



September 1, 2017

Luly E. Massaro
Commission Clerk
Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

RE: Comments from Sunrun Inc. In Response To Notice to Accept Comments on Draft Guidance Document

To the Rhode Island Public Utilities Commission:

Sunrun, Inc. (“Sunrun”) respectfully submits the following preliminary comments in response to the Rhode Island Public Utilities Commission (“PUC”) Notice To Accept Comments on Draft Guidance (“Notice”) issued on August 3, 2017.

Sunrun is a leader in residential solar, storage, and energy management. We pioneered the “solar-as-a-service” model 10 years ago and today Sunrun is the largest dedicated residential solar company in the United States. Sunrun believes there is a better, less expensive, cleaner way for families to power their homes and with Sunrun’s residential rooftop solar, storage and energy services, homeowners are saving money while dramatically reducing the amount of air pollution and carbon dioxide released into the atmosphere. As a leader in residential distributed energy resource (“DER”) deployment, Sunrun has a high interest in the evolution of the electric grid, utility business models, and rate design. We appreciate the opportunity to comment on how the PUC proposes to implement the adopted policy goals, rate design principles, and the new Rhode Island Benefit-Cost Framework.

At a high level, Sunrun finds the protocols outlined in the Draft Guidance to be well-crafted and reasonable. We are supportive of the overall framework embodied in the Draft Guidance, which presents a common set of standards and evaluation methodologies governing consideration of rate design proposals. This type of consistency is important to ensure that all rate design proposals are thoroughly vetted according to the same set of rules, and that the PUC has the information it needs to complete such a critical evaluation. We also support the general manner in which the Draft Guidance addresses “Pilots”, insofar as it allows for flexibility in application of the Benefit Cost Framework for proposals that test new ideas and approaches.

This general support aside, Sunrun offers several observations and comments that we believe would improve or otherwise add clarity to the Draft Guidance.

Standards for Proposals and Opposition to Proposals

The Draft Guidance appears to set an overly high bar for justifying program proposals. For instance, the Draft Guidance states:

“...the proposing party must provide accompanying evidence that addresses how the proposal advances, detracts from, or is neutral to each of the stated goals of the electric system. Likewise, an opponent to a proposal should also refer to these goals in developing its rationale.”¹

The Draft Guidance applies a similar standard of evaluation with respect to the PUC’s adopted rate design principles,² and requires proposals to “at the very least” address each of the extensive list of categories contained in the Cost-Benefit Framework.³

Sunrun agrees in principle that common protocols are necessary in order to ensure that proposals (or opposition thereto) can be evaluated in a consistent manner. The same strategy is frequently employed with competitive requests for proposals to ensure that the information submitted in one response is reasonably comparable to that submitted in another.

However, we are concerned that the extensive set of requirements could prove overly burdensome for stakeholders that have limited resources, making it difficult for them to meaningfully participate in the development of new rate design proposals. Resource limitations may take more than one form. For instance, a small organization may have limited staff or staff time to devote to fully developing a proposal, or opposing one made by another party. Even addressing the full suite of required information in only a qualitative manner could require considerable time and effort, and small organizations may lack the expertise necessary to fully address all of the elements of the Benefit-Cost Framework. Quantitative analysis presents even greater difficulties, both from a time and effort standpoint, as well from the standpoint of data availability.

¹ Draft Guidance at 4.

² *Id.* at 6 (“when a party proposes a specific rate design the accompanying evidence that addresses how the proposal advances, detracts from, or is neutral to each of the stated rate design principles, listed above. Likewise, an opponent to a rate design proposal should also refer to these principles in developing its rationale.”).

³ *Id.* at 7 (“any rate design proposal should, at the very least, reference each category within the first two columns of the Report: Mixed Cost-Benefit, Cost, or Benefit Category and System Attribute Benefit/Cost Driver (Categories and Drivers, respectively). In proposing any new rate design proposal, the proponent should discuss how each of the Categories and Drivers was considered and how the rate design will affect each.”).

