

## INTRODUCTION

This sub-group was formed with the intention of addressing potential market challenges that are unique to the creation of robust DER-resource markets within Community Choice Aggregations' (CCAs) territory.

### **Consensus: Community Choice Aggregator Market Participation Eligibility**

Community Choice Aggregators (CCAs) are equally eligible to provide non-wire Distributed Energy Resource (DER) services as other market participants. Should a CCA decide to participate in a competitive solicitation process, a CCA would be have the ability to do so and be subject to eligibility criteria for other participants. Such criteria are developed on a case-by-case scenario, and the process is subject to oversight mechanisms developed by a separate sub-working group that is focused on oversight. Participation in the competitive solicitation does not preclude a CCA from administering other CPUC approved programs.

However, certain contracting and other issues arise which carry a high likelihood for requiring resolution, identified below. (One participant felt these should be addressed in other, related proceedings.) Problematic issues for potential resolution include:

- Customer attrition or migration (switching service between LSEs) effect on the viability of contracted DERs to meet grid needs
  - IOUs' lack of visibility into CCAs' planned programs, resulting IOUs' lack of detailed projections of growth of load/demand when designing RFOs
  - Potential lack of consistent pro-forma contract terms for aggregated DER-resource procurement, whether by a CCA, or 3rd party aggregators forming bids in CCA territories deriving from both LSE types, including any cost differences in contracts
  - Challenges to effective deferral of distribution-system needs with non-uniform access to customer marketing and customer load profile and local system data
  - Possible limitations due to CCA Code of Conduct requirements for IOUs to interact with customers or prospective customers in CCA-interested areas to solicit anticipated DER program participation
  - Resource aggregation challenges due to CCA automatic opt-ins at inception
  - Limitations on viability of resource financing due to resource/contracting issues
  - Difficulties/complexities in implementing Integrated Resource Plans in overlapping grid areas, potential for increased reliability problems or stranded costs
  - Potential for customer confusion or dissatisfaction due to varying compensation structures for DER-market participation, depending on bid structure TBD
  - Under-utilization of LSEs' (of both types) inherent marketing power without coordination
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**Two Recommendation areas were identified which are outlined in detail on the following pages:**

**Incremental Improvement Proposal 1**

Overcoming past obstacles; building off recent successful negotiations

**“Enhanced” Proposal 2**

Developing a partnership model for optimization and coordination

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**Incremental Improvement Proposal 1:**

Investor Owned Utilities (IOUs) and CCAs have developed procedures to address implementation issues as they arise. Should implementation issues arise in the competitive solicitation framework, including matters related to CCA Code of Conduct, double-counting, and oversight, these issues should be resolved on a case-by-case basis relying on existing Commission decisions and resolutions, as well as recommendations developed by the competitive solicitation framework working group.

In addition, Marin Clean Energy (MCE) and Sonoma Clean Power (SCP) have entered into settlement with PG&E on the Charge Smart and Save Program, PG&E's electric vehicle infrastructure and education program. This settlement, once approved by the CPUC, should provide a positive example for partnership, allowing PG&E and the CCAs to identify implementation challenges and resolve these issues through existing communication channels between these entities

There was robust support for this “business as usual” approach, yet consensus was not expressly reached.

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**“Enhanced” Proposal 2: FORMATION of NEW PARTNERING ENTITIES BETWEEN IOUs and CCAs or LOCAL GOVERNMENTS for MUTUAL BENEFIT**

**B A C K G R O U N D**

PUC Code Section 769 establishes that the Commission should *“propose cost-effective methods of **effectively coordinating existing commission-approved programs, incentives, and tariffs to maximize the locational benefits and minimize the incremental costs of distributed resources.**”*

In the sub-group’s work, and further contained in public information, it has been established that certain existing and developing CCAs wish to enhance local reliability and resiliency in addition to addressing the local community’s GHG goals. For example, one of the avenues proposed is to create new, targeted CCA IDER programs, yet to be developed, possibly as CCA IDER PAs.

There are significant, inherent public benefits which can be realized by CCAs or LGPs, including the potential for strong community interest/involvement in programs due to shared customer values, plus potential for enhanced customer value through targeted projects at critical infrastructure and integration of land use and demographic data. Conversely, IOU value-enhancement includes “legitimizing,” *e. g.* through co-branding of products or programs through strong name recognition and the potential for collaboration in locally-targeted programs, including sharing of certain data, marketing and outreach. It remains an open question how the market would function in some scenarios.

There are apparent challenges that CCAs may currently face when implementing local IDER programs. Among these challenges are the potential for developing local programs directed at solving a distribution system need, while the IOU is simultaneously developing an RFO to address the same need. Without adequate understanding of the activities of the other party, a “too many cooks spoil the broth” outcome may occur, resulting in wasted resources and decreased cost-effectiveness.

Another challenge for CCAs is to capture the realized benefit of a local IDER program through E, M & V activities: A locally-targeted set of DER may not carry verifiable benefit simply because the CCA has no way of accurately measuring the effectiveness of the effort under the “business as usual” framework.

In this new energy future, who will be ultimately responsible for ensuring the customers have access to reliable and affordable power (CCAs or IOUs or others)? How do we delineate the roles and responsibilities of distribution, supply, demand and overall coordination? In this context, which entities will be bidders, and which will develop programs and RFOS?

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## PROPOSAL

### To address these and other issues, “Enhanced” Proposal 2 is issued for consideration:

*The Commission should authorize CCAs and IOUs, **should they so wish**, to voluntarily form an umbrella partnering entity, unique to each composite aggregation, for purposes of optimizing mutual benefit and achievement of efficiencies in implementing state and commission policies relating to GHG goals, robust proliferation of DER markets, and the implementation of certain other policy objectives of PUC Code Sections 769 and 381.1 as well as SB 350, for the purposes of coordinating efforts including but not limited to Integrated Resource Planning, resiliency efforts and energy efficiency goals.*

*The partnership agreement for this entity would contain terms intended to maximize public benefit from the strengths of both entities, or **at a minimum, to ensure IOU and CCA programs are not functioning at cross-purposes**. Such partnerships could be formed with local governments at any level, similar to an LGP, but with expanded and independent duties.*

*The benefits to participating IOUs may be captured in enhanced incentive levels collected through a specific CCA customer tariff, to be negotiated between entities in advance, intended to be cost-effective to customers overall.*

*For existing or newly-formed CCAs choosing not to form such IOU partnerships, should reporting metrics show performance relating to state objectives including DER proliferation in CCA territories to be sub-optimal in ex-post evaluations, the Commission could consider mandating the formation of a partnership in such cases.*

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This “Enhanced” Proposal 2 was seen as somewhat controversial in the sub-group discussion, partly due to lack of specific partnering structure detail. However, as written, specific terms would be negotiated uniquely to each partnership. While consensus was not reached, there was some support for an optimization structure such as this Proposal.