

**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 OPENING COMMENTS ON ASSIGNED COMMISSIONER'S
AMENDED SCOPING MEMO AND RULING FOR TRACK 3**

/s/ BEN SCHWARTZ
Ben Schwartz
Policy Manager
Clean Coalition
1800 Garden Street
Santa Barbara, CA 93101
Phone: 626-232-7573
ben@clean-coalition.org

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(Filed September 12, 2019)

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TRACK 3**

I. INTRODUCTION

Pursuant to Rule 6.1 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”) the Clean Coalition submits these opening comments in response to the Assigned Commissioner’s Amended Scoping Memo and Ruling for Track 3, issued on February 9, 2021. We appreciate the extra time allotted before the deadline of opening comments on such an important topic as well as the coordination between Track 3 and the Resiliency and Microgrids Working Group, which effectively set the stage for the comment process. When it comes to the economics of a microgrid, standby charges are a central concern: high projected demand charges can doom a project before it is ever constructed.

This purpose of this debate is twofold. First, the commercialization of microgrids is naturally at odds with high standby and departing load charges. To successfully implement SB 1339, a series of exemptions and innovative options need to be put in place, even if some may be temporary. Second, discussing standby charges brings the proceeding full circle to the intrinsic value a microgrid can provide to individual customers as well as the greater distribution grid. Throughout the proceeding — including Track 2 with the creation of a Microgrid Rate Schedule — none of the grid services that a microgrid can provide have been codified in any meaningful way. The Value of Resilience, a central benefit of any microgrid, was only ever discussed in the Concept Paper, for which comments were not included as part of the official record for the proceeding. The Clean Coalition appreciates that the Resiliency and Microgrids Working Group has put the Value of Resilience on the schedule for 2021. However, by the time the Working Group addresses resilience — May-August — the debate surrounding standby charges will have long since been complete. While resilience is only one of many value propositions that microgrids offer, albeit an essential one, the lack of specificity about it and all other services will surely limit the present debate.

II. DESCRIPTION OF PARTY

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. Community Microgrids should be able to contract for standby services.

Community Microgrids that serve 3 MW and under should be able to contract for standby services on the open market. Because they are under 3 MW and do not require a type of connection to the transmission grid, if they contract for resources on the distribution grid, they should not be charged transmission charges.

b. Microgrids should not be charged Transmission Access Charges (“TAC”)

Moreover, all microgrids that rely on DER and other local renewables should not be charged TAC, which are inaccurately assessed at the customer meter rather than the transmission-distribution substation. The result is a market distortion, artificially shifting the cost of 3 cents per kWh to local renewables.

c. The discussion about standby charges should consider the relative reliability of microgrids compared to the electrical system.

When it comes to standby charges, a paradigm shift is necessary to add contextualize the conversation in terms of reliability. During the Resiliency and Microgrids Working Group meeting on February 19, 2021, it was noted that it has been almost two decades since standby charges were last debated at the Commission, which predicates the need for the discussion in this forum, seeing as microgrids represent the modernization of the electric grid to a system with a greater focus on local resilience and reliability. It is ill-advised to approach the commercialization of decentralized technologies like DER and microgrids with a 20th century mindset that cements the IOUs as the provider-of-last-resort, a relic of a period when there was

no reliable alternative. Currently, the prevalence of Public Safety Power Shutoffs (PSPS) — which will continue to occur throughout the next decade at the very least — and rolling blackouts during extreme weather events prove that the electrical grid cannot guarantee reliability, especially as the temperatures rises and the duration of the annual fire season extends. On the contrary, a properly configured microgrid is overwhelmingly reliable and guarantees a seamless transition to backup power in the event of a grid outage. Microgrid customers, in particular, but not limited to, those with behind-the-meter (“BTM) microgrids, should have the option to release the incumbent utility from its role as provider-of-last-resort in exchange for a complete exemption for standby charges.

d. Questions

- i.** Do you agree with the overview of standby charges provided in section A above? If not, please explain.

