

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

Order Instituting Rulemaking Regarding
Microgrids Pursuant to Senate Bill 1339 and
Resiliency Strategies.

Rulemaking 19-09-009

**CLEAN COALITION REPLY COMMENTS IN RESPONSE TO PROPOSED
DECISION ADOPTING RATES, TARIFFS, AND RULES FACILITATING THE
COMMERCIALIZATION OF MICROGRIDS PURSUANT TO SENATE BILL 1339
AND RESILIENCY STRATEGIES**

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I. INTRODUCTION

Pursuant to Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”) the Clean Coalition submits these reply comments in response to the Proposed Decision Adopting Rates, Tariffs, and Rules Facilitating the Commercialization of Microgrids Pursuant to Senate Bill 1339 and Resiliency Strategies, issued on December 7, 2020. Since the start of the proceeding, one of the largest barriers to the commercialization of microgrids — identified throughout both party comments and material released by the Commission — continues to be P.U.C Section 218b (the over-the-fence rule). The Track 2 Proposed Decision (“PD”) includes a short section that mentions that only the legislature has the authority to change the Public Utilities Code, but stops there, well short of what it can and should do. The Clean Coalition believes that amending the PD to include a lengthier discussion of the limits that Section 218 imposes and the need for change would be an effective measure to make the unified position of the Commission and the diverse group of stakeholders involved in this proceeding extremely clear. We understand why SBUA is disappointed by the current approach that the Commission takes in the PD with regards to Section 218 and align with Tesla’s suggestion that the PD should be used as a tool to send an unambiguous signal to the legislature of the need to provide the CPUC some discretion to pursue exemptions from its strictures, specifically to support enhanced resiliency.”¹ The Commission should also take time to debate the interpretation that Sunrun suggests in opening comments, which offers a broader pathway until the legislature determines a more permanent solution.²

II. DESCRIPTION OF PARTY

¹ SBUA Opening Comments at 3, Tesla Opening Comments at 10

² Sunrun Opening Comments at 4

The Clean Coalition is a nonprofit organization whose mission is to accelerate the transition to renewable energy and a modern grid through technical, policy, and project development expertise. The Clean Coalition drives policy innovation to remove barriers to procurement and interconnection of distributed energy resources (“DER”) — such as local renewables, demand response, and energy storage — and we establish market mechanisms that realize the full potential of integrating these solutions for optimized economic, environmental, and resilience benefits. The Clean Coalition also collaborates with utilities, municipalities, property owners, and other stakeholders to create near-term deployment opportunities that prove the unparalleled benefits of local renewables and other DER.

III. COMMENTS

a. Defining commercializing and cost shifting

The opening comments of the Microgrid Resources Coalition (“MRC”) offer a new level of granularity, providing definitions for words that have been used throughout the proceeding, a step that is desperately needed to define what success of commercializing microgrids should look like. When considering the definition, “commercialization means moving microgrids from their current niche role on campuses and bases to the mass market by enabling customers and communities to invest in them to meet their own needs,” it becomes even more apparent to the Clean Coalition that a proceeding focused on better enabling microgrids to provide backup power in a few select situations — energy sharing between critical facilities owned by municipal corporations during outages, for example — does not represent a regulatory success that is sufficient to transition microgrids to a widely-used technology.³ Skipping the essential steps of valuing resilience, calculating the grid services a microgrid can provide, and characterizing the ways that microgrids are different from other resources in normal operation force microgrids to appear more expensive and less valuable than they actually are. In essence, these limits inflate the appearance of cost shifting, creating a debate centered around the effect that microgrids will have on the ratepayers, which is highly inaccurate at best, since neither the cost shifts nor the value a microgrid provides are ever truly defined. GPI concurs, suggesting, “The PD adopts an overly narrow interpretation of cost shifting, failing to recognize the many benefits that accrue to all ratepayers from a more resilient grid and critical facilities that are able to operate at all times.”

³ MRC Opening Comments at ii.

