

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Create a
Consistent Regulatory Framework for
the 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 PROPOSED
DECISION ADOPTING PILOTS TO TEST TWO FRAMEWORKS FOR PROCURING
DISTRIBUTED ENERGY RESOURCES THAT AVOID OR DEFER UTILITY CAPITAL
INVESTMENTS**

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The California Efficiency + Demand Management Council (“The Council”)¹ respectfully submits these Opening Comments on the Proposed Decision Adopting Pilots to Test Two Frameworks for Procuring Distributed Energy Resources that Avoid or Defer Utility Capital Investments, mailed in this proceeding on January 5, 2021. These Opening Comments are timely filed and served pursuant to Rule 14.3 of the Commission’s Rules of Practice and Procedure and the instructions accompanying the Proposed Decision.

**I.
BACKGROUND**

The Council is a statewide trade association of non-utility businesses that provide energy efficiency (“EE”), demand response (“DR”), and data analytics services and products in California.² Our member companies employ many thousands of Californians throughout the state. They include EE, demand response DR, and grid services technology providers, implementation and evaluation experts, energy service companies, engineering and architecture 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.

¹ The views expressed by the California Efficiency + Demand Management Council are not necessarily those of its individual members.

² 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.

II. COUNCIL COMMENTS ON THE PILOT FRAMEWORKS

The Council applauds the Commission's forward-looking perspective on enabling distributed energy resources ("DER") to become an important part of utility investment decisions aimed at avoiding or deferring new and costly distribution projects. While the two pilot projects are somewhat new ground for California, we fortunately have the benefit of learning from a wealth of similar experience through so-called "Non-Wires Alternative" projects from other parts of the US over the past five or so years. The Council looks forward to the experience that is about to be gained over the next several years because of the Commission moving forward with the Partnership Pilot and Standard Offer Contract Pilot. With that said, there are a couple of important issue areas that the Proposed Decision does not address.

First, the Staff Proposal does not reference how success will be gauged for the two pilots. What will be the Commission's process for determining whether the pilots were a success or not? Oftentimes, pilot programs are established as a prelude for full-scale implementation. However, there always must be a formalized process for assessing the success of a pilot program effort, and a clear path to full program status. The Council recommends that the Commission explicitly reference that at the conclusion of each pilot, the Commission will oversee the conduct of a pilot program process evaluation carried out by an independent program evaluation expert.

Second, the Staff Proposal does not appear to allow for alternative methods and approaches for how DERs might be valued under the two pilots. An area of DER valuation that is emerging in the industry relates to option value. If DERs can be purchased to cover an interim grid need, it provides the utility with time to see how the grid need actually materializes (if at all) and the opportunity to choose from among better and more cost-effective alternatives at some point in the future. When considering and comparing DERs against a wired solution, the procurement valuation assumes that the need is 100% certain (which it is not) and only defers eventual investment in the wired solution (which is also unlikely to be the best option in the future).

To take things a step further, and especially for energy efficiency projects, the delivery of the DERs typically builds over time as a collection of projects. In the scenario where it becomes apparent that the grid need is not materializing as expected, DERs are better positioned to renegotiate and modulate upward or downward to match the delivery with the actual need.

While the Council recognizes that these concepts are nascent at this time, we nevertheless request that the Commission acknowledge that each pilot effort could potentially accommodate alternative methods for project valuation, including the option value concept described above.

III. COUNCIL COMMENTS ON INCREMENTALITY

The Council continues to have concerns about the rules regarding incrementality. It should be noted that this Proposed Decision has not responded to the Council's concerns expressed from earlier comments in this proceeding regarding the incrementality of EE resources participating in the proposed pilot offerings. While we understand and appreciate the Commission's intentions of the incrementality rules in order to ensure that the impacts of distribution projects are incremental to what is happening already on the grid, the current rules put in place by the Commission are too restrictive and presume that the mere presence of other projects through Self-Generating Incentive Program ("SGIP"), Net Energy Metering ("NEM"), EE programs, and/or DR programs would result in duplicated impacts if those customers were to participate in a distribution deferral project as well. The current rules regarding incrementality stand as a major barrier to facilitating greater levels of participation in distribution deferral projects than would otherwise occur.

From our experience, many EE and DR program participants may be experiencing impacts from those other programs that are only for a specific set of end-uses and equipment or for certain periods of time. Newly defined projects proposed under the auspices of a distribution deferral need could be contributing energy savings impacts that are for a completely different set of end-uses and equipment than was the basis for the previous projects, whether they be SGIP, NEM, EE and/or DR. Furthermore, newly defined DR projects might be following completely different dispatch criteria and time needs relative to what was the basis for the previous DR project. It is for these reasons that we believe that wholesale rules regarding incrementality will unnecessarily disqualify viable distribution deferral projects.

While we recognize the importance of having rules regarding incrementality, the Council recommends that the Commission consider other more nuanced approaches for measuring the effects of incrementality. One such approach would be to immediately adopt the *a priori* 10% overlap factor that Pacific Gas and Electric ("PG&E") recently included in their most recent Distribution Investment Deferral Framework ("DIDF") Request for Offer ("RFO"). The Council

finds the 10% overlap factor as a reasonable short-term application of the Commission’s incrementality policy.

Another longer-term option that we suggest the Commission investigate would be to use standardized comparison groups. Common comparison group methodologies are widely used in EE program evaluations, particularly where whole building retrofit projects mean that teasing out the specific savings associated are difficult to determine. A recent US Department of Energy-funded study conducted by Recurve lays out a framework whereby comparison groups are used to adjust savings calculations to account for non-program effects on energy consumption.³ Drawing on a common comparison group methodology for assessing and enforcing rules regarding incrementality would be a more appropriate and equitable method that would ensure that the current distribution deferral project is indeed contributing impacts that are incremental to what is already happening on the grid. While more effort would be needed to test and validate such an approach, the Council believes that an approach would represent a viable long-term approach to address the Commission’s incrementality policy.

IV. CONCLUSION

The Council appreciates having an opportunity to offer these comments on the Proposed Decision. We look forward to the Commission’s final decision on distribution deferral pilots and we further look with great anticipation to the commencement of the two distribution deferral pilot program efforts.

Dated: January 25, 2021

Respectfully submitted,

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https://grid.recurve.com/uploads/8/6/5/0/8650231/recurve_comparison_group_methods_final_report_2.pdf