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

Order Instituting Rulemaking Regarding Policies, Procedures and Rules for Development of Distribution Resources Plans Pursuant to Public Utilities Code Section 769.

And Related Matters.

Rulemaking 14-08-013  
(Filed August 14, 2014)

Application 15-07-002  
Application 15-07-003  
Application 15-07-005  
Application 15-07-006  
Application 15-07-007  
Application 15-07-008

**ADMINISTRATIVE LAW JUDGE'S RULING INVITING LOCATIONAL NET BENEFITS PROPOSALS AND NOTICING WORKSHOP**

**Summary**

This ruling invites parties to offer alternative suggestions or proposals to the utilities' locational net benefits analysis (LNBA) methodologies proposed in the applications. The utilities are also required to respond to several specific questions and invited to provide any refinements or changes to their proposals. All parties are invited to respond to some additional questions to help in preparation for a workshop on these topics. In addition, the ruling provides notice of the workshop to be hosted by Energy Division staff on February 1, 2016. Parties may also request time on the workshop agenda to present their

alternatives. More detailed comments and reply comments will also be invited after the conclusion of the workshop.

## **1. Workshop Notice**

Energy Division staff will host a workshop on February 1, 2016 at the California Public Utilities Commission's (Commission), San Francisco offices to discuss the utilities' proposals for the locational net benefits analysis and demonstration project B. Energy Division staff will provide more details on the workshop agenda on the Commission's Daily Calendar and via email to the service lists of these proceedings.

Parties who would like to make presentations at the workshop should contact Dave Erickson in Energy Division at (415) 703-1226 or [john.erickson@cpuc.ca.gov](mailto:john.erickson@cpuc.ca.gov) by January 22, 2016 with specific details about the information they would like to present.

One or more Commissioners (including a potential quorum of Commissioners), Advisors, or Administrative Law Judges (ALJ) may attend the workshop. No decisions will be made during the workshop.

Rule 8.1(c) of the Commission's Rules of Practice and Procedure states that an *ex parte* communication means a written or oral communication that "does not occur in a public hearing, workshop, or other public forum noticed by ruling or order in the proceeding, or in the record of the proceeding." As a result of this Ruling, any public discussion during the workshop is not subject to *ex parte* reporting requirements.

## **2. Scope**

Because a scoping memo has not yet been finalized for this proceeding, for purposes of the workshop and comments on these issues related to locational net benefits analysis (LNBA) methodologies, Commission staff are assuming that

the estimation of any and all system-wide avoided costs, such as a system-level avoided costs of generation capacity (or System Resource Adequacy), will be addressed in the Integrated Distributed Energy Resource (IDER) proceeding Rulemaking (R.) 14-10-003 and not in this proceeding. The IDER proceeding is likely to be the forum for modifying, discussing, and developing new models and policies associated with system-level avoided costs. This distribution resources plan (DRP) proceeding will focus on the development of localized avoided costs and benefits that are specific and different depending on location.

As noted in Decision (D.) 15-09-022, the IDER proceeding may consider the issue of location-specific or service-specific pricing and how the LNBA and Integrated Capacity Analysis (ICA) results (or other methods) may be used in determining such pricing, as suggested by a number of parties. The relationships and/or dividing lines between LNBA methods (approved in this DRP proceeding) to determine optimal locations for distributed energy resource (DER) deployment versus the financial arrangements to pay for grid services (approved in the IDER proceeding) are as yet unclear, and require further exploration.

While the IDER proceeding also has yet to be finally scoped, Commission staff preliminarily anticipate that the IDER proceeding will review a wide range of potential sourcing mechanisms for DER grid services, including anything from rates and tariffs (e.g., time of use, net metering, critical peak pricing, etc.) on the one hand, to various procurement contracts (e.g., standard offer, pay-for-performance, and/or targeted procurement for specific grid needs) on the other.

All parties are invited to comment on this scope division in response to questions in Section 4 of this Ruling below.

In addition, until such time as there is a decision in the IDER proceeding that modifies the current cost-effectiveness framework, the utilities and other parties are directed to use the most current version of the Distributed Energy Resources Avoided Cost (DERAC) to determine values for system-level avoided costs. The current calculator can be found at the following link:

[https://ethree.com/public\\_projects/cpucSGIP.php](https://ethree.com/public_projects/cpucSGIP.php)

### **3. Questions for Utilities and Parties with Alternative Proposals**

In preparation for the workshop, utilities who filed LNBA methodology proposals on July 1, 2015 shall respond to the questions in this section below. In addition, in preparation for the workshop, parties are encouraged to develop, jointly with other parties or utilities if possible, specific alternative proposals to the utilities' July 1, 2015 LNBA methodology proposals or demonstration project B proposals. Parties may also suggest specific alternatives to one or more aspects of the utilities' proposals without presenting a complete alternative. Partial or entire alternative proposals should address the same questions given in the Guidance Ruling issued February 6, 2015 in R.14-08-013, specifically Sections 1.b. and 2.b. of the attachment to that Ruling.

Parties giving partial alternatives to a utility proposal should describe how their alternative suggestion would be integrated with the rest of the LNBA methodology, as well as how and why their solution is preferable.