Thus far, Sunrun has found the stakeholder engagement process to be inclusive and transparent, and we applaud the PUC for its efforts in this respect. While ratemaking is more evidence-based than defining policy goals and principles, we urge the PUC to affirm that the implementation is not intended to restrict or otherwise inhibit the free-flow of ideas. One way to accomplish this in practice would be to retain for further investigation novel concepts or proposals that have not been fully fleshed out by the proposing party, but nevertheless show signs of promise. The PUC could, for instance, direct a well-resourced entity to conduct supplemental analysis under these circumstances. Where employed, this supplemental analysis should be transparent and subject to review by other stakeholders.

With respect to data availability, Sunrun recommends that the PUC clarify that all supporting analyses utilize data that is readily available and easily accessible by all stakeholders. The use of proprietary or confidential data should be discouraged and only permitted if a highly compelling reason supports its use relative to similar publicly available data.

Implementing Rate Designs That Promote Economic Efficiency

The adopted rate design principles and Draft Guidance correctly recognize that ratemaking is an exercise in balancing a series of sometimes conflicting principles and priorities, and that any single proposal may not accomplish all of the stated goals. Two of the adopted rate principles refer directly to economic efficiency in rates, stating that a proposed rate design can be found reasonable if it “promotes economic efficiency over the long and short term” and “provides efficient price signals that reflect long-run marginal cost.” Further portions of the rate design principles do not directly address economic efficiency, but nevertheless implicate it some form (e.g., making sure that future rates address externalities).⁴

Sunrun does not object to these or the other adopted rate design principles. However, we have observed that the meaning and implementation of theoretical concepts like “economic efficiency” and “efficient price signals” are frequently the source of considerable disagreement among different stakeholders. While this type of disagreement is likely unavoidable at some level, it could be mitigated in future proceedings through the establishment of clearer guidance on *how* the PUC will evaluate economic efficiency in rate structures.

In Sunrun’s view, the focus should be on improving the efficiency of the electric system in a way that benefits all ratepayers. By necessity, rate structures are at best only approximations of the cost to serve an average customer within a given class. The approximate nature unavoidably creates groups of “winners” and “losers” under different pricing schemes. Rate designs that simply create a different set of winners and losers with

⁴ *Id.* at 5.

no corresponding increase in the overall efficiency of the system should be avoided. In practice, improving system efficiency only possible if consumers have the ability to respond to a given rate structure or price signal in a way that is consistent with what the signal seeks to accomplish. This frame on the issue of economic efficiency is consistent with other identified rate design principles, such as gradualism, transparency, and consumer empowerment. Sunrun suggests that an emphasis on economic efficiency as reflected by improvements in future system efficiency would avoid the need to litigate and the meaning of the term in future proceedings.

Data Security and Protection of Consumer Information

The Draft Guidance indicates that beyond rate design proposals, programs or capital investments that affect distribution rates should also refer to the overall policy goals, rate design principles, and the Benefit-Cost Framework.⁵ Sunrun generally agrees that this type of evaluation is appropriate for capital investments or new programs, but observes that there may be limited circumstances that merit a less rigid approach to this evaluation, or possibly revisions to the Benefit-Cost Framework.

One example where we believe flexibility could be necessary is in the area of consumer data protection within programmatic or interconnection application systems (i.e., secure data handling). It is our understanding that within the Renewable Energy Growth program, customer W-9s are currently received by solar companies from customers via e-mail and are then forwarded along by e-mail to National Grid. Sunrun has concerns about the security of the process and believes that improving it should be a high priority. However, we are unsure of how a capital investment of this type (e.g., an automated handling system) would be addressed within the Benefit-Cost Framework, which in our review does not contain a category into which it would fall.

