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Deliver rapid greenhouse gas reductions at scale, starting in California.

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January 11, 2022

California Public Utilities Commission
505 Van Ness Avenue,
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Comment of The Climate Center on Decision Revising Net Energy Metering Tariff And Subtariffs (R.20-08-020)

Dear President Reynolds and Commissioners:

The Climate Center is a California 501(c)(3) climate and energy policy nonprofit organization founded in 2001 with a mission to deliver rapid greenhouse gas reductions at scale, starting in California. We offer these comments in support of an equity-centered successor tariff to Net Energy Metering (NEM) 1 and 2 that continues to grow the small-scale solar and storage sector in California. Upon our review of the Proposed Decision (PD), released on December 13, 2021, we have concluded that the Net Billing Tariff described in the PD would not support continued growth of small-scale solar, and strongly urge the Commission to issue an Alternate Proposed Decision (APD) that does so.

The Climate Center is a long-time supporter of decentralized, customer-sited distributed energy resources (DERs), including but not limited to solar plus storage, for providing resilient, life-preserving energy to all California residents and businesses. We support this kind of deployment not only for its necessity in meeting California's greenhouse gas emissions targets, but also for a wide range of co-benefits that boost local economies, enhance overall local resilience, offer opportunities for advancing environmental/social equity, and reduce the need for expensive, vulnerable, and inefficient long-distance transmission. We strongly believe that the benefits and burdens of DER deployment must be shared equitably among all electricity consumers through policies that encourage adoption at all levels of society.

Section 25780 of the CA Public Resources Code makes it clear that it is the standing policy of the state "to establish a self-sufficient solar industry in which solar energy systems are a viable mainstream option for both homes and businesses." This policy exists in part out of the recognition that California will not achieve its greenhouse gas emission reduction goals via bulk power alone and that DERs such as

solar and storage are a prerequisite toward achieving these goals. We are deeply concerned that the PD runs counter to this longstanding policy. To be consistent with this policy, the successor tariff should augment the success of NEM 1 and 2 and accelerate progress toward universal affordability of solar and storage for *all* classes of customers. The PD, contrary to such a progressive approach, imposes needless and starkly punitive measures on customer-sited solar and storage. In fact, the PD would impose what would be the largest fixed monthly system capacity charge (\$8/kW) in the country, right at a time when customer-sited solar and storage is beginning to become affordable for lower and middle income households ineligible to participate in the CARE/FERA programs.

Below we will address the elements of the PD that are of the most significant concern.

Integrity of incumbent tariffs

A fundamental principle of good public policy in this context is that any successor tariff should not renege on the promised benefits of previous tariffs. Customers who purchased solar under NEM 1 and 2 did so with the understanding that the financial terms of their purchase would be honored for a period of twenty years. The PD undermines this policy commitment by reducing the time period from twenty years to fifteen years from the year of interconnection (Section 12.a. in the PD). An APD should be crafted that ensures the integrity of past policy commitments.

Grid Participation Charge

The most egregious element of the PD is the fixed monthly charge, dubbed the *Grid Participation Charge* in Section 3(d) of the PD. Imposing a fixed fee on installed system capacity, not kilowatt-hours consumed, is a fundamentally flawed, unfair, and untenable approach. The installed capacity of the system does not accurately reflect the usage or impact of that system relative to the grid and is a crude, blunt instrument that should be discarded with prejudice. If the intent of such a fee is to compensate grid operators for services rendered, then a small kWh-based tariff would make more sense, if justifiable at all.

Consider a scenario where a solar owner with a 6kW system is away for a month-long vacation. They lock up their house and shut down all power including phantom load. The house is drawing a negligible amount of electricity. In the PG&E service territory this customer would still be charged \$48 for that month. How is this fair?

Furthermore, under the PD, a solar plus storage owner would need to export ~40+kWh/KW of installed capacity during the 7-8 p.m. peak demand window each month just to receive enough “bill credits” to cover the cost of the monthly “grid participation” charge. Assuming a 30-day month, this daily ~1.34kWh/KW fealty is exacted at a time where site owners most need the energy stored from their panels during the day, and additional dedicated capacity to address this cost just further increases the amount of the charge, resulting in a vicious cycle adverse to consumers’ interest and benefit.