If any parties wish to present complete alternative LNBA methodologies, they are encouraged to partner with other parties. Proponents of those alternatives should, in addition to covering issues raised in Section 1.b. of the attachment to the Guidance Ruling, also address the questions below.

1. For utilities only: Describe any refinements you would make to your LNBA proposals in the applications based on comments received from other parties. Any other updates are also welcomed.
2. For other party proposals only: Identify the locational granularity to use to evaluate the costs and benefits described in your approach (i.e., the line section, feeder, multiple feeders) if the proposal is different from the Guidance Ruling.
3. Identify the temporal granularity to appropriately evaluate costs and benefits described in your approach (i.e., daily, annually, etc.)
4. Describe the underlying data and assumptions for net load, load growth, and DER profiles, as well as the sources of deferred costs that would be used to determine avoided costs or other benefits. In particular, specify whether models and data sources are proprietary or public.
5. Describe how LNBA, together with the integration capacity analysis (ICA) and growth scenarios, would be used to identify “optimal location.” In other words, how will the combined results be used to characterize the “optimality” of a location?
6. How can/should dynamic modeling used in ICA, together with modeling of DER portfolios, impact LNBA calculation or results? How will a dynamic ICA be represented in the LNBA?
7. Describe and enumerate the grid services that could be evaluated in your approach.
8. How should your approach be used in distribution system planning?
9. How does your methodology include costs associated with the potential need for common communications and control infrastructure required to support “smart” DER?

10. What types of forecasts are needed to support your approach? How are the forecasts integrated with the cost and benefit evaluation? What should be the time horizon of the forecast (i.e., one year, two years, five years, longer.)? Describe how changes of the LNBA value of a particular location over time would be evaluated.

Parties may also suggest alternatives to the utility proposals for demonstration project B described in the applications. Project proposals should address the items discussed in Section 2.b. of the attachment to the Guidance Ruling. Parties wishing to suggest partial or complete alternative LNBA proposals or demonstration project B proposals shall file and serve those alternatives no later than January 26, 2016.

Utility responses to the above questions shall also be filed and served in these proceedings no later than January 26, 2016.

#### **4. Questions for All Parties**

There are several questions on which Commission staff would like preliminary input from all parties, prior to the workshop, in order to help shape the agenda and frame the discussion. Any party wishing to provide input may respond to the following questions:

1. As discussed in Section 2 (Scope) of this Ruling above, the DRP Roadmap staff proposal (at p. 18) categorizes certain LNBA components as either non-location-specific (specifically: ancillary services, avoided GHG adder, avoided RPS purchases, renewables integration adder) or location-specific (specifically: line loss factor, avoided transmission and distribution capital and operating costs to provide capacity, voltage support, and power quality). Per the staff proposal, the non-location-specific components should be reviewed in the IDER proceeding, not the DRP.
  - a. Do you agree with this general proposal?

- b. Why or why not?
  - c. What modifications or clarifications would you make to the specific components staff has proposed to assign to one or the other category? Please explain.
2. Regarding the potential use of proprietary data and models:
  - a. Is it acceptable for the LNBA to use proprietary data and models?
  - b. If not, why not?
  - c. What feasible modifications (e.g., data aggregation), if any, should be made to the methodology?
  - d. What feasible alternatives (i.e., new LNBA proposals) by parties should the Commission consider to ensure that LNBA data sources and methods are made (wholly or in large part) available publicly to stakeholders and market participants?
  - e. How can the desirable goals of accuracy and transparency best be balanced?
3. What specific grid services (quantifiable or currently non-quantifiable) should the LNBA method include, as distinct from valuation methods that may be used in sourcing or procurement of grid services? To the extent possible, please provide a list of grid services and rationale for why each grid service should be a) valued in the LNBA and/or b) compensated (or alternatively, required without compensation) in a potential DER sourcing mechanism.

All parties may file and serve response to the questions in Section 4 of this ruling above by no later than January 26, 2016.

**IT IS RULED** that:

1. A workshop will be held on February 1, 2016 at the Commission's San Francisco offices to discuss locational net benefits analysis methodologies and the proposals in utility applications for demonstration project B. Energy Division will provide more workshop details to the service list for these proceedings and on the Commission's Daily Calendar. Any communications

occurring publicly at this workshop are not subject to *ex parte* reporting requirements.

2. Respondents in this proceeding shall file and serve responses to the questions in Section 3 of this Ruling no later than January 26, 2016.
3. Parties may file and serve partial or full alternatives to the utilities' proposed locational net benefits analysis methodologies or demonstration project B proposals (by responding to the questions outlined in Section 3 of this Ruling and Sections 1.b and 2.b of the attachment to the February 6, 2015 Assigned Commissioner's Guidance Ruling), no later than January 26, 2016.
4. Parties may file and serve responses to the questions in Section 4 of this Ruling by no later than January 26, 2016.
5. Parties wishing to make a presentation at the February 1, 2016 workshop shall contact Dave Erickson in Energy Division at (415) 703-1226 or [john.erickson@cpuc.ca.gov](mailto:john.erickson@cpuc.ca.gov), no later than January 22, 2016, and describe the specific presentation they would like to make.

Dated January 8, 2016, at San Francisco, California.

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/s/ JULIE A. FITCH  
Julie A. Fitch  
Administrative Law Judge