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

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Order Instituting Rulemaking Regarding Microgrids Pursuant to Senate Bill 1339 and Resiliency Strategies.	Rulemaking 19-09-009 (Filed September 12, 2019)

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I. INTRODUCTION

Pursuant to Rule 6.2 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 Assigned Commissioner's Amended Scoping Memo and Ruling for Track 3, issued on February 9, 2021. Parties disagreed on the need to reduce or exempt microgrids from standby charges, with the IOUs as the main voice of dissent, unified in their argument that microgrid compensation in a distinct form not related to standby charges. In general, comments were high level rather than granular, arguing for exemptions or reductions in return for services, rather than specifying dollar amounts or distinguishing between customer-facing and multi-customer microgrids. However, it was clear across the board in opening comments that the lack of quantified values, particularly the value of resilience, hampers the debate. Therefore, Clean Coalition reply comments will focus on why:

- **Quantifying the value of resilience is essential to have an accurate discussion of reducing standby charges.**
- **Discussing reform for standby charges is a necessary step to guarantee the topic is considered in the GRC proceeding.**
- **Standby charges should be reduced or eliminated for small microgrids.**
- **Critical facility microgrids should have reduced standby charges.**

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

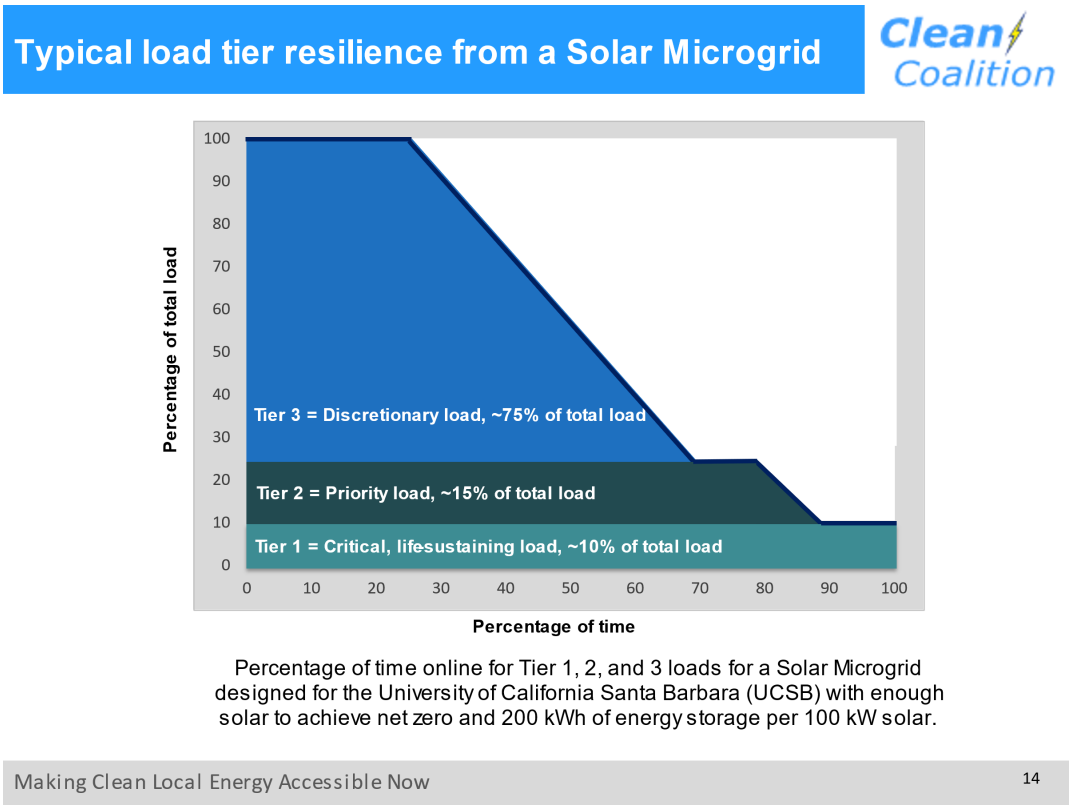
A. Quantifying the value of resilience is essential to have an accurate discussion of reducing standby charges.

During each of the first two tracks of the proceeding, the conversation has centered around the value that a microgrid adds, while skirting around the topic of resilience — the most important benefit a microgrid offers. In opening comments, we noted with appreciation that the value of resilience ("VOR") is finally on the schedule, though the chance to explore the topic in depth is still several months away, by which time the window for discussion on standby charges and a Community Microgrid compensation tariff will have ended. This sequence is perplexing and leaves questions about whether the VOR will be fairly compensated once it is properly quantified. It is clear from opening comments that the lack of clarity about the VOR is hampering the present debate, forcing parties to comment on high level theoretical topics rather than granular details and dollar amounts as the Commission initially intended.[1] In fact, the need to quantify resilience is the most widely agreed upon issue throughout opening comments. Parties including PG&E, SCE, CESA, Cal Advocates, the Joint Parties, and Doosan Fuel Cell America, Inc. all observe that discussing standby charges without the VOR is premature.

