



## CALIFORNIA ENERGY MARKETS

### CPUC Looks to Reform Interconnection Rules

The CPUC has started to focus on interconnection rules for distributed-generation projects, an area that has gotten little attention but that renewables advocates say has significantly delayed and hindered small projects. While interconnection processes for projects that serve on-site load face few obstacles, projects exporting their power to utilities' distribution grids have trouble easily connecting—despite small project size, proximity to load and no need for transmission. The new CPUC review will entail a confidential settlement process in which participants must keep negotiations secret.

In a bid to boost distributed generation, the CPUC has started reviewing processes to ease projects' ability to connect to the distribution grid and has taken the unusual step of making that review a confidential settlement effort among participants.

Utilities, renewables developers and advocates packed an Aug. 19 workshop to discuss reforming interconnection rules.

Robert Strauss, head of the CPUC's generation and transmission planning team, noted that the commission has dedicated significant resources—through procurement and renewables programs and planning—toward renewable-energy goals. Those include California's 33 percent renewables portfolio standard and Gov. Jerry Brown's target to get 12,000 MW from distributed generation by 2020.

“But there's one element of the RPS program that is becoming a sticking point and hasn't received significant resources until this point, and that's interconnection,” Strauss said.

Interconnection processes have not kept pace with the greater number and diversity of generators that have sought to connect to the distribution grid in recent years, leading to a working group aimed at reforming interconnection rules. For instance, Rule 21, the interconnection tariff for non-utility projects connecting to utilities' distribution systems, has worked well at interconnecting self-generating facilities that serve on-site customer load. But it has failed to help interconnect generators to the distribution grid efficiently enough to meet state goals, a paper from the working group stated.

Problems include a lack of identification of generators that need transmission-level studies; lack of engineering support for the amount of interconnected generating capacity possible with consideration of safety and reliability needs and requirements; and lack of study methods for interconnection of generators seeking to export part or all of their output to the utility.

The August paper also identified a lack of tariff provisions to ensure reasonable, transparent technical review and engineering study time frames; the lack of a path for generators to secure resource-adequacy value, since their projects may provide additional value by locating in constrained areas; and the lack of methods to ensure the viability of projects in the interconnection queue.

The commission's interconnection review aims to craft a comprehensive package of distribution interconnection rules for California by the end of the year, possibly incorporating some of the more involved rules from the federal wholesale distribution access tariff that many wholesale DG projects now use. The CPUC would administer the new rules, after approval by the commission and possibly FERC. Currently, different interconnection rules apply for different projects and programs. For instance, Rule 21 applies for customer-generated projects that offset on-site load; net-energy-metering projects; and some feed-in tariff projects. WDAT applies for projects under the renewables auction mechanism and investor owned utility solar-photovoltaic programs.

Parties welcomed the attention. The Clean Coalition has long pushed for interconnection reform (see CEM No. 1140 [13]). After the workshop, Clean Coalition Associate Executive Director Ted Ko noted that barriers to renewables such as financing, solar prices and contract terms have all lessened in recent years. But interconnection hurdles remain.

Interconnection "has been extremely difficult and needs massive reform," Ko said, noting that wholesale DG projects see long delays and large grid-study costs after applying to connect. Such projects may only take six months and \$2 million to build—but face an additional year and \$500,000 because of interconnection processes.

Ko called for the interconnection review to prioritize the creation of transparent rules so developers can see the projects in interconnection queues and the costs and time involved. The rules also need to specify recourse in case utilities do not adhere to them, for instance if utilities take too long to respond to interconnection requests, Ko said. And the rules need consistency, so that costs, timelines and triggers for studies do not change suddenly.

Curtis Seymour, senior manager of government affairs at SunEdison, said that interconnection hurdles cause some projects to miss their contracted delivery dates and require unnecessary grid-impact studies. Seymour wants the review to result in delineating the types of projects that can use Rule 21 rather than federal tariffs. And Rule 21 should ensure that projects with few impacts to the grid can interconnect quickly.

The interconnection review effort itself took an unusual twist at the Aug. 19 workshop. CPUC general counsel Frank Lindh told participants that the review—initially planned as a working-group effort—would now become a confidential settlement. Any participants could join, but would be required to keep negotiations secret. Usually, settlement processes stem from parties' requests rather than commission staff orders.

According to CPUC staff, the shift aims to resolve the issues quickly, rather than going through regulatory procedures that can take years and involve decisions, rehearings and court appeals.

Confidentiality ensures that parties' discussions, arguments and disclosures cannot be used in other proceedings. It also bars nonparticipants, including press.

"Interconnection is kind of the Achilles' heel for a lot of these ambitious, ambitious programs," Lindh said. "If we don't get interconnection done right, that could thwart all of those programs.

"At least as important as getting it done right is doing it right away," he added. "Certainty of the rules is really the Holy Grail, however bad or good the rules are."

Commissioner Mike Florio also argued for a confidential settlement process, noting how quickly it could resolve interconnection issues. Florio recalled an interview as a candidate for commissioner, when Gov. Brown asked him how to get more DG.

"I said, 'Governor, three words: interconnection, interconnection, interconnection,'" Florio told the crowd. "This is really important."

Florio urged the different parties to understand one another's views. He cautioned renewables proponents— who want quick, easy, cheap DG interconnection processes—that utilities tend to focus more on ensuring a safe, reliable system. And he warned utilities that "you have to get that the world is changing."

"The time for saying, 'No, no, no, that's not what we want,' is over," he added.

After the meeting, Florio noted that a settlement process could more easily result in rules that parties agree on and that such agreement makes it easier for regulatory agencies to approve them quickly. The ultimate result would still need public comments, CPUC approval and possibly FERC approval. But the confidential process to reach that result could allow more open dialogue and more compromise than litigation style cases would, he said.

"That doesn't typically happen in legal proceedings," he said of such compromise and open discussion.

Parties questioned how the confidential settlement process would work and noted that it would require greater commitments of their own time and resources. But several noted that if the process more quickly resulted in definite interconnection rules, they favored it.

Ko expects that a confidential settlement process rather than a public process would more quickly address the issues.

"It's hard to know," SunEdison's Seymour said— but he called it "promising" that the issue has attracted such attention at the CPUC.

For information, visit [www.cpuc.ca.gov/PUC/energy/Procurement/LTPP/rule21.htm](http://www.cpuc.ca.gov/PUC/energy/Procurement/LTPP/rule21.htm) [Hilary Corrigan].