

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Develop a Successor  
to Existing Net Energy Metering Tariffs Pursuant to  
Public Utilities Code Section 2827.1, and to Address  
Other Issues Related to Net Energy Metering.

R.14-07-002  
Filed July 10, 2014

**COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE  
IN RESPONSE TO ADMINISTRATIVE LAW JUDGE'S RULING  
SEEKING COMMENTS ON POLICY ISSUES ASSOCIATED WITH DEVELOPMENT  
OF SUCCESSOR NET ENERGY METERING TARIFF OR CONTRACT**

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**CALIFORNIA ENERGY STORAGE ALLIANCE**

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The California Energy Storage Alliance (“CESA”)<sup>1</sup> hereby submits these comments pursuant to the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), and the *Administrative Law Judge’s Ruling Seeking Comments on Policy Issues associated With Development of Successor Net Energy Metering Tariff or*

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<sup>1</sup> 1 Energy Systems Inc., Advanced Microgrid Solutions, AES Energy Storage, Alton Energy, American Vanadium, Ampere Technology Limited, Aquion Energy, ARES North America, Beacon Power, LLC, Bosch, Bright Energy Storage Technologies, Brookfield, CALMAC, Chargepoint, Clean Energy Systems, Coda Energy, Consolidated Edison Development, Inc., Cumulus Energy Storage, Customized Energy Solutions, Demand Energy, DN Tanks, Duke Energy, Eagle Crest Energy Company, EaglePicher Technologies, LLC, East Penn Manufacturing Company, Ecoult, EDF Renewable Energy, Energy Storage Systems, Inc., Enersys, EnerVault Corporation, EV Grid, FAFCO Thermal Storage Systems, FIAMM Energy Storage Solutions, Flextronics, Foresight Renewable Solutions, GE Energy Storage, Green Charge Networks, Greensmith Energy, Gridscape Solutions, Gridtential Energy, Inc., Halotechnics, Hitachi Chemical Co., Hydrogenics, Ice Energy, Imergy Power Systems, ImMODO Energy Services Corporation, Innovation Core SEI, Inc. (A Sumitomo Electric Company), Invenergy LLC, K&L Gates, KYOCERA Solar, Inc., LG Chem, LightSail Energy, LS Power Development, LLC, Mitsubishi International Corporation, NEC Energy Solutions, Inc., NextEra Energy Resources, NRG Solar LLC, OCI, OutBack Power Technologies, Panasonic, Parker Hannifin Corporation, PDE Total Energy Solutions, Powertree Services Inc., Primus Power Corporation, Recurrent Energy, Renewable Energy Systems Americas Inc., Rosendin Electric, S&C Electric Company, Saft America Inc., Samsung, SEEO, Sharp Electronics Corporation, SolarCity, Sony Corporation of America, Sovereign Energy, STEM, Steel Rives LLP, SunEdison, SunPower, TAS Energy, Toshiba International Corporation, Trimark Associates, Inc., Tri-Technic, UniEnergy Technologies, LLC, Wellhead Electric. The views expressed in this Prehearing Conference Statement are those of CESA, and do not necessarily reflect the views of all of the individual CESA member companies. See, <http://storagealliance.org>.

*Contract*, issued by Administrative Law Judge Anne E. Simon on February 23, 2015 (“ALJ’s Ruling”).

**I. INTRODUCTION.**

CESA appreciates the opportunity to provide comments on the Administrative Law Judge (“ALJ”) Ruling regarding issues related to the development of the net-energy metering (“NEM”) successor standard contract or tariff. CESA supports the Commission’s effort to clarify potential concerns before they arise and improve upon the existing the NEM program rules and requirements, where necessary.

**II. CESA’S RESPONSES TO QUESTIONS POSED FOR COMMENT.**

**Question 1(a):** The Commission has thoroughly examined the various issues associated with using a tariff versus using a form contract in the context of dealing with the topic of feed-in tariffs in R.11-05-005 (Renewables Portfolio Standard). CESA has nothing to add to that examination at this time, except with respect to the addition of energy storage addressed at Subsection (d), below.

