BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding Policies, Procedures and Incentives for Distributed Generation and Distributed Energy Resources.	RULEMAKING 04-03-017 (Filed March 16, 2004) CEC Docket No. 04-DIST-GEN-1 and 03-IEP-1

COMMENTS OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) ON INTERCONNECTION REPORT ISSUED BY THE CALIFORNIA ENERGY COMMISSION

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I.

INTRODUCTION

Pursuant to Administrative Law Judge Kim Malcom's March 1, 2005 Ruling Soliciting Comments (Ruling), Southern California Edison Company (SCE) submits the following comments on the Interconnection Report Issued by the California Energy Commission (Report).

SCE appreciates the efforts of the California Energy Commission (CEC) and the Rule 21 Working Group Members in development of the Report. SCE supports the adoption of some, but not all of the Report's recommendations. As discussed below, SCE simply cannot support those proposals which will shift risks and costs away from the generators and on to the backs of utility ratepayers without some overriding justification, which to this point, has not been identified.

SCE believes that many of the proposals are the product of a workshop process dominated by the views and opinions of the Distributed Generation (DG) industry, with little time spent identifying and considering the interests of

ratepayers. Although the CEC made strong and consistent efforts to publicize the activities of the Rule 21 Working Group and encourage broad participation, no ratepayer advocacy group participated in the relevant workshops, and the majority of the attendees of the regular monthly workshops represented the DG community.

The Public Utilities Commission (Commission) now has the opportunity to exercise its authority to rebalance the interests of DG developers and ratepayers, as it should. The Commission should not adopt the Report's recommendations concerning:

- Net Generation Output Metering. The Commission should defer any action concerning compulsory Net Generation Output Metering (NGOM) until the Commission can fully assess the State's and the utilities' need for accurate generator output data to accommodate evolving policies in the areas of resource planning, environmental credits, standby charges, and system reliability. In this effort, the Commission should identify the specific concerns of those DG proponents and customers who have objected to NGOM and fully investigate whether their concerns are in fact warranted and compromised through NGOM.
- The Dispute Resolution Provision. The Commission should continue to endorse the existing Dispute Resolution Process as sufficient for dealing with all types of disputes between the utility and the interconnection applicant, including Rule 21 issues. If not, the Commission should clarify the Report's proposed approach to avoid unnecessary confusion.
- Export from NEM Generators. The Commission should reject the conclusion that "any methodology preventing export from the NEM generator while the non-NEM generator is operating is inappropriate." This is simply too broad a statement to include in an interconnection rule which can include very large generators and is certain to be abused to the

detriment of other ratepayers. The Commission should instead adopt an approach that better reflects the legislature's intent under Public Utilities Code section 2827[1] to encourage customer use of on-site renewable generation ahead of fossil fuel generation.

- Cost Shifting for Infrastructure Improvement. The Commission should reject the overbroad recommendation that "the costs for infrastructure improvements needed (as determined by the local utility) to interconnect [the DG] with the grid should be the responsibility of the utility with the cost recovered through rates." The Commission should defer any action that would increase the cost to other ratepayers until it completes its cost-benefit analysis.

II.

COMMENTS

A. Net Generation Output Metering

NGOM should be compulsory for DG interconnecting to the utility grid, for administration of CPUC–approved tariffs, participation in CPUC-adopted programs, and for system operation and planning. The Report, however, does not adopt this position. Instead, the Report finds that NGOM should be required only where the DG installation receives publicly-funded incentives or tariff exemptions. Although SCE supports this requirement, it does not go far enough in addressing the need for accurate output data to properly administer the utilities' tariffs and to assist in operations and customer demand-side programs.

NGOM would ensure the fair and accurate administration of SCE's standby tariff and prevent both inaccurate charges to the DG customer and unintended cost-

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[1] See discussion at pp. 8-10.

shifting to other ratepayers. In focusing solely on the need to monitor output only when publicly-funded incentives are involved, the Report misses the fact that NGOM has a value to the utility in implementing its standby tariffs, independent of whether the customer is eligible for a tariff exemption or incentive. The irony of the Report's recommendation is that it would exempt a generator from NGOM in those very situations where NGOM would be of value to the utility in effectively administering its standby tariff.