The fact that CARE/FERA customers are exempt from this charge in the PD does not make it a progressive fee – it is in fact regressive. A working class household of moderate income, currently ineligible under CARE/FERA, may have made significant financial compromises to

purchase a solar system on their home and will pay the same fixed monthly charge per kilowatt of system capacity as a wealthy mansion owner who writes a check without a second thought about the cost. Furthermore, this customer would need to assume the additional burden of acquiring a storage system sufficient to earn enough “bill credits” during peak demand periods to negate the charge. From this perspective, it is clear that such a fee will remove a broad swath of prospective customers from the nascent solar plus storage market.

The only instance in which a fixed fee might make sense is if it is a de minimis fee (\$1.00-\$1.50/billing cycle) to address non-bypassable public benefits charges.

An APD should be crafted that eliminates fixed monthly charges intended ostensibly to pay for the use of transmission and distribution infrastructure.

Export Compensation Rate

One of the most important aspects of the solar tariff is the rate at which solar users are compensated for clean power they feed to the grid. It is a key part of making the economics work – or not – for homeowners and non-residential small scale solar projects. The PD’s Export Compensation Rate (Section 3.a. of the PD) would impose an immediate and deep cut ranging from 20 to 80 percent, depending on customer class and service territory, to the rate at which solar customers are compensated for that clean power they feed to the grid. To recoup this loss, consumers would be required to assume the additional burden of acquiring a storage system that may or may not actually benefit them given the short 7pm to 8pm window of opportunity.

Although we agree that the rate should align with the actual value provided by exported clean power, we do not believe that this value has been accurately articulated. Assigning a more accurate value of solar and storage is an essential first step toward establishing a level playing field for all consumers. Even then, changes to the export rate should not be abrupt, and a gradual phase-in over several months and years with a transparent step-down will help to avoid unintended negative consequences to a sector that the State ostensibly aims to support.

An APD should be crafted that offers a gradual transition to adjusted export compensation rate that takes into account the values of small-scale solar not included in the ACC or the Lookback Study.

Market Transition Credit

The Market Transition Credit (MTC) (Section 3.b. of the PD) is grossly inadequate as it would at best only partially offset the fixed monthly charge or make up for the steep loss in the export rate. According to analysis by EQ Research, even when applying 100 percent of the MTC, the PD would impose a 57 to 71 percent overall reduction in savings for residential solar customers. This would constitute the largest reduction ever imposed by a “top 20” solar state according to the analysis. The MTC would be available to eligible new solar customers in PG&E and Southern California Edison (SCE) service territories for a period of ten years, but would only offset 10 to 18 percent of the total fixed charges imposed by the PD over a 20-year period, depending on the service territory. The MTC is not available in San Diego Gas & Electric service territory.

Although the MTC is structured to provide a higher credit to qualified low-income customers, it remains inadequate to the task of making financial sense for all solar and storage hosts.

Conclusion

The compelling characteristic of solar paired with storage is that, consistent with the global trend of energy decentralization, it can be scaled to individual loads, thus avoiding massive public expenditures on antiquated generation and transmission/distribution infrastructure, while also reaping significant benefits from increased self-sufficiency, resilience, local economic strength, and more. Critically, the ability to realize these benefits depends on good public policy that incentivizes and accelerates consumer adoption. The role of the Commission is not to impede early adoption of solar and storage in defense of an IOU utility-scale business model, but to broaden the pool of prospective solar and storage adopters to include working class, moderate and lower income, and multi-unit dwelling residents.

We appreciate that there are aspects of the PD that are meant to broaden access to solar to low-income residents, but these measures benefit only qualified low income residents and ignore a broad swath of working class residents. The unintended adverse consequences to the solar and storage sector that the PD as written would impose far outweighs any benefits to low-income residents. We must develop equitable policies that create a level playing field for all consumers, not ones that capriciously shift costs at the expense of essential early adopters. We must also keep in mind that electrification requires an increase in system load on a scale that can only be measured in orders of magnitude. Energy policy must always look ahead to create opportunities for expansion, not penalize those who took the brave step of being the first in line.

We appreciate that much time and analysis has gone into arriving at the conclusions in the PD, but again, as written, it is unacceptable in that it is in direct conflict with the State's longstanding policy to support small-scale solar energy deployment. We respectfully urge you to reconsider.

Thank you for the opportunity to comment.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ellie Cohen', with a long horizontal flourish extending to the right.

Ellie Cohen