

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

Order Instituting Rulemaking to Create a
Consistent Regulatory Framework for the
Guidance, Planning and Evaluation of
Integrated Distributed Energy Resources.

Rulemaking 14-10-003

**OPENING COMMENTS OF ADVANCED ENERGY ECONOMY ON
DRAFT STAFF RESOLUTION E-5150**

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**COMMENTS OF ADVANCED ENERGY ECONOMY ON DRAFT STAFF
RESOLUTION E-5150**

Advanced Energy Economy (AEE) appreciates the opportunity to submit comments on Energy Division’s Draft Staff Resolution E-5150 (Draft Resolution) pertaining to 2021 Avoided Cost Calculator (ACC) updates. Considering the significance of the updates presented in the 2021 ACC documentation, we respectfully submit that the proposed modifications to the ACC do not conform with the Commission’s definition of “minor updates” and request that the Commission require further stakeholder review of the proposed updates per the formal process for major updates for even-number years as defined in D.19-05-019.

In the *2021 Distributed Energy Resources Avoided Cost Calculator Documentation* (*Documentation*), E3 states that the avoided costs in the 2021 update are lower than in the 2020 update.¹ In particular, the documentation plainly illustrates a material, consequential change to the greenhouse gas (GHG) value and avoided energy prices. In the *Documentation*, E3 states that

¹ 2021 *Distributed Energy Resources Avoided Cost Calculator Documentation* at 2, E3, published May 3, 2021.

“[f]or the 2021 update, GHG value drops significantly compared to 2020 ACC”.² This change is made apparent in Appendix B, where the annual GHG values for distributed energy resources (DERs) decrease by nearly half relative to levels identified in the 2020 ACC update.³ Similarly, the 2021 update presents material changes to the avoided energy costs used in the ACC. As shown in Appendix B, the SERVVM model update has yielded significantly different day-ahead market values across many hours and months.⁴

AEE appreciates that the grid and California’s resource mix are evolving swiftly in response to overlapping policy, technology, and economic drivers. At the same time, rapid changes to data inputs and assumptions such as those presented in the 2021 ACC update can generate business uncertainty that works against California’s goals – creating a cliff-like scenario for industries committed to supporting the deployment of DER. In Attachment A, Recurve’s open source cost-effectiveness tool clarifies this significant shift for energy efficiency resources: an illustrative commercial HVAC measure with a Total Resource Cost (TRC) ratio of 1.02 under the 2020 version of the ACC has its TRC reduced to 0.68 – a 33 percent decrease – under the proposed 2021 update. As noted in the joint agency report pursuant to Senate Bill (SB) 100, DERs like distributed solar, energy efficiency, and other load modifying technologies will play an instrumental role in achieving cost-effective compliance with SB 350 and SB 100.⁵ To ensure that DERs can continue to support the Commission’s overarching goal of ensuring safe, clean, and affordable utility service and help meet the state’s clean energy policy goals, we ask the Commission to take a more gradual, stakeholder-oriented approach to the 2021 ACC update.

In D.19-05-019, the Commission clarifies which updates can be considered minor and therefore eligible for inclusion in odd-year updates to the ACC: “[w]e clarify that minor changes include data and input updates as indicated in D.16-06-007 but can also include changes to the modeling method *that most parties can reasonably agree are minor in scope and impact*.”⁶ AEE respectfully submits that the modifications to the approaches for obtaining GHG values and

² *Id.* at 30.

³ *Id.* at 101.

⁴ *Id.* at 98-99.

⁵ California Energy Commission, California Public Utilities Commission, California Air Resources Board, *2021 SB 100 Joint Agency Report*, March 2021.

⁶ Emphasis added. D.19-05-019 at 49.

avoided energy prices in the 2021 ACC update are neither minor in scope or impact and therefore may reasonably be considered major. Furthermore, D.16-06-007 states that “proposed Resolution for updating the calculator shall not include any major changes to the list of data inputs, addition or deletion of categories or types of avoided costs, *or modifications of the methods or models used in the calculator.*”⁷ Yet, the *Documentation* for the 2021 ACC update plainly states that updates were made to both the SERVVM model and the scarcity pricing methodology.⁸ These updates appear to be major in nature and contravene previous Commission guidance on proposed Resolutions for ACC updates. Finally, D.16-06-007 clarifies that parties have the ability to identify major changes in comments on a proposed Resolution: “[p]arties who consider a recommended change to be major or not in compliance with this decision shall indicate so in comment to a calculator update in a proposed Resolution.”⁹ AEE does so here.

The Commission has clearly defined the formal process for reviewing and approving major updates to the ACC in D.19-05-019, starting with a workshop held by the Energy Division on August 1 of odd-number years and resulting in Commission approval of updates during the following even number year.¹⁰ AEE believes this process is appropriate for considering the GHG value and energy price modifications proposed in the *Documentation* for the 2021 ACC update.

To conclude, we respectfully request that the Commission take a more gradual approach to ACC updates that provide greater long-term clarity for DER providers. Any significant modifications to ACC data, inputs, and methods should be vetted carefully by stakeholders to ensure that updates are reflective of grid conditions and technology developments. AEE submits that this stakeholder review is best realized in the established, formal process for adopting major updates to the ACC. We appreciate the opportunity to submit comments on the Draft Resolution and look forward to continued engagement in this proceeding.

⁷ Emphasis added. D.16-06-007 at 8-9.

⁸ *Documentation* at 3.

⁹ D.16-06-007 at 9.

¹⁰ D.19-05-019 at 55.

Respectfully Submitted,

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