

California Energy Commission

Re: Docket No. 13-IEP-1

Clean Coalition Comments on Petition for Societal Cost-Benefit Evaluation of California's Net Energy Metering Program

Introduction

The Clean Coalition strongly supports the joint petition to the Commission to study the societal costs and benefits of the net energy metering (NEM) program in California ("the Petition"). The Clean Coalition has been a long-time proponent of California's energy policies fully accounting for the costs and values associated with energy choices. Only with such comprehensive and transparent accounting, can all stakeholders make the most beneficial and cost-effective energy decisions.

In order for this study to provide the most value to current and future policymaking, the study should be scoped to evaluate the societal costs and benefits of distributed generation (DG), regardless of whether a generation facility participates in California's NEM program. Then, by designating within the study results those costs and benefits that accrue to NEM systems, the study can both supplement the Public Utility Commission's AB 2514 efforts as well as contribute more broadly to the 2013 IEPR.

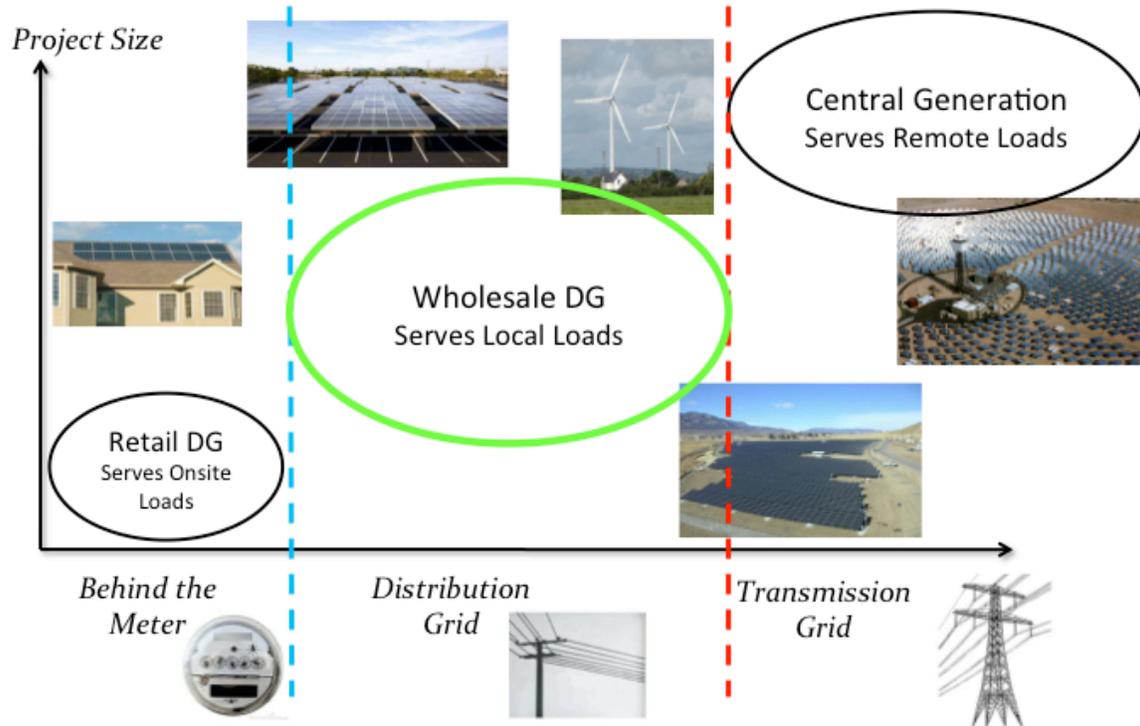
NEM is a Subset of DG

Energy policy stakeholders and policymakers often the mistake of equating NEM with DG, hampering this country's ability to realize the full potential for DG deployment. At the most fundamental level, NEM is a financial policy mechanism, whereas DG is a physical definition based on the location of an energy generation facility.

The definition of DG that is most useful for policy design consists of the following criteria:

- The generation facility is interconnected to a utility distribution grid (not the high voltage transmission system)
- The generated energy serves local load where 'local' is defined as downstream of the applicable distribution substation. i.e. energy does not "backflow" to the high voltage transmission system

Figure 1: Energy Generation Market Segments



All NEM systems are assumed to qualify as DG, but there are many existing and potential DG facilities that do not or would not participate in the NEM program. Thus, NEM is a clear subset of DG.

In fact, NEM is a subset of another DG category, known as “behind-the-meter” or “retail” DG. Not all retail DG systems participate in NEM and so, the costs and benefits associated with “behind-the-meter” generation can not be fully credited to NEM programs.

The Clean Coalition fully acknowledges and supports the NEM program for its success in establishing the DG market in California, but the entire potential market for cost-effective DG, including wholesale distributed generation (WDG), is several times larger than NEM alone. A 2011 E3 study conducted for the PUC confirmed this and, as an aside, the Clean Coalition recommends that the Commission’s societal costs and benefits study as well as the 2013 IEPR fully embrace the definition of DG used in the E3 study: the “no backflow to transmission” definition that was described above.

Compelling Reasons for Conducting the Study

The Petition lays out several compelling reasons for conducting the requested study, including the Governor’s goal for 12,000 MW of DG and the state’s zero-net-energy (ZNE) buildings goals. While the NEM program in its current form can play a critical role in these policy goals, the Commission and the IEPR should leave the door open for future policy mechanisms that will be created for DG deployment.

As such, the study should not pre-suppose that the contribution from DG in fulfilling state goals will exclusively come from generation projects that participate in the current NEM program. By evaluating the costs and benefits of DG, independent of policy mechanism, the study can potentially support the design of the next generation of DG programs.

Most Benefits are Generally Applicable

Since all NEM systems qualify as DG, almost all of the societal benefits suggested in the Petition are applicable to DG in general. The following list highlights some of the major benefits that accrue from any DG system:

- *Increased employment and downstream economic benefits*
- *Market price impacts of NEM resources:* The Petition describes what is known as the “merit order effect” which occurs for any non-fossil fuel generation, especially “peaking” generation
- *Grid security benefits:* All types of DG benefit the system by moving towards a decentralized model.
- *Leveraging private capital*
- *Reduced GHG emissions/climate change impacts*
- *Avoided environmental, safety and economic costs*

Conclusion

The Clean Coalition appreciates the Petitioners efforts in moving California towards energy policies that fully account for the societal costs and benefits of distributed generation. The Commission should take up this effort with the requested study and addition to the 2013 IEPR.

To maximize the value of the study, the analysis should look at the societal costs and benefits of all forms of DG, and then designate which of the findings are applicable to California’s NEM Program. To best synchronize this work with the CPUC’s efforts, one of the conclusions of this study should be a specific analysis of the costs and benefits associated with the volume of NEM deployment assumed in the CPUC study.

Respectfully,



Ted Ko

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