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Center for Sustainable Energy Comments CEC - Docket 22-OII-01

Additional submitted attachment is included below.



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June 17, 2022

California Energy Commission
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VIA ELECTRONIC FILING

RE: CEC Docket 22-OII-01: Order Instituting Informational Proceeding on Distributed Energy Resources in California's Energy Future

The Center for Sustainable Energy® (CSE) appreciates the opportunity to provide comments on the proposed scope of California Energy Commission's (CEC) Order Instituting Informational Proceeding on Distributed Energy Resources in California's Energy Future, Docket 22-OII-01. CSE commends the CEC for opening the examination of distributed energy resource (DER) programs and requirements across agencies, and the California Public Utilities Commission (CPUC) and California Independent System Operator (CAISO) for their participation in the June 1, 2022, Lead Commissioner Workshop to launch the proceeding.

CSE is a 25-year-old national nonprofit driven by one simple mission – decarbonize. We provide program administration, technical assistance, and policy advisement, and serve as a trusted resource helping government agencies implement successful clean energy and transportation programs. CSE provides these comments based on our experience designing, implementing, and evaluating incentive programs in California, Connecticut, Massachusetts, New Jersey, New York, Oregon, and Vermont.

Specific to California, and this docket, CSE is a member of the program administrator team for the statewide Solar on Multifamily Affordable Housing (SOMAH) Program and the program administrator for the Self-Generation Incentive Program (SGIP) in San Diego Gas & Electric (SDG&E) service territory. CSE has administered other clean energy programs in the past, including the Multifamily Affordable Solar Housing (MASH), California Solar Initiative (CSI), CSI-Thermal, as well as local solar programs in the San Diego region and Los Angeles Department of Water and Power (LADWP) service territory.

We recommend that this docket:

- Be comprehensive in the examination of, and approach to, current and future DER programs and associated policies;
- Maintain the customer at the center of policy design and redesign, as applicable, with a focus on equity, affordability, the customer experience, and resiliency;
- Recognize the highly localized benefits of DERs beyond avoidance of centrally procured, often transmission-dependent, power sources; and,
- Create enabling conditions for the market to thrive.

These recommendations are discussed in greater detail below.

1. Comprehensive Coordination of Current and Future Programs and Policies is Essential

CSE respectfully urges the CEC and energy agencies to be comprehensive in their approach to this docket. Specifically, we recommend the agencies objectively examine all current and forthcoming DER programs, rates, interconnection requirements, relevant tariffs, customer charges and any other relevant policies. This examination should focus on how exactly these elements function in combination with each other, with the underlying goal of expanding clean DERs. The June 1, 2022 Workshop discussed a handful of policies and dockets – the CPUC’s “High DER” Rulemaking, the CPUC’s DER Action Plan 2.0, and the CAISO’s DER market participation models – but did not discuss the breadth of programs and policies that deploy DERs today. CSE further recommends the agencies take an unbiased and holistic look at their various programs and requirements, including those prescribed by the legislature. Where needed, the agencies should pursue/support legislative changes to modify and streamline programs to simplify the customer experience and increase DER adoption.

As an overarching principle, CSE recommends that DER customer programs be designed or redesigned to avoid onerous cross-cutting requirements. As an example, onerous requirements can be found within the SGIP program, the nation’s longest running DER customer program. SGIP was originally designed as a DER technology deployment program and has been quite successful in this regard. Nevertheless, over time, the program has become more complex by mandating that recipients of SGIP incentives must elect specific time-of-use (TOU) rates with large peak to off-peak differentials. This requirement has eroded the value to the customer overall and discourages the customer from signing up for grid services programs. A better solution could be to refocus the program on deploying technology and offering customers a full suite of rate and program options. With coaching and technical assistance, customers can select what works best for them, rather than facing a mandated structure.

2. Customer Experience Must be at the Center

CSE's experience in administering customer-sited DER programs in California has informed our perspective that the State's DER programs, rates, and other associated policies, are typically designed from a top-down approach and in an often-siloed manner. The unintended, and unfortunate, consequences include distinct and sometimes inconsistent requirements and lack of coordination across programs, resulting in the inability to easily compare options across programs and rates. Customer education – including tailored efforts in disadvantaged and low-income communities that address community-identified needs – and consistent program requirements are essential to spur the equitable adoption of DER technologies necessary to decarbonize the building sector.

