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Joint Agency Workshop on the Senate Bill 100 Report, Docket No. 19-SB-100

Additional submitted attachment is included below.

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California Energy Commission
Docket Office
1516 Ninth Street
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RE: San Diego Gas & Electric Company Comments on the Joint Agency Workshop on the Senate Bill 100 Report, Docket No. 19-SB-100

Dear Commissioners:

San Diego Gas and Electric Company ("SDG&E"), thanks the California Energy Commission ("CEC") for hosting the Joint Agency Workshop on the Senate Bill ("SB") 100 Report, on September 5, 2019. This workshop was the kickoff meeting for development of the *SB 100 Joint Agency Report: Charting a path to a 100% Clean Energy Future*, and included presentations from the CEC, California Public Utilities Commission ("CPUC"), and California Air Resources Board ("CARB") (together "Agencies"). The Agencies discussed California's climate targets and clean electricity programs, along with the report development process and implementation.

Workshop commentary by representatives of the Agencies highlighted the need for an integrated report creation process, which SDG&E strongly supports. California Secretary for Natural Resources, Wade Crowfoot, emphasized this principle, encouraging all parties to look for opportunities to deepen coordination and avoid siloed energy policies. CEC Commissioner Karen Douglas, likewise, pointed out the need for a comprehensive analysis of all possible solutions, which can be used to identify costs and benefits and inform the path forward. Consistent with the goals of supporting interagency coordination and providing analysis-based solutions, SDG&E offers the following recommendations regarding the Joint Agency Report process.

Comments

The Initial Report Should Include Scenario Analysis

The Agencies' goals for the report include the following: (i) meet statutory requirements; (ii) provide direction to the electricity market; (iii) coordinate agency planning; and (iv) form consensus on the definition of "zero-carbon." The discussion of the initial report suggests,

however, that the initial report would focus on process and framework rather than on analysis. SDG&E submits that this scope is unduly limited. While developing a process and framework is important and could support the third goal of interagency coordination, this narrow approach will not ensure statutory compliance. Nor will it provide the necessary analysis-based direction to the market.

In addition to reviewing the policy articulated in SB 100 through various lenses,[1] SB 100 requires that the report evaluate the reliability and financial impact of the policy, and that it provide the costs and benefits of alternative scenarios. To accomplish these tasks, the report must include comprehensive scenario-based analysis. This analysis can then be used to provide clear direction to the market, including a consensus definition of "zero-carbon" and the way in which the 100% renewable and zero-carbon electricity goal will be measured (*e.g.*, hourly or annually). Considering the timing of the initial report (2021), and subsequent reports (every four years thereafter), waiting until the mid-2020's to provide clear, analysis-based direction is impractical and could undermine the goals of SB 100. Instead, SDG&E recommends that the Agencies work with stakeholders through the upcoming workshops and comment process to define the scope of the scenarios to be analyzed. Once the scenarios have been established, analysis should be performed and the results of the analysis included in the initial report. It is critical that the initial report include substantive analysis that provides meaningful direction to the market; indeed, a report that is not anchored in robust analysis is not only non-compliant with the requirements of SB 100, but could provide erroneous market signals that send the state down the wrong path.

All Technology Options Should be Considered

Stakeholder discussion at the workshop reflected a diversity of views regarding the ability of various technologies to help meet the goals of SB 100. Although opinions regarding available technologies vary, the themes of grid reliability (resiliency and safety) as well as affordability (equity) for all customers, were at the forefront. This drives home the need for a comprehensive scenario-based analysis that considers ***all*** technologies[2] along with the associated potential grid and financial impacts. It is critical that as the Agencies develop scenarios to be tested, they take care to avoid technology bias as this could rob the state of a viable path to meeting SB 100's clean energy goal.

Thus, the Agencies should ensure that the report and supporting analysis include all available technology and fuel options. A diverse and balanced portfolio that includes both electric and natural gas resources will enhance system reliability while keeping customer costs down. Additionally, the guidance to market participants provided by the Agencies must remain flexible in order to anticipate changes in technology and account for regional differences in the availability of resources.

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1 Pub. Util. Code Section 454.53(d)(2)(A) "The joint report shall include… A review of the policy… focused on technologies, forecasts, then-existing transmission, and maintaining safety, environmental and public safety protection, affordability, and system and local reliability."

2 This includes the technologies discussed at the workshop, as well as those that are necessary to maintain reliability (*i.e.*, existing conventional resources).

