

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 9

TO: VCE Community Advisory Committee

FROM: Mitch Sears, Interim General Manager

SUBJECT: Informational report - Additional Considerations related to Net Energy Metering

DATE: May 23, 2019

This is an informational report – no action is requested.

Background/Analysis

In 2018 two regulatory actions by the State reduced VCE’s projected revenue by more than 10%: (1) increase of the Power Charge Indifference Adjustment (PCIA) by the California Public Utilities Commission which is an exit fee from PG&E service, and (2) a forecast error by the California Energy Commission for Resource Adequacy (RA) that increased VCE’s obligation to purchase this type of power by approximately 20%. Though VCE and other CCA’s worked hard to address these impacts within the regulatory process, the magnitude, volatility and uncertainty associated with these costs forced the VCE Board to respond to secure VCE’s financial position. In December 2018 the VCE Board made a difficult decision to eliminate rate discounts (raise rates) and to postpone enrollment of existing NEM customers that were scheduled to be rolled into VCE service beginning in January 2019.

As part of its discussion over several meetings leading up to and including the December 2018 meeting, the VCE Board expressed strong interest in enrolling NEM customers as soon as possible but no later than 2021. The Board directed staff to bring the NEM enrollment strategy back for consideration in June 2019 to see if it would be possible to begin enrollment in 2020.

Because the CPUC’s final action on the 2019 PCIA and 2019 PG&E rates is still pending, staff will not be in a position to make a recommendation to the Board until its June meeting. However, if the 2019 PCIA and 2019 PG&E rates are consistent with the Advice Letters submitted to the CPUC by PG&E, staff believes that the Board objective of enrolling NEM customers as soon as possible is achievable. The 2019 PCIA and 2019 PG&E rates are anticipated to be finalized (or will be adequately clear), in advance of the Board’s June meeting.

Additional Considerations

As part of the analysis of NEM enrollment options and discussions with the CAC Task Group, staff has identified several topics for consideration as VCE enrolls and actively grows its NEM customer base. The purpose of this report is not to offer in depth analysis on these topics but to introduce them to the CAC and set a foundation for on-going discussions with the Rates and Services Task Group. These additional consideration topics include:

- VCE NEM penetration. If all eligible NEM customers in VCE service territory enrolled they would be approximately 11% of VCE's customer base and electricity load (approximately 7000 customers). This is one of the highest, if not the highest, NEM penetration rates in California. In addition, NEM growth in VCE's service territory is projected at 1,000 new systems per year. This presents extraordinary opportunities for VCE to advance local renewable generation and to help shape a sustainable future as more and more of these systems are added to the California electrical grid.
- GHG benefit provided by VCE NEM customers. Currently, the State does not have a mechanism to recognize or value the GHG benefits provided by small scale distributed renewable generation such as roof-top solar. Development of a mechanism at the local CCA level may be possible to account for this important contribution by NEM customers.
- Relationship between Resource Adequacy and NEM. As required, VCE buys resource adequacy power for all customers to ensure that electricity is available on the grid to serve peak loads and maintain reliable electric service for customers. For solar NEM customers without on-site storage (e.g. storage batteries), this means that power is available to them after their systems stop producing energy at night or on cloudy days. Currently, Resource Adequacy requirements of NEM customers are not fully accounted for in VCE rates. As VCE encourages the growth of NEM enrollment over time, it will be important for VCE and NEM customers to better understand the relationship between NEM and resource adequacy.

Note: Staff and the Task Group intend to continue to meet to discuss these and other rate related topics and will report out any findings and/or recommendations to the CAC and Board.