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Comments of 350 Bay Area on June 22 2018 En Banc

comments attached

Additional submitted attachment is included below.

To: California Energy Commission, California Public Utilities Commission

From: 350 Bay Area, representative Claire Broome

Regarding: Comments on June 22, 2018 En Banc regarding Customer Choice "Green Book"

The Commissioners are to be congratulated for trying to take a holistic look at the rapidly evolving landscape of declining costs for renewable energy, changing profile of load serving entities, and potential increases in load and Demand Response from beneficial electrification. However, the decision to frame the Green Book around "customer choice" does not define a specific problem to be solved; more problematically, it directs attention away from critical issues that must be addressed to help California continue to lead in the transition to clean energy, such as misalignment of incentives for capital investment in long-distance transmission and gas generating capacity, and barriers to effective integration of DER's into the distribution grid.

The 2018 report *The Economics of Clean Energy Portfolios* from the Rocky Mountain Institute (RMI) shows how rapidly the economics of clean power have changed; based on detailed modeling using assumptions which systematically underestimate the cost of gas generating resources, RMI concludes that investment in new gas generating capacity will likely result in stranded assets and/ or inappropriate costs to ratepayers in four states (including California). "Yet advances in renewable energy and distributed energy resources (DERs) offer lower rates and emissions-free energy while delivering all the grid reliability services that new power plants can" (https://www.rmi.org/insight/the-economics-of-clean-energy-portfolios/). Given this reality, and California's policy commitment to addressing climate disruption, the priority for the CEC and the CPUC should be addressing remaining barriers to this transition and DER's.

The following are four specific examples from the discussion on June 22 that illustrate how the role of DER's was not appropriately considered:

1) The economic analysis presented by Severn Borenstein created a misleading comparison that did not consider the type of generation needed for this new environment. He contrasted Behind the Meter residential photovoltaic (PV) resources with utility scale solar generation imported via long-distance transmission, claiming that the economies of scale favor the latter and repeatedly criticizing the "regulatory arbitrage" in the current Net Energy Metering program for residential solar PV. However, this ignores the more forward-looking option of Distributed Energy Resources including wholesale distributed solar, which can be built locally on or close to the distribution grid. These 10 kW to several megawatt facilities can benefit from economies of scale for construction similar to those for remote utility scale solar, but in addition have multiple potential strategic benefits, such as locational benefits for relieving grid congestion, and the ability to be integrated effectively with storage and load shifting programs to minimize peak load and absorb energy that would otherwise be curtailed.

2) The economic analysis did not incorporate the cost distortions due to the Transmission Access Charge, which customers of IOU's and CCA's currently pay on energy generated on the

distribution grid, even though such facilities do not use the long-distance transmission system. This cost is estimated by the Clean Coalition at approximately three cents per kilowatt hour. An accurate economic analysis would incorporate the cost of long-distance transmission into the costs for remote solar generation; whereas that cost should not be included for assessing generation within the distribution system. In addition, the CPUC should prioritize efforts to change current incentives which reward investor-owned utilities for investments in new unnecessary long distance transmission, while causing major costs to ratepayers.

3) At the En Banc, there was substantial concern expressed around Community Choice Aggregation (CCA) ability to undertake longer-term procurements, to assure stability of energy supplies. However, the world is now in a different place than when California's initial RPS procurements were necessary for creating a market, with contracts for 10 or more years at high prices. Storage and other DER's have shorter lead times for construction and procurement than gas generating plants or remote utility scale solar. The need for long lead time and long-term contracts has changed, and the CPUC should support procurement approaches which acknowledge this new reality. CCA's are already investing in multi-year procurements and local construction of DER's.

   Furthermore, while the concern about procurement stability was expressed with regard to CCA's, it was clear from a number of statements at the En Banc that the real risk is with Direct Access (DA) , where contracts with Energy Service Providers (ESP)s may change rapidly as large companies seek the cheapest price. If the CPUC is concerned about procurement stability, it would seem more appropriate to register concerns about current legislation proposing to lift the cap on DA.

4) The CPUC could best assure reliability and affordability by dedicating more staff resources to develop effective cooperation between the IOUs and CCA's so that the CCA's can continue to be effective partners in the transition to clean energy. CCA's are uniquely positioned to work in their local areas to develop innovative solutions for integration of DER's and to educate and engage their customers/residents. A specific area that deserves immediate attention is developing solutions for data access that permit CCA's to make informed decisions. Such data include for example current and projected load, current Behind the Meter solar installations, and sufficiently granular locational and Resource Adequacy needs.

Finally, as a party to R14 – 10 – 003, 350 Bay Area notes the urgency of updating the Standard Practice Manual for cost-effectiveness analyses applied to both DER and other energy resources. The absence of a decision on how to incorporate the costs of health and climate disruption impacts into these analyses and discussions results in misrepresenting the actual cost of fossil fuel resources to California residents and undervaluing clean and renewable resources. We look forward to a CPUC decision consistent with California's environmental policy that will appropriately count the cost of the ongoing health impacts on communities subjected to toxic air pollution.