CSE recommends that this docket focus on understanding the customer's needs for reliable and affordable energy and designing equitable policies and programs that bring them on the decarbonization path. The customer is the main actor needed to take the actions necessary to achieve the State's goals. A product of the docket should ensure that customers do not need to weed through various and complex programs and rate structures without any straightforward way to compare the overall savings and cost impact. The ideal product of this docket will present customers with a full suite of options for home electrification and vehicle charging from the start. To be customer centric is to recognize the individual's stage and appetite on the journey. This necessitates not only options and information, but a roadmap for getting there, as each home and business will have distinct priorities.

Moreover, the needs of disadvantaged and low-income communities, as a distinct customer segment, must be carefully addressed in program and rate design. As many during the Workshop's Session 2 DER Community Engagement panel noted, technical education will be necessary to familiarize these communities with new technologies and build community trust. It will be essential to create opportunities to engage with individual communities to listen to and understand their community-defined needs, preferences, and solutions. Community-based organizations (CBOs) are best positioned to conduct community outreach, engagement, and education because they are trusted resources in the communities they serve, and funding should be included to support this important program component.

It is crucial to ensure that overall utility bills are affordable to customers, especially low-income consumers, regardless of the specific combination of programs and clean technologies they may employ. Rate options and programs must be designed with this specific focus at the center, and all measures offered must be cost-effective with consideration of societal costs, both individually and combined. As the State prioritizes deployment of DERs and advancing electrification of buildings and transportation, there is a very real risk of shocking the customer when they receive

one monthly bill for all their energy use, rather than paying them separately and throughout the month. Accordingly, education and outreach will be integral to these efforts.

3. Expand Cost Effectiveness Evaluation

Today, the cost-effectiveness of DERs is determined in comparison to centrally procured, transmission dependent resources. In other words, DERs must be more cost-effective than non-DERs. This comparison ignores that DERs and electrification measures have greater value than their currently estimated avoided cost and misses the overall goal of expanding DERs. Simply put, if the goal is to expand DERs, then the comparison of the relative value of transmission dependent resources is irrelevant. The relevant comparison is, rather, between similar DER measures, and the overall cost impact to the customer of a single DER measure or a combination of DER measures and rate options.

Societal costs and benefits are particularly important to the overall impact of DER expansion and broad electrification. Such impacts as local air pollution (NO_x, PM₁₀, PM_{2.5}) and associated health costs - particularly in disadvantaged communities, which are disproportionately impacted by pollution and health disparities - weather-related health costs and impacts for vulnerable customers, customer-level and community-level reliability and resiliency, and safety during power outages, must be central to cost-effectiveness determinations. In determining the values for these costs and benefits, CSE cautions against leaving these at zero, if not already determined through another process. It is best, instead, to make an educated estimate and update over time.

4. Create Enabling Conditions for Market to Thrive

Streamlined program requirements, transparency, equity considerations, and clear prioritization of DERs in policy – as outlined in these comments – are all integral to fostering a thriving DER market. In addition, CSE recommends the agencies consider streamlining customer data requirements. Customer protection is important, to be sure, but some measures create an unnecessary hindrance to DER deployment and provision of grid benefits. For example, customers must re-authorize the use of their data for each program they sign up for, which burdens the customer and results in significant customer attrition. Instead, a customer should have the ability to procure a battery and authorize participation in each grid services program at the initial point of sale. Finally, rates and programs should ensure grid responsiveness, including electricity rates for storage and vehicle charging; the ability to fluctuate the rate of charge and discharge in accordance with grid conditions to maximize reliability and customer resiliency; and technologies deployed should – to the extent possible – be capable of receiving grid signals when available. In addition, ensuring grid responsiveness can enable DERs to be grid assets and not just new load.

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CSE appreciates the opportunity to provide these comments on the proposed scope of California Energy Commission's (CEC) Order Instituting Informational Proceeding on Distributed Energy Resources in California's Energy Future, Docket 22-OII-01 and looks forward to engaging with the CEC, CPUC, CAISO, and other interested parties in the examination of DER programs and requirements across agencies.

Sincerely,

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