Moreover, the Report overlooks the strong likelihood that accurate output data will be needed in the future to meet California's energy goals and policies. The Report notes correctly that the recommendations must be synergized with the outcome of other active proceedings currently underway at the Commission, such as the Cost-Benefit Analysis in R.04-03-017 and the Advanced Metering Infrastructure proceeding (R.02-06-001). Nevertheless, the Report's recommendation does not accommodate future metering requirements. In that way, the Report neglects the need to measure the impacts of DG as acknowledged by the Commission in its Interim Opinion Regarding Resource Adequacy Decision (D.04-10-035). In its discussion regarding the inclusion of DG in resource adequacy demonstration, the Commission noted:

> "Again, no party disputes that customer-side-of-the-meter DG impacts are appropriately subtracted from load forecasts. SDG&E notes that nameplate ratings are not an accurate guide to these impacts. Instead, what is important is the output that these DG facilities are actually producing. As discussed above regarding energy efficiency, what is most desirable is to be able to determine when DG facilities are producing energy so that hourly load impacts can be deducted from LSE hourly load forecasts for each month. Thus, typical patterns of energy production by classes of customers must be developed. We commend this to Phase 2." (D.04-10-035, p. 21.)

The Commission also recently issued a Draft Opinion Clarifying Participation of Renewable Distributed Generation in the Renewable Portfolio Standards Program (R.04-04-026) that similarly implicates the need for accurate NGOM data. The Draft Opinion discusses Renewable Energy Credits in the context of renewable DG. The Opinion acknowledged that a "problem that hinders DG participation in the RPS program is the measurement of electric production from DG units."[2] Various parties commenting on this issue stressed the need for "actual, metered output for grid-distributed renewables" and the requirement that RPS-eligible DG be "measured and tracked to ensure that actual energy generation is being counted for purposes of RPS compliance."[3]

Thus, SCE believes it is premature to carve away NGOM requirements until the Commission can fully assess the State's current and future need for accurate generator output data. This is particularly true where the reasons for not requiring NGOM have never been fully articulated, other than relying on a single workshop participant's concerns over privacy. The Report never quite articulates what the customer privacy concerns are or how these interests would be compromised through NGOM. In other words, the CEC never tested the claim that NGOM will be used to gather confidential and commercially sensitive information. At a minimum, the Commission should examine:

- From what threat does the generator wish to protect its generation data, and why?
- What is the sensitive information, and how will the utilities use it to their advantage?
- Why are standard utility practices of treating all customer data as confidential not adequate protection?

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2 Draft Opinion of ALJ Allen (3/7/05), p. 8.

3 *Id.*

- If allowing utilities to get customer *generation* data would be unduly intrusive, how does it differ in sensitivity from customer *billing* data metered at the point of common coupling?

B. Dispute Resolution Process

SCE reiterates its position that the existing Dispute Resolution Process is sufficient for dealing with all types of utility disputes, including Rule 21 issues, and is concerned with some of the Report's recommendations in this area.[4] SCE questions the benefit of requiring the utilities to provide the producer with a "reasonably detailed technical justification" for interconnection requirements.[5] SCE believes this is too vague and that whether the justification is "reasonably detailed" will simply become another issue for dispute. SCE suggests this requirement should be changed to simply require "a detailed explanation to the disputing party."

To the extent the Commission accepts the Report's language verbatim, SCE seeks clarification of the recommendation on pages 25-26 of the Report. As first referenced at page 25, the recommendation reads, "the utility must provide the producer with reasonably detailed technical *or* **regulatory** justification for interconnection requirements it proposes to impose." (Emphasis added.) However, the Report's recommendation at page 26 reads: "the utilities must provide reasonably detailed technical justification . . . ." SCE asks that if the Commission chooses to retain this language, that it also modify the recommendation at page 26 to include "regulatory" justifications as there are many regulatory reasons for imposing interconnection requirements.

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[4] Report, pp. 25-26.

C. Net Energy Metering for "Combined" Technology Projects

In its wholesale endorsement of the positions argued by the City of San Diego (*i.e.* that exports from the Net Metering-eligible generator in a combined installation must be accommodated under all circumstances, and all infrastructure upgrades must be paid for by all customers through rates), the Report has avoided consideration of the cost shifting that Net Metering causes. It should be noted that while the City of San Diego argued that its position, vis a vis energy exports, was essential to allow it to fully exploit opportunities to develop Net Metering projects it was contemplating, its position in no way represented a consensus among developers of Net Metering projects. The Commission should assess whether the current rules in fact constitute an impediment on the further development of Net Metering projects. Another fundamental problem with the Report's approach is that it ignores that encouraging the construction of "Combined" Technology projects which export to the grid may *increase* the need for infrastructure upgrades that would otherwise not be needed. For ordinary DG projects, these upgrades are charged to the customer who installs the DG.

The notion that the addition of a relatively small Net Metering-eligible generator (*e.g.* a solar panel) to a large gas-fired engine installation transforms the project into one of such intrinsic ratepayer benefit that it should enjoy the full range of Net Metering exemptions is a broad brush approach that does not take into account the relative sizes and uses of the Net Metering-eligible generator and the non-Net Metering-eligible generator.

