



Office of the People's Counsel District of Columbia

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September 1, 2016

NARUC Staff Subcommittee on Rate Design
c/o Commissioner Travis Kavulla, President
National Association of Regulatory Utility Commissioners
1101 Vermont Avenue, NW, Suite 200
Washington, DC 20005
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**Re: Comments of the Office of the People's Counsel for the District of Columbia
on NARUC Distributed Energy Resources Compensation Manual**

Dear NARUC Staff Subcommittee on Rate Design:

The Office of the People's Counsel for the District of Columbia ("OPC" or "the Office") appreciates the opportunity to provide comments in response to the Draft NARUC Manual on Distributed Energy Resources ("DER") Compensation ("Draft DER Manual") prepared by the NARUC Staff Subcommittee on Rate Design and distributed to national energy stakeholders on July 21, 2016. OPC applauds NARUC for committing to undertake the tremendous task of collecting information on the concerns and challenges facing regulators and advocates across the country and comprehensively addressing rate design issues in this new era of DER expansion. This is no small feat, particularly given how DER-enabling policies and penetration levels can vary from state to state and jurisdiction to jurisdiction.

Background Information on OPC

As you may know, OPC is an independent agency of the District of Columbia government. OPC is the statutory representative for District consumers of electric, natural gas and telecommunications services before the Public Service Commission of the District of Columbia ("DC PSC") and federal agencies such as the Federal Energy Regulatory Commission ("FERC"), the Federal Communications Commission ("FCC"), the U.S. Environmental Protection Agency ("EPA") and the PJM Interconnection stakeholder process.¹ Additionally, OPC serves as Chair of the Distributed Energy Resources Committee of the National Association of State Utility Consumer Advocates ("NASUCA").

¹ D.C. Code § 34-804 (d) (Lexis 2016).

OPC is statutorily mandated to advocate on behalf of DC utility consumers for just and reasonable rates and quality service. Attendant responsibilities include consideration of the public safety, the economy, the conservation of natural resources and the preservation of environmental quality when taking positions on matters pertaining to the operation of energy companies in the District and consumer education.² OPC has been a longstanding contributor to the discourse on sustainable energy in our city for many years, as reflected by our decades-old involvement and support of energy conservation, integrated resource planning, and more recently, renewable energy and sustainability policies. As People's Counsel, I have consistently advocated for DER policies that promote equity, affordability, environmental responsibility and reliability in support of the District's sustainability goals.

OPC's Value of Solar Study

My Office is currently conducting the first ever Value of Solar ("VOS") study for the District of Columbia. The study will comprehensively assess the city's solar capacity from a topographical and economic standpoint; rate design and incentives; as well as, all of the costs and benefits of solar. Specifically, the study will evaluate the District of Columbia's current net metering policies; analyze the costs and benefits – including quantification of social, health, and environmental benefits of solar – of distributed solar energy generation in the District of Columbia and the regional transmission grid; and provide a framework for determining a rate design approach that can facilitate solar deployment with minimal negative impact on ratepayers not participating in solar energy generation. OPC's Value of Solar study will also include an empirical assessment of opportunities for increased participation in solar energy generation by low-income residents in DC. OPC is excited about its VOS study and confident that it will help to advance DER deployment in the District of Columbia.

As of today, DER penetration levels remain low in the District of Columbia. However, in the future, as more consumers adopt DER for their energy consumption needs, OPC anticipates that the District's current net metering compensation framework may potentially undergo reevaluation. OPC's Value of Solar study will be a useful, balanced and forward-looking resource should the District's current DER compensation rules be subject to revision in coming years.

OPC's Comments on the Draft DER Manual

On the whole, OPC believes that the Draft DER Manual thoroughly examines critical and complex issues related to distributed generation compensation. The Draft DER Manual is user-friendly and outlines the fundamentals of traditional rate design while also delving into contemporary and nascent issues such as expanded integration of smart inverters, electric vehicles and storage. The Draft DER Manual as currently presented is a tremendous step in the right direction towards providing regulators with useful, applicable guidance on issues to address in their decision-making related to rate design and DER. OPC notes however, that there are a few central areas where the Draft DER Manual can be significantly improved. OPC offers

² D.C. Code § 34-804 (d, e) (Lexis 2016).

general comments on the following issues in the Draft DER Manual: 1) benefits of DER; 2) DER and low-income customers; and 3) consumer education and protection.

