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California Energy Commission
Dockets Office, MS04
Re: Docket No. 07-SB-1
1516 Ninth Street
Sacramento, CA 95814-5512
docket@energy.state.ca.us

Re: Post-Workshop Comments of Southern California Edison Company Regarding Proposed Changes to Guidelines for California Solar Incentive Program Pursuant to Senate Bill 1

Pursuant to a notice of committee workshop posted on September 11, 2008, from the California Energy Commission (Commission), Southern California Edison Company (SCE) respectfully submits its Post-Workshop Comments regarding the Commission's Guidelines (Guidelines) for California's Solar Electric Incentive programs Pursuant to Senate Bill (SB) 1.

Section 25782 of the Public Resources Code directs the Commission to establish policy within specific parameters for the California Solar Initiative (CSI). In particular, the statute states, "The commission shall establish conditions on ratepayer funded incentives that require all of the following: (1) appropriate siting and high quality installation of the solar energy system by developing installation guidelines that maximize the performance of the system and prevent qualified systems from being inefficiently or inappropriately installed; (2) optimal solar energy system performance during periods of peak electricity demand; and, (3) appropriate energy efficiency improvements in the new or existing home or commercial structure where the solar energy system is installed." Pursuant to Public Utilities Code, section 2851(a)(1), the CPUC developed CSI eligibility requirements that have been in existence for nearly two years. The Commission's new Guidelines will make significant changes to the CSI program when adopted.

Various interested parties provided public comments at the Workshop, including comments on economic, administrative, and compliance barriers associated with California's solar electric incentive programs. In these post-Workshop comments, SCE recommends that the Commission:

- adopt the energy efficiency requirements in the Draft Guidelines;
- extend the implementation date for Chapters 3, 4, and 5 of its Guidelines to July 1, 2009;
- adopt Guidelines that minimize adverse effects on program participation and the price of solar systems to customers; and
- make changes in the Guidelines based on verified program needs.

The Energy Efficiency Requirements in the Draft Guidelines Should be Adopted by the Commission

As stated on October 12, 2007, in CEC Docket Number 07-SB-1, SCE continues to support the energy efficiency requirements in the Draft Guidelines and believes that these requirements are consistent with the benefits of integrating all customer energy management solutions (energy efficiency, demand response, and renewable energy) referenced in the loading order in California's Energy Action Plan.

SCE is available to assist the solar industry in complying with meaningful SB 1 energy efficiency requirements. SCE provides audit, benchmarking, and commissioning program services through its current and future energy efficiency program portfolios. SCE believes that there are significant opportunities for the solar industry to partner with the energy efficiency industry, especially energy service companies, to implement comprehensive solutions for customers. SCE's energy efficiency programs can be an effective catalyst to bring these markets together. Therefore, the energy efficiency requirements in the Draft Guidelines should be adopted. Furthermore, SCE strongly recommends that the Commission continue to seek additional ways to include energy efficiency into the CSI program as a necessary means to achieve the long-term goals of the state.

The Commission Should Extend the Implementation Date for Chapters 3, 4, and 5 of its Guidelines to July 1, 2009

SCE fully supports the Commission's decision to extend the implementation date from January 1, 2008 to July 1, 2009 for Chapters 3, 4, and 5 of its Guidelines. A significant element of the CSI program's success is to create program certainty. While the CSI program has made minor modifications over time to improve the program, the adoption of the new Guidelines will be the most significant change since program inception. Changes of this magnitude will require significant time and training to ensure the proper transition and communication for all participants to the CSI program. Some of the changes requiring additional time for implementation purposes include: calculator changes, CSI Handbook changes, installer training, new CSI customer communication materials, and new application requirements. Implementing these significant program changes could not be successfully accomplished without such extension in time.

Changes in the Guidelines Should Minimize Adverse Effects on Program Participation and the Price of Solar Systems to Customers

SCE has been supportive of California's solar electric incentive programs and generally supports the Commission's proposed changes to its Guidelines as released on September 11, 2008. SCE recognizes that the Commission has collaborated with the CPUC to establish and implement solar electric incentive programs consistent with SB 1 that benefit customers and stimulate the development of alternative, renewable energy. Furthermore, the Commission currently is acting in a collaborative role in Rulemaking (R.) 08-03-008, which was initiated to continue the work from R.06-03-004 to develop and refine policies, rules and programs for the CSI, the Self-Generation Incentive Program, and distributed generation issues generally.[1]

[1] Order Instituting Rulemaking, R.08-03-008, p. 1.

However, SCE recommends that any changes in the Guidelines carefully consider associated impacts on the price of solar systems as well as participation in solar electric incentive programs. SCE recognizes the goal of establishing a self-sufficient solar industry in which solar energy systems are a viable mainstream option for both homes and businesses in 10 years, and to place solar energy systems on 50% of new homes in 13 years. Changes to the existing eligibility requirements of the CSI program need to be delicately balanced against a potential increase in the price of solar or decrease in program participation. Program participants tend to seek stable costs and reliable prices for program components when economic uncertainties in the financial sector and general economy exist.

<u>Changes in the Guidelines Should be Based on Verified General Program Needs</u>

Various stakeholders at the Workshop identified a number of incidental concerns with California's solar electric incentive programs. Among these concerns, the California Building Industry Association emphasized a need for process simplicity, noting that paperwork and compliance hinder the program. The California Solar Energy Industry Association cited problems with the calculator especially relative to inconsistency in measurements of shade and system production—affecting customer rebates. San Diego Clean Power Systems confirmed lengthy paperwork process and calculator measurement issues. Other public comments included: (1) a perception that energy auditing is not credible and that many technical problems exist in the process; (2) rebate processors experiencing numerous, ongoing customer complaints; and, (3) installer frustration in the use of the current calculator.

SCE recommends that Workshop and post-Workshop identified concerns, additional to those addressed by the Draft Guidelines, should be appropriately vetted—quantified and verified by compelling data. SCE believes that changes to the Guidelines are most properly based when justified by process simplification, cost effectiveness, and market fairness. The CPUC staff had it exactly right when it raised the Workshop questions: (1) regarding the Guidelines, what are we trying to fix; and (2) what is the significance of any administrative changes?

Nevertheless, SCE urges the Commission to reject a Workshop request offered on behalf of other solar electric generating technologies to not limit their incentives to performance based incentives (PBI).[2] It would, however, be counterproductive public policy for the most critical program measurement to be based even more so on expected performance instead of actual performance, especially when the controlling statute favors incentives tied to performance. SB 1 expressly requires performance-based incentives based on the actual electrical output of the solar energy systems for 100% of systems of 100 kW or greater, as well as 50% of systems of 30 kW or greater. Although such a mandate is not similarly applied to systems of less than 30 kW, the CPUC by statute shall "encourage, and may require, such performance-based incentives."[3]

SB 1 also is clear in its goal to "establish a self-sufficient solar industry," as well as in its purpose for a solar initiative to be a "cost-effective investment by ratepayers in peak electricity generation capacity."[4] But, incentives predominantly based on estimates plainly undercut every

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[2] Draft Guidelines, p. 12.
[3] Senate Bill 1 (2006), p. 91.
[4] Senate Bill 1 (2006), p. 73.

measurement of self-sufficiency and cost-effectiveness. Clearly the intent of SB 1 is not to harm ratepayers. Yet, expansion in the use of EPBI could increase subsidization of solar systems at inappropriate levels.

SCE appreciates the opportunity to submit these Comments and respectfully asks the Commission to consider them in its final approval of changes to the Guidelines.

Very truly yours,

/S/ MICHAEL D. MONTOYA

Michael D. Montoya

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