To be clear, we are not suggesting any type of generally applicable exemption or exclusion from the Cost-Benefit Framework. We simply wish to raise this issue to the attention of PUC and point to what we see as a gap in the evaluation process. Sunrun recommends that Draft Guidance be clarified to indicate how the PUC may act in circumstances where a cost or benefit appears to fall outside of the defined Benefit-Cost Framework. Alternatively, Benefit-Cost Framework could be modified to include a category encompassing consumer data security.

The Conduct of Pilot Programs

The Draft Guidance refers to Pilot programs as “a small scale, targeted program that is limited in scope, time, and spending and is designed to test the feasibility of a future

⁵ *Id.* at 7.

program or rate design.”⁶ This definition contains several identifying characteristics of a pilot program, but it is not clear whether the description is intended to be read literally, or whether in fact the description itself constitutes a definition that will be relied upon when considering pilot programs. For example, will the PUC specifically evaluate how well a project fits each identified characteristic when it considers a proposal? If so, what is meant by the terms “targeted” or limited with respect to “time”. The Draft Guidance would benefit from clarity on whether this description will display some measure of flexibility, and how the terms will be defined if it represents a rigid definition.

To the extent that the description constitutes a definition, Sunrun is concerned that it could inhibit the operation and success of pilots if taken literally. Specifically, the references to pilots being “targeted” and limited in time may prove to be problematic. With respect to pilots being “targeted” programs, it is not clear whether this may refer to exploring specific new technologies or limiting a pilot to a specific, defined group of customers. Limitations of this type may be reasonable depending on the goals of the pilot (e.g., identifying barriers to energy storage deployment). However, in other cases, such as testing overall customer responses to different TOU rates or consumers’ ability to reduce peak demand, a technology agnostic approach could be more appropriate. Sunrun urges the PUC to be cautious in being overly prescriptive in how it views this characteristic of pilot programs.

We are also concerned that defining time limits on the availability of rates under a pilot will frustrate consumer investments in long-lived assets like rooftop solar or energy storage. Advanced rate designs typically compel customers to either make behavioral changes or make financial investments in appliances, control devices or other equipment in order to respond to the applicable price signal and experience energy cost savings. Some investments may be relatively modest (e.g., a smart thermostat) but others, such as rooftop solar or energy storage, require a long-term financial commitment on the part of the customer. The more advanced or complicated a new rate is, the more likely it is that customers will need to make significant investments in order to benefit from the rate. Furthermore, more complex and granular rates are more likely to promote the kind of significant and reliable changes in energy use patterns that achieve the largest gains in system efficiency. Customers will not make long-term investments in response to a pilot rate if the rate will not be available to them for a term commensurate with the lifetime of their investment.

Sunrun recommends that the Draft Guidance be revised to clarify that it is not the PUC’s intent to necessarily limit the amount of time that a customer may be enrolled on a pilot rate to a short duration. Under some circumstances a time-limited pilot may be appropriate, but such a determination should be made in line with the intent and goals for a given pilot. In particular, where a rate can reasonably be expected to promote long-lived

⁶ *Id.* at 8.



investments, it should be designed to ensure that customers have the certainty necessary to make those investments.

Evaluation of Complementary Programs

The Draft Guidance does not specifically address if the PUC intends to evaluate individual programs or proposals independently of one another, or possibly on a “portfolio” basis when one complements or facilitates another. In fact, Sunrun expects that it will often be the case that single program or investment has implications for other projects. For instance, distribution system planning (“DSP”) is likely to involve expenditures that in turn facilitate DER deployment broadly or in local areas, which in turn may influence how well customers can respond to price signals embodied in more granular rate designs. Evaluating complementary contributions that one makes to another will likely be difficult to do in any formulaic way, but as a general principle Sunrun recommends that the PUC consider and place an emphasis on the development of coordinated portfolios of projects and programs.

Thank you for your consideration of these comments.

Sincerely,

Gracie Walovich, Manager of Public Policy