for the contract execution.**

The Council does not have specific responses to Items a-e above but reserves the right to offer reply comments based on the responses by other parties. However, we offer broader comments regarding various issues related to a pilot of the Standard Offer Contract. To that end,

The Council supports the pilot concept outlined in the Staff Proposal. This pathway creates a new opportunity for demand-side projects to respond to distribution deferral needs and integrate their response. However, past standard offer contracts have suffered from a siloed structure resulting in bids that capture solar, storage, DR or EE, but never any that are designed to capture all. The Technology Neutral Pro Forms that were adopted by the IOUs several years ago include a path for integration of the impact of multipronged solutions that could deliver distribution deferral value. Normalized Metered Energy Consumption (“NMEC”) is a construct that can apply to all DER resources that may be avoiding energy use at the meter and resulting in distribution deferral value. NMEC was already adopted in the TNPF as the default approach for EE, but it should be adopted for universal application in the solicitations. The Commission has invested in methods and open-source code that is available today and operates at several IOUs and Community Choice Aggregators (“CCAs”) in the state.

Taking a holistic approach to quantifying the avoided energy use will also have the benefit of addressing the sticky issues of incrementally in the staff proposal. While the direction for SGIP and NEM were classified as incremental, the rules proposed for energy efficiency are convoluted and would be impossible to monitor using the proposed “overlap factor.” A more streamlined approach would be to require a statistical differentiation from the general population to quantify the impacts. The Council is aware of recent research efforts funded by the US Department of Energy that offers a standardized approach to quantify the grid impacts derived from direct interaction with customers relative to the comparable population.<sup>5</sup>

**8. Explain why the Commission should or should not adopt the proposed Standard Offer Contract pilot, either as proposed or with modifications.**

The Council believes that the Commission should adopt the Standard Offer Contract pilot; but should modify to enable integrated distributed energy resource solutions to come forward. Focus on the avoided energy use as the primary contractual outcome using open-source transparent and consistent calculation methods already in use by utilities and the Commission. Incrementality should not be handled using the overlap factor, but rather a statistically quantified impact based on participants compared to their matched comparisons.

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<sup>5</sup> A. Scheer, M. Young. Comparison Groups for the COVID Era and Beyond, DOE Research published in September 2020. Available online at <https://groups.recurve.com/methods.html>.

## V. CONCLUSION

The Council appreciates the opportunity to comment on the October 6 Ruling and looks forward to further engagement with the Commission and other stakeholders on the many important issues addressed in the Ruling.

Dated: October 30, 2020

Respectfully submitted,

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