**Question 1(d):** In principle, there should be no need for a separate tariff or contract to deal with NEM-eligible technologies coupled with qualified energy storage and it is thus entirely possible that developments in R.11-09-011 (Distributed Generation Interconnection) and related informal stakeholder processes may require the Commission to take pains to assure that policy developments in that proceeding are consistent with conclusions reached in this proceeding.

**Question 2(a):** CESA has no special expertise on the topics addressed by this question and thus defers to others at this time. However, numerous related issues are presently being addressed by the Commission in R.14-08-013 (Distributed Energy Resources).

**Question 3 (a-e):** CESA has no special expertise on the topics addressed by this question, and thus defers to others with the relevant expertise at this time. These kinds of questions have been, are have been and can expected to be addressed in a wide variety of proceedings and other contexts

**Question 4:** CESA takes this question as generally equating “costs and benefits” with “cost-effectiveness.” Like the questions posed in Question 3, above, the topic of cost-effectiveness is addressed in numerous Commission proceedings. CESA thus recommends that the analysis in this proceeding and in each other relevant proceeding strive for consistency in methodology and application.

**Question 4(a):** CESA cautions the Commission against taking an overly granular approach in seeking to be responsive to the statutory language referred to in Question 4. For example, efforts to establish a successor tariff or contract that requires customers and developers to consider locationally specific or other attributes that change from one project to the next will need to be balanced with the practical implications of such an approach in terms of the ability of customers to understand and developers to manage any successor tariff or contract in a sustainable way, the value of which may change dramatically across a utility service territory. The “perfect mouse-trap” could tend to cut against the clear statutory direction supporting the continued sustainable growth of the distributed energy resource (“DER”) market. CESA’s view is that locational specific and other attributes should be considered and factored into the compensation mechanism of any successor tariff or contract. CESA encourages the Commission to consider using adders to enhance the value that customers receive under the successor contract or tariff beyond the baseline level for deploying DERs that provide additional value to ratepayers. A baseline tariff should be designed to support the continued organic growth of

distributed energy resources with adders or enhancements to that baseline tariff being used to accelerate growth in those areas or by project types that offer greater benefits and reduced costs. Recognizing the twin goals of establishing a successor tariff or contract that is based on the costs and benefits of DERs with the practical implications of overly granular tariff design on continued DER market development, however, CESA does not support the use of “subtractors” that reduce the value that customers receive relative to the baseline tariff

**Question 4(b-d):** CESA notes that *NEM-paired energy storage systems* can provide a broad range of benefits to host customers. Beyond supplying back-up power during grid outages, storage can reduce demand charges, time-shift power (time-of-use energy management), reduce total energy purchases, and compensate owners for providing grid reliability services, such as demand response. Proceedings and stakeholder processes underway at the Commission and California Independent System Operator (*e.g.*, flexible capacity, proxy demand response) may further expand revenue-generating opportunities for DER owners and third-parties and provide much-needed support to the grid during times of peak demand. The Commission and stakeholders have embarked on detailed discussions regarding the role and costs and benefits of DERs on the electric distribution system as part of the Commission’s efforts to fulfill AB 327’s requirements directing the utilities to file distribution resource plans (“DRPs”). A recent ruling issued by President Picker included a “Guidance document” that enumerated various elements the utilities are to include in their DRPs to be filed later this year.<sup>2</sup> Among the specific elements the Guidance document articulated was a list of “value components” the utilities are to include in their “optimal location benefits analysis”, which includes, avoided sub-transmission, substation

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<sup>2</sup> *Assigned Commissioner’s Ruling On Guidance For Public Utilities Code Section 769 – Distribution Resource Planning*; Attachment A, titled “Guidance For Section 769 – Distribution Resource Planning,” issued February 6, 2015.

and feeder capital and operating expenditures, avoided distribution voltage and power quality capital and operating expenditures, avoided distribution reliability and resiliency capital and operating expenditures, and any societal avoided costs which can be clearly linked to the deployment of DERs.

In order to be consistent with the way in which utilities will be planning for their electric distribution systems, these benefits should be considered when calculating the benefits portion of any successor tariff or contract and factored into the adders described above. This would also be fully consistent with the DRP ruling's express acknowledgement that this proceeding is among those that should be closely coordinated with development of DRP. AB 327 also specifically identifies reduction in electricity use during peak demand periods and stabilizing the state's energy supply infrastructure as goals. These goals can be met in significant part with NEM-eligible technologies, and the benefit of their contributions should be considered and factored into the Commission's analysis in this proceeding.

