



States Must Ensure DERs Are Not Caught in a Regulatory Web of Their Own Making

Vidhya Prabhakaran

States across the U.S. have begun to commit themselves to expanding the reach of distributed energy resources (DERs), primarily rooftop solar photovoltaics (PV), throughout their communities. In particular, New York, Hawaii, Massachusetts, and Minnesota have all taken highly visible steps aimed at changing the traditional energy utility landscape to specifically include and encourage DERs.

California, as the leading state in solar PV, plug-in electric vehicles, behind-the-meter storage options, and behind-the-meter demand response technologies, also has grand plans for a distributed-energy future. In fact, California has already implemented various initiatives focused on each of these market sectors, and various proceedings at the California Public Utilities Commission (CPUC) are aimed at ensuring ongoing growth in all of these areas.

However, California has realized that development of these various DER technologies can and should no longer be accomplished on separate tracks. Technologies now overlap and are being combined in new and innovative ways that can jointly provide significantly greater benefits to the public than in their previous individual incarnations.

California Aims to Meet Its Distributed Energy Goals

With the initial success of developing and deploying these DERs, California has also begun to recognize that it must study and evaluate the effects that such technologies will have on the broader grid even while continuing to ensure their continued and increased deployment. To that end, the CPUC has spent a great deal of time and effort to reach the very broad, generic, and long-term goal for the state to “deploy distributed energy resources that provide optimal customer and grid benefits, while enabling California to reach its climate objectives.”

In fact, it took the CPUC nearly a full year to just come up with that very nebulous goal in a decision in September 2015.

Two different, but interconnected, proceedings at the CPUC are clearly focused on this goal. The first (Rulemaking 14-08-013) is focused on more fully integrating DERs into the utilities’ distribution system planning, operations, and investment decisions. The second (Rulemaking 14-10-003) is focused on establishing a framework to enable the offering of a wide portfolio of demand-modifying technologies best tailored to customers. A host of other proceedings will also impact the ability of California to meet its goals for DERs.

The CPUC’s theory is that R.14-08-013 will focus on top-down changes (starting with the utilities) and R.14-10-003 will focus on bottom-up changes (starting with the customer/end user). More specifically, R.14-08-013 will focus on determining what characteristics of DERs are needed and what value should be assigned to those characteristics. R.14-10-003 will focus on how to

source the resources that will provide those characteristics and create that value.

So what has happened so far?

The Results of the California Experiment

Unfortunately, the CPUC appears to be caught in its own regulatory web.

CPUC staff have held multiple cross-cutting workshops focused on issues—like locational pricing analysis—that are relevant to multiple proceedings. These workshops require significant investments of time and resources by stakeholders, administrative law judges, and CPUC Energy Division staff.

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Yet, the CPUC has not yet taken concrete steps to implement its goals with respect to DERs. Meanwhile, stakeholders are afraid that by failing to participate in this regulatory morass, that they will miss out on the opportunity to give meaningful comment in order to help create a workable framework/marketplace for DERs and ensure that the characteristics of DERs are appropriately defined and valued.

At this point, it appears that CPUC staff and stakeholders are stretched too thinly to take the kind of incremental steps necessary to ensure that the hugely expensive and critically important infrastructure investments that will be made in the next few years (such as distribution grid improvements and electric vehicle charging stations) are done in such a manner that customers are ensured reliable power at the lowest possible cost. CPUC leadership needs to assert itself to steer the ship towards incremental, but meaningful progress, so that the huge efforts that have been under way at the CPUC for some time now are not lost.

Other states and state commissions that are embarking on their own path to a distributed-energy future should take the lesson provided by the California experiment so that they too do not become entangled in a web of their own making. ■

—Vidhya Prabhakaran (vidhyaprabhakaran@dwt.com) is a partner in Davis Wright Tremaine LLP’s energy practice in the firm’s San Francisco office.