The Agencies Should Incorporate Lessons Learned from Existing Policy

While the workshop presentations provided useful background regarding the technologies that have helped the state to reduce its emissions thus far, there was little substantive discussion of the key objectives of system reliability and affordability. SDG&E notes that the list of workshop topics includes these items, and underscores the importance of applying lessons learned from past experience, as CEC Commissioner Karen Douglas pointed out. Going forward, the Agencies should make these topics a primary focus and ensure that direction provided to market participants regarding implementation of SB 100 takes into account the important goals of reliability and affordability.

SB 100's clean energy goal is an ambitious policy that reflects California's role as an environmental leader. The starting point for developing a strategy to meet the state's aggressive objectives is an understanding of where the state is today in terms of technology, reliability, and affordability. This will help all stakeholders understand the potential impact of different potential paths forward. Using affordability as an example, information such as the following from the CPUC's recently-issued SB 695 Report provides valuable context:

- Climate change, wildfire severity, aging infrastructure, and tectonic shifts in technology and the retail marketplace create risks that California electricity bills will become unaffordable for some customers and have the potential to threaten the viability of California's clean energy policies.
- Increasing retail choice and distributed energy resource (DER) offerings pose challenges to effectively managing costs for ratepayers and make forecasting rate impacts difficult.
- The total System Average Rate (SAR) of each of the three [Investor Owned Utilities] IOUs historically tracked close to inflation in a gradual upward trend until 2013. Since then, the annual percentage change has been generally trending above the annual inflation rate.
- Historically, while California's electricity rates have been higher than most of the nation, bills have been lower because usage in California is low compared to most of the United States. However, low usage is no longer offsetting rate impacts in some areas of the state, which could lead to a growing trend of bills exceeding national averages.
- These rising rates and bills stem from declining utility sales, while revenue requirements continue growing to meet statutory mandates[3] and operational needs. This means that fixed costs are paid for by fewer customers.[4]

Drawing from this example, critical examination of the current rate framework is clearly needed to ensure the affordability of the strategy used to meet the requirements of SB 100 and advance the state's decarbonization goals. Consideration of this context will be crucial as the Agencies formulate their report, and must be incorporated if the state is to reach the 2045 100%

[3] As of June 1, 2019, approximately 24% of the costs in SDG&E's rates are a result of legislative mandates.

[4] CPUC Actions to Limit Utility Cost and Rate Increases: Public Utilities Code Section 913.1 Annual Report to the Governor and Legislature, May 2019.

renewable and zero-carbon electricity goal in a manner that maintains grid reliability and prevents unreasonable bill impacts, as required by law.[5]

The Workshops Should Cover Certain Critical Data and be Re-Numbered

The Agencies provided a list of workshop topics to be covered between Fall 2019 and Spring 2020. SDG&E assumes that the topics are listed in the order that they intend to be scheduled, and provides brief feedback and recommendations on several as follows:

- ***(1) Scenarios & Technologies for a Clean Energy Future***: At this first workshop, the Agencies should provide additional detail regarding the current state of reliability and affordability. This will introduce valuable perspective and lessons learned, enabling stakeholders to build on the technology-related information presented at the kickoff, and to develop a more complete understanding of the state's starting point. Additionally, at a minimum, SDG&E recommends that the Agencies propose: (i) potential definitions of "zero-carbon," including how the Agencies intend to evaluate each definition in terms of its contribution to the goals of SB 100; and (ii) how the 100% renewable and zero-carbon electricity goal will be measured (hourly or annual).
- ***(3) Affordability***: SDG&E recommends that this include a deeper dive into the costs of the current policies and mandates in effect, including quantification of subsidies and cost shifts created by the current mandates and identification of the customers paying for such subsidies and cost shifts.
- ***(7) Reliability Needs***: This workshop appears to be either analogous or closely related to workshops 6 and 8 (Infrastructure & System Management Needs; and System Resilience). SDG&E recommends that these workshops together address any current and potential future reliability issues, as well as potential solutions, including energy storage. Additionally, the California Independent System Operator ("CAISO") should be involved in these workshops. The process would benefit greatly from the CAISO's perspective and expertise. Finally, given the critical importance of ensuring system reliability, SDG&E recommends that the workshops focused on this topic (6, 7 and 8) be conducted immediately following Workshop 1.

Conclusion

SDG&E looks forward to participating in the stakeholder process to develop the SB 100 Joint Agency Report.

Sincerely,

[5] Pub. Util. Code Section 454.53(b)(1-2).