**Question 5 (a-d):** CESA's view is that the Commission should strive to use consistent measuring sticks in all of its proceedings. The statutory language, which focuses on the costs and benefits to "all customers," strongly suggests the intent is to assess the costs and benefits using the Total Resource Cost methodology set forth in the Standard Practice Manual. Since statutory support for DERs is motivated by broad statewide policy objectives, the Standard Practice Manual's Societal Test should also be considered, recognizing the full range of positive externalities associated with the deployment of DERs.

**Question 6 (a-b):** CESA expresses no opinion on this question at this time.

**Question 7 (a-d):** R.11-09-011 is the appropriate place for the Commission to address this question.

**Question 8:** R.11-08-011 is the appropriate place for the Commission to address this question.

**Question 9 (a):** The Commission should not address any issues in this proceeding that are already being dealt with within the scope of other active Commission proceedings, including R.12-06-013.

**Question 10 (b):** As a general matter, imposing additional charges on subsets of customers within a given customer class should only be pursued if there is substantial evidence that such customer subsets impose a different set of costs on the utility than the broader customer class to which they belong.

Additionally, any charges imposed under the successor tariff or contract must be known and transparent well in advance of project investment so that customers can be fully informed about system economics and assured that the economics will not be upended through the introduction of new charges or fees. This is comparable to the way in which utilities plan, independent power producers seek long-term power purchase agreements, and customers investing in self-generation require the same stability and certainty in their project economics.

Any consideration of additional charges in a successor tariff or contract must recognize that such charges may be more or less appropriate, depending on specific circumstances. For example, the deployment of energy storage may influence any determinations regarding the imposition and level of a standby charge to the degree that energy storage technology is used to provide back-up power during outages, effectively offsetting the standby value customers derive from the utility. Furthermore, any costs or charges being contemplated for customers deploying DERs under a successor tariff or contract need to be balanced against the statutory objective of supporting continued sustainable growth in the DER market.

**Question 11 (a-b):** There is no good policy reason to end any element of the described programs solely due to development of a NEM successor tariff.

**Question 12:** The NEM successor tariff should not require adoption of any special consumer protections apart from those already in existence.

**Question 13:** This Question is not applicable.

**Question 14:** Existing interconnection rules governing how energy storage and other resources interact with the electric distribution system specifically provided in Rule 21, as well as applicable permitting requirements, should adequately address safety concerns. The safety protections provided in Rule 21 include testing procedures performed by Nationally Recognized Testing Laboratories that rigorously address operational safety under a range of grid scenarios, including contingency situations.<sup>3</sup> Section L of Rule 21 further addresses technical specifications including, but not limited to, anti-islanding, voltage limitations, and power factor testing. These protections should ensure safe interaction with the grid in a way that does not compromise grid stability. Local permitting requirements also play an important role in ensuring that systems don't create any adverse or unsafe circumstances within the built or local environment. CESA strongly supports proactive attention to safety, and also believes that compliance with existing interconnection rules and permitting requirements should provide appropriate safeguards.<sup>4</sup>

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<sup>3</sup> Equipment Safety & California's Distribution Grid Interconnection Tariff Rule 21.

[http://www.cpuc.ca.gov/NR/rdonlyres/BEFFF0B5-4806-4A01-B034-F87265D8C443/0/Rule21SafetyProtections\\_3.pdf](http://www.cpuc.ca.gov/NR/rdonlyres/BEFFF0B5-4806-4A01-B034-F87265D8C443/0/Rule21SafetyProtections_3.pdf)

<sup>4</sup> CESA notes that in the context of energy storage interconnection, the Commission undertook a similar inquiry and specifically found that the existing safety regime is robust. *See*, D.14-05-033, p. 30.



**III. CONCLUSION.**

CESA appreciates this opportunity to comment on the ALJ's Ruling, and looks forward to continuing to work with the Commission and stakeholders in this proceeding.

Respectfully submitted,



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