Take the example of the GHG reduction benefits a clean energy microgrid provides to a local community for the purpose of substation-level backup power. In discussions related to the process and timeline for an IOU to design these microgrids, cost recovery for temporary fossil fuel generation was approved for 2020 and PG&E is requesting it for 2021-2022.⁵ Cost recovery would force the ratepayers to cover the cost of fossil fuel generation, while not considering, or holding PG&E accountable for the negative health risks associated with fossil fuel use. More importantly, the benefit of clean energy a microgrid solution will provide will not be credited, an unfair inequity which ultimately, is to the detriment of the ratepayer.

b. Rule 18/19

While parties proposed different solutions, most parties aligned with the Clean Coalition and did not approve of the Commission’s preference for a subscription limit of 10 projects and keeping the exemption to critical facilities owned by municipal corporations. MRC states that there are no unintended consequences associated with energy sharing between adjacent facilities and Vote Solar and the Climate Center (“the Joint Parties”) request an expiration on the cap unless, “a compelling reason is provided as to why some continued limitation would be in the public interested.”⁶ SBUA similarly states confusion as to sure why it needs to take all 10 projects before the limit is expanded via an advice letter is expanded.⁷ The Commission should take the position in the PD of explaining some potential consequences that might occur with the small exemption that is being allowed. As CALSSA explains, ““the exemptions to Rule 18/19 contemplated in the Staff Proposal merely allow energy storage systems that cannot demonstrate that they are charged exclusively from other on-site generation sources to participate in the same over-the-fence arrangements they would be allowed to if they did not include storage,” which is only a small change from the status quo and is unlikely to lead to any consequences.⁸ Thus, it is clear that the subscription cap ideally should be removed, though if the Commission is unwilling to take that step then it should be increased significantly with an expiration date on the cap and an expedited process to ensure the process can occur smoothly if there are no problems. The Clean Coalition directs the Commission to GPI’s comment that the limit should be increased to

⁵ PG&E Opening Comments at 4

⁶ MRC at 9, the Joint Parties at 3, the Joint CCAs at 3

⁷ SBUA Opening Comments at 2

⁸ CALSSA Opening Comments at 5

50 microgrids for each utility over two years.⁹

Multiple parties also request that the addition be expanded. The Clean Coalition believes that it should include all critical facilities, though we would also support the suggestion of the Joint CCAs that the exemption apply to all critical facilities owned by any public agency, which would provide a good interim step (as a testing period) before allowing all critical facilities to form microgrids.¹⁰ Along with the discussion of changing the amendment to Rule 18/19, the Commission should also consider party comments to expand the list of critical facilities.

c. Microgrid Rate Schedule

The Clean Coalition first wishes to agree with parties that astutely noted that the Proposal 4 is incorrectly characterized as a tariff and believes that all references in the PD should be corrected to use the phrase “rate schedule”, which will make it clear when a full tariff is developed during Track 3.¹¹ Second, as mentioned above, the debate around microgrid grid services and cost shifting was never fully carried out, meaning the rate schedule was prematurely determined. The Clean Coalition agrees with MRC that departing load charges should at least be reduced to benefit the states decarbonization goals and believe it would be beneficial if standby charges were assessed solely to the microgrid operator.¹² Most importantly, we support the assertion made by the Joint CCAs that it is essential to identify, “the resiliency value that various types and configurations of microgrids provide to non-microgrid customers, and compensating microgrid operators for this value,” since this is the best way to make the economics of a microgrid match the services they provide.¹³

IV. CONCLUSION

The Clean Coalition appreciates the opportunity to submit these reply comments and urges the Commission to amend the PD to include a conversation about the Section 218 and proactive measures that effectively commercialize microgrids.

/s/ BEN SCHWARTZ

⁹ GPI Opening Comments at 7

¹⁰ The Joint CCAs Opening Comments at 2

¹¹ Ibid at 4

¹² MRC Opening Comments at 13

¹³ The Joint CCAs at 7

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