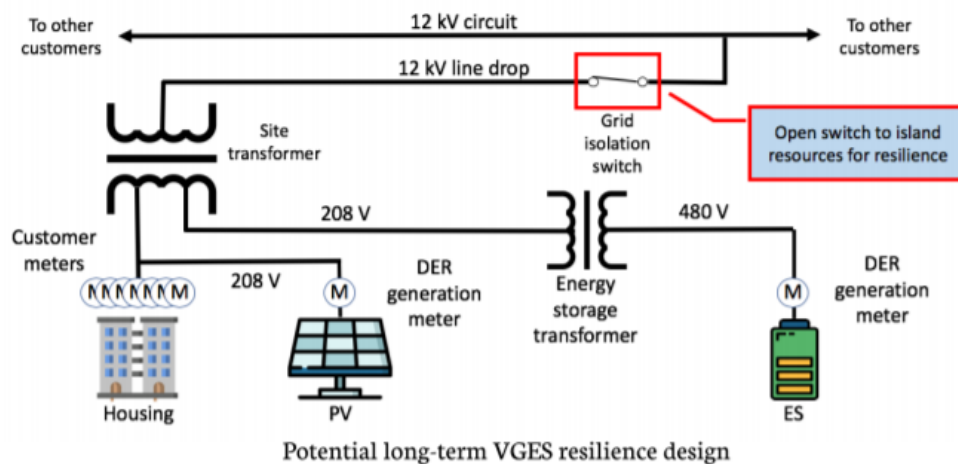
Yes, the overview provided in Section A is accurate. It is worth noting that a before deployment of a microgrid, all meter drop and distribution upgrade costs must be covered by the project financier. Moreover, grid outages are linked to increasing standby rates, not individual microgrid customers.

- ii.** Should the CPUC require the IOUs to waive or reduce standby charges for a customer operating a microgrid if specific conditions are met?

Yes, there are a multitude of situations for which standby charges should be reduced, including deployments of both single customer microgrids and Community Microgrids that provide a public good. Any microgrid that provides backup power to one (or multiple) critical community facilities directly benefits non-microgrid customers by creating an extra layer of resilience for the entire community. That is true for an emergency shelter site, a fire station, as well as for facilities not officially recognized by the Commission such as food banks. The Clean Coalition believes — as we mentioned in Track 1, Track 2, and our support letter in response to PG&E’s Community Microgrid Enablement Program — that the Commission should consider an expanded list of critical facilities; essential facilities that do not prioritize a profit margin should be eligible to see standby charges waived, particularly in low-income communities. Since the greatest barrier to the deployment of microgrids in disadvantaged communities (“DAC”) is the high initial cost of capital, reduced standby charges would lower the amount of time it takes to

make the economics of a project work out, incentivizing investment. Therefore, reductions in standby charges would enable the rapid deployment of critical facility microgrids across the state.

Microgrids that increase the hosting capacity of a feeder on the distribution grid or contract with a utility to isolate during hours of peak demand should receive standby charge reductions. The Clean Coalition is partnering with PG&E and the CEC on the Valencia Gardens Energy Storage (“VGES”) project, a front-of-meter (“FOM”) merchant energy storage project in the mission district of San Francisco.



The project, which will be fully operable as a microgrid with the installation of a grid isolation switch, is designed to increase the hosting capacity of the feeder by 25%, allowing for far more solar to be sited. Projects like VGES, or microgrids that contract with a utility to isolate and self-serve during specific portions of the day should receive permanent exemptions from standby charges as reasonable compensation for the value they provide. Similarly, microgrids should receive exemptions as compensation for other grid services provided, including voltage regulation, power balancing, peak shaving, black start capabilities, and demand response to name a few.

Microgrids providing any type of grid services should be exempt from, Facilities Related Demand (FRD) Charges and Time-Related Demand (TRD) Charges, which can increase a customer bill by as much as 50%. It is unreasonable that customers see significant bill increases when they are providing a public good. In line with the exemption, microgrid customers that provide public benefits should not have a minimum level of standby charges each month.

IV. CONCLUSION

The Clean Coalition appreciates the opportunity to submit these opening comments on standby charges. We reserve the right to reply to subjects not mentioned in these comments.

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