

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

Order Instituting Rulemaking to Develop a Successor to Existing Net Energy Metering Tariffs Pursuant to Public Utilities Code Section 2827.1, and to Address Other Issues Related to Net Energy Metering.

Rulemaking 14-07-002  
(Filed July 10, 2014)

**REPLY COMMENTS OF THE INDEPENDENT ENERGY  
PRODUCERS ASSOCIATION**

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Dated: March 30, 2015

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In compliance with the schedule set in the *Administrative Law Judge's Ruling Seeking Comment on Policy Issues Associated with Development of Net Energy Metering Successor Standard Contract or Tariff*, issued on February 23, 2015, the Independent Energy Producers Association (IEP) respectfully submits its reply comments.<sup>1</sup>

IEP will reply only to some issues raised in the comments of the California Municipal Utility Association (CMUA).

In its introductory comments, CMUA refers to distributed generation (DG) and Net Energy Metering (NEM) resources seemingly interchangeably when urging the Commission to “develop a successor NEM tariff that can support the state’s long-term goals as well as be flexible enough to accommodate significant changes in technology and the market for distributed generation.”<sup>2</sup> The distinction between these two types of resources is important for purposes of

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<sup>1</sup> IEP is concurrently submitting its motion to become a party to this proceeding. If IEP’s motion is granted, IEP respectfully asks that these reply comments be accepted and docketed in this proceeding. IEP is today serving its motion and reply comments on all parties to this proceeding.

<sup>2</sup> CMUA Comments, p. 2.

discussion and ensuring that the state's energy policy goals are fair, nondiscriminatory, and reasonable. Accordingly, the distinction between NEM resources and DG resources is worth maintaining, as is the distinction between resources that essentially serve a retail function (offsetting retail load) and those resources that serve a wholesale function (supplying incremental energy to the grid).<sup>3</sup>

In addition, CMUA suggests that “[t]o the extent that rooftop solar is devalued, as it is under the current renewables portfolio standard (‘RPS’) by being classified as portfolio content category (‘PCC’) 3, it will be harder to achieve this increased renewables goal [*i.e.*, the Governor’s 50% renewable resource goal].” As a result, CMUA encourages the Commission “to consider all possible methods for ensuring that NEM customer generators can be fully accounted for as part of the state’s current RPS program and long-term procurement goals.”<sup>4</sup>

However, it is not clear that NEM is devalued today. NEM generation serves one of two functions: either it reduces load served by load-serving entities (LSEs) or it supplies additional energy to the grid for which the utility pays a wholesale price. NEM energy is priced at the avoided retail cost of delivered energy when it serves load behind-the-meter. When a NEM resource delivers energy that exceeds its annual behind-the-meter consumption to the grid, the energy is compensated by the utility at the utility’s avoided cost of energy. In either case, it is difficult to argue that the NEM resource is undervalued. Moreover, the power generated from the NEM resource provides an RPS benefit to the LSE, irrespective of the pricing and payment structure, through the reduction of an individual LSE’s retail load subject to the RPS obligation.

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<sup>3</sup> Briefly, all NEM resources are DG resources, but not all DG resources are NEM resources. Similarly, some DG resources, such as NEM resources, may serve a retail function, offsetting retail load, while other DG resources (potentially including some NEM resources) may supply incremental energy to the grid. It is critical to observe this distinction to avoid ambiguous and unclear discussions of the issues addressed in this proceeding.

<sup>4</sup> CMUA Comments, p. 2.

In response to Question 4 posed in the Ruling, which asked about the costs and benefits of an NEM resource, CMUA proposed a reevaluation of some key components of the RPS program.<sup>5</sup> In particular, CMUA raised issues related to the portfolio content category (bucket) appropriate for NEM generation; the counting of generation produced by NEM facilities for RPS purposes; and the metering, certification, and verification requirements for Renewable Energy Credits (RECs). Each of these issues has implications that extend well beyond the scope of this proceeding. The classification of NEM resources and the counting of RECs produced by NEM resources for RPS purposes affects not only NEM resources, but also renewable resources of all sizes and technologies. Accurate metering and verification of RECs has been a central pillar of the RPS program as implemented by the California Energy Commission and as tracked by the Western Renewable Energy Generation Information System (WREGIS). Raising and potentially resolving these issues in a proceeding that is focused on implementing a specific statutory requirement related to a narrow category of renewable generation would deprive many affected parties from offering their perspectives on these central elements of the RPS program.

For its part, IEP affirms the importance of accurate counting and metering of RECs that are used for RPS compliance purposes, comparable treatment of all RPS-eligible resources, and the need for consistent treatment of the renewable energy produced by behind-the-meter generation of all sizes and technologies. But these issues should not be addressed or resolved in this proceeding. If the Commission wishes to explore any of the issues raised by CMUA, it should convene a workshop or other appropriate forum, widely noticed to parties with an interest in renewable generation and the RPS, so that the full implications of these issues can be discussed.

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<sup>5</sup> CMUA Comments, pp. 5-6.

Respectfully submitted March 30, 2015 at San Francisco, California.

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