As an alternative, CESA brings up the concept of "layering" resilience in after it is quantified in opening comments, which, while technically feasible, leaves the impression that resilience is an afterthought rather than essential to the commercialization of microgrids. Moreover, it creates a problematic but realistic situation where uncertainty leads to the creation of a Community Microgrid tariff that offers an insignificant amount of compensation — in anticipation of added

[1] As evident from phrases such as, "Please quantify wherever possible," on page 2 of the attachment to the amended scoping memo.

value from resilience — that is not sufficient to overcome the barriers inhibiting the commercialization of microgrids when paired with annually increasing standby charges. Therefore, while we recognize the practicality of CESA's suggestion, the Clean Coalition strongly supports the suggestion made by the Joint Parties to move the discussion on resilience from Track 4 to the scope of Track 3, because the VOR is central to all other conversations about microgrids.[2] Alternatively, the Commission should adopt a market-tested VOR methodology as a placeholder to ensure that quantifying resilience leads to the most detailed conversation, while maintaining the schedule in the amended Scoping Memo. The Clean Coalition methodology, VOR123, was included a Staff Concept Paper published with the explicit purpose of influencing Track 3. VOR123 breaks down the load of a facility into three categories, critical loads (10% of the total load), priority loads (around 15% of the total load) and discretionary loads (the remaining 75% of the load).



Percentage of time online for Tier 1, 2, and 3 loads for a Solar Microgrid designed for the University of California Santa Barbara (UCSB) with enough solar to achieve net zero and 200 kWh of energy storage per 100 kW solar.

[2] Opening Comments of the Joint Parties, at 9-10

The results conclude that the premium for resilience is around 25% on top of the normal price of energy, a number that was determined after conducting numerous analytical approaches. That includes comparing the VOR123 approach with the Department of Energy resilience multiplier, an avoided diesel approach, and market-based case studies.[3]

B. Discussing reform for standby charges is a necessary step to guarantee the topic is considered in the GRC proceeding.

The emergence of microgrids — a technology that provides resilience and decentralizes the grid — calls into question the way that standby charges are currently calculated and assessed. Correcting the problems will require going deeper than establishing reductions and exemptions solely for microgrids. Since the IOUs were named the provider of last resort in 2001, the market and the grid have evolved dramatically and the conditions that existed then are gone. Calls for reforming standby charges in their entirety are more pertinent than ever. Microgrid Resources Coalition ("MRC") advocates that, "the Commission re-evaluate standby charges for all behind-the-meter ("BTM") distributed energy resources," to reflect the way the grid has modernized and the value that local renewables offer the broader grid.[4] We concur, as does CESA. In opening comments, they note that while reform is necessary, it involves a complicated process at the Commission.[5] The utilities take this one step further, arguing that any change to standby charges must occur in the GRC, rather than in this proceeding. A final decision should come in the GRC proceeding, but it is reasonable and appropriate that the Commission consider exemptions and reductions for microgrids in this proceeding. There is precedent from R. 14-07-002, where exemptions from standby charges were granted for NEM projects. Moreover, the Commission should take the opportunity to order that the IOUs conduct a process to review and reform standby charges considering the changing electric grid.

C. Standby charges should be reduced or eliminated for small microgrids.

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[3] The way the Clean Coalition's Value of Resilience was derived and tested is fully explained in a webinar presented by Clean Coalition founder and executive director, Craig Lewis, called "Solar-Driven Resilience for Santa Barbara" https://clean-coalition.org/news/solar-driven-resilience-for-santa-barbara/

[4] Opening Comments of the Microgrid Resources Coalition, at 4

[5] Opening Comments of CESA, at 2

SDG&E mentions in opening comments that as part of D. 01-07-027, PV resources under 1 MW are currently exempt from standby charges. The same benefits should apply to solar microgrids. Adding energy storage and technology to isolate the system is already expensive enough without being slammed with massive price increases from non-bypassable charges. Rather than promoting the commercialization of microgrids, the status quo actually disincentivizes the deployment of microgrids by punishing owners for adding a layer of resilience. Specifically, standby charges create a barrier to low-income customers, for whom capital increases are much more of a limiting factor than wealthier ratepayers.[6] Therefore, exempting microgrids with a nameplate capacity under 1 MW from standby charges does not constitute a cost-shift, it simply levels the playing field, exactly what is needed to achieve the goals in SB 1339. As CESA notes, small microgrids have a minimal impact on the grid and do not drastically increase the amount of standby capacity a utility needs to reserve, particularly if the primary purpose of the microgrid is to serve the onsite load. The Clean Coalition agrees with proposals made by CESA and MRC arguing for exemptions for microgrids under 3 MW and 5