Thus, SCE objects to the Report's conclusion on page 40 that "any methodology preventing export from the NEM generator while the non-NEM generator is operating is inappropriate." There is no justification for the CEC to support such an overbroad statement. The State's interest in additional resources should not be an open invitation for DG customers to shift costs to other ratepayers.

Instead, the goal should be to balance the policy goals of providing Net Metering benefits to eligible self-generating customers and protecting other ratepayers from cost-shifting.

The position recommended in the Report would encourage construction of projects in which customer electrical loads are largely served by non-renewable (*e.g.* gas fired) generation, with the renewable generation reserved to be exported to maximize the credit received under the Net Metering tariff structure. "Stacking" eligible generation on top of non-eligible generation to allow customers to maximize their Net Metering credit would not further the intent of Section 2827 to "enhance the continued diversification of California's energy resource mix" because non-eligible generators are typically natural gas-fired.

Allowing resource "stacking" as proposed in the Report's recommendation appears to encourage an uneconomic dispatch of generation resources from a societal standpoint by some customers. Instead of using solar or wind to serve on-site load first – at zero fuel cost – the customer would be encouraged to serve as much load as possible with fossil-fired generation first, in order to "save" renewable generation for export and maximize the Net Metering credit. Moreover, current regulations governing interconnection of customer generation do not impose any conditions on thermal efficiency – *i.e.*, the non-eligible generator could be non-cogeneration. The uneconomic dispatch inherent in this "stacking" approach also results in greater cost shifting to other utility customers because the effective cost of the "renewable" export energy (*i.e.* the full bundled utility retail rate) is typically higher than the cost at which utilities can procure renewable resources through a competitive solicitation process.

If the Commission is nevertheless inclined to allow "combined" systems to export from the Net Metering generator while the non-Net Metering generator is operating, the Commission should, at the very least, clarify the parameters of such

export consistent with Section 2827. First, The Commission should reiterate the principle that any kWhs generated by the renewable DG that exceed the customer's annual kWh usage will not be compensated. Second, the Commission must establish rules that prevent the non-Net Metering generator from receiving Net Metering credit. This can be achieved by either installing a breaker that prevents export from the non-Net Metering generator, or by installing separate metering for the Net Metering and non-Net Metering generators. Lastly, the Commission should reiterate that any cost for metering necessary to administer the Net Metering tariffs will be borne by the DG customer.

D. Infrastructure Improvements for "Combined" Technologies

SCE also objects to the Report's recommendation on page 40 that "The costs for infrastructure improvements needed (as determined by the local utility) to interconnect with the grid should be the responsibility of the utility with the cost recovered through rates." Customers employing the use of "Combined" Technologies could game such a rule to avoid costs that would normally be borne by a customer in a non-Net Metering situation. The presence of a solar generator should not give a customer an unlimited right to avoid all system upgrade costs. For the record, the Rule 21 Working Group did not devote its collective attention to the proper allocation of costs for these upgrades. The proposition that these costs ought to be passed through to other customers was only introduced and championed by the City of San Diego near the end of the Rule 21 Working Group's examination of combined technology Net Metering projects.

Furthermore, it is premature to recommend that costs associated with grid infrastructure improvements be the responsibility of utility ratepayers with the cost recovered through the distribution component of utility rates because there has been no cost-benefit analysis conducted to determine if these additional subsidies

III.

CONCLUSION

SCE respectfully requests that the Commission revise or reject the recommendations in the Report consistent with the comments above.

Respectfully submitted,

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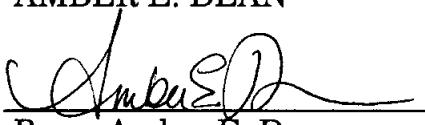

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March 14, 2005

CERTIFICATE OF SERVICE

I hereby certify that, pursuant to the Commission's Rules of Practice and Procedure, I have this day served a true copy of **COMMENTS OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) ON INTERCONNECTION REPORT ISSUED BY THE CALIFORNIA ENERGY COMMISSION** on all parties identified on the attached service list(s). Service was effected by one or more means indicated below:

☒ Transmitting the copies via e-mail to all parties who have provided an e-mail address. First class mail will be used if electronic service cannot be effectuated.

☒ Placing the copies in sealed envelopes and causing such envelopes to be delivered by hand or by overnight courier to the offices of the Commission or other addressee(s).

☐ Placing copies in properly addressed sealed envelopes and depositing such copies in the United States mail with first-class postage prepaid to all parties.

☒ Directing Prographics to place the copies in properly addressed sealed envelopes and to deposit such envelopes in the United States mail with first-class postage prepaid to all parties.

Executed this 14th day of March, 2005, at Rosemead, California.

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