1. The Benefits of DER

The Draft DER Manual appropriately explains factors related to cost impacts of DER on revenue requirements of utilities. OPC believes that a full assessment of costs is critical to prudent rate design and determination of rates that are just and reasonable. However, an examination of costs should not be where the analysis ends. The Draft DER Manual is imbalanced in this respect. Costs are thoroughly discussed while benefits of DER are seemingly given an occasional mention in rare few sections in the paper.

OPC acknowledges that different jurisdictions have enacted varying cost-benefit tests for evaluating DER resources, such as energy efficiency and solar. However, given that the Draft DER Manual is being prepared to give a global review of all issues facing regulators, a more robust treatment of benefits of DER for the utility, electricity grid and society as a whole should be incorporated. The opportunities that DER presents for consumers, utilities and the grid can potentially outweigh what many perceive to be near-term disruptive and costly impacts. Therefore, OPC recommends that in its review of rate design issues for DER, the Draft DER Manual present a long-term view of both the benefits and costs of DER.

2. DER and Low-Income Consumers

OPC is pleased that the Draft DER Manual discusses the impact of electricity rate design options, such as demand charges, on low-income customers. Further, the examination of the potential for cost-shifting in the context of DER compensation will certainly be helpful for regulators moving forward. OPC believes that the Draft DER Manual could proceed a step further. In addition to acknowledging cost-shifting issues, the Draft DER Manual could explore whether there are rate design options that would be *more* beneficial to low and limited-income consumers than others. Indeed, the Draft DER Manual could examine how certain DER compensation structures and related low-income DER deployment programs could play a role in financially empowering low and limited-income consumers.

Increased DER deployment should not be mechanically typecast as discriminatory against or burdensome for low-income communities. While protecting low-income consumers and ensuring equitable deployment of DER benefits is a challenge, regulators, advocates and energy stakeholders have a special opportunity to reframe the discourse on DER. Neglecting to analyze the various options for DER compensation and DER access within the policy framework of meeting the clean energy needs of our most vulnerable consumers would be a missed opportunity.

3. Consumer Education and Protection

The Office believes that any conversation about DER compensation and rate design is incomplete without a conversation about consumer education. As more consumers utilize DER

to meet their energy consumption needs and as regulators begin to review rate design options for DER, consumers will need to be informed about how DER compensation works in their respective jurisdictions and what any prospective changes to the construct might mean for them. The Draft DER Manual briefly addresses the need for public information and outreach programs. However, it would be useful to include best practices for consumer engagement and education in the final version of the DER Manual. Including best practices will better equip regulators and advocates to design plans that will effectively inform and empower consumers.

Moreover, OPC notes that the Draft DER Manual includes a footnote stating that:

“[w]hen making decisions related to DER, customers may lack sufficient education about the difference between a ‘rate’ and a long-term contract with a DER provider. Regulators and other consumer protection advocates may want to monitor marketing materials from DER providers to ensure that customers are being adequately and correctly informed of their options and the potential results of their actions.”³

OPC fully supports this recommendation. Further, the Office recommends that the Draft DER Manual include a specific section on consumer protection issues. OPC believes that as regulators reevaluate rate design for DER, there should be meaningful review of their regulatory authority over the business practices of DER providers. At the heart of DER integration is customer choice – a principle that OPC strongly supports. However, with all of the benefits of customer choice, there is also the possibility for bad actors to take advantage of uneducated and less sophisticated consumers. Lessons learned from the proliferation of unethical, unregulated energy suppliers and marketers should be seriously considered. As reflected in the footnote referenced above, consumers could be exposed to predatory sales and marketing practices by less scrupulous market players without effective means for recourse.

OPC looks forward to receiving the final draft of the NARUC Manual on Distributed Energy Resources Compensation. Please feel free to contact me if the NARUC Staff Subcommittee on Rate Design has any questions about the comments presented herein. Thank you for your consideration of OPC’s feedback on the Draft DER Manual.

Sincerely,



Sandra Mattavous-Frye
People’s Counsel

³ Draft NARUC Manual on Distributed Energy Resources Compensation, at 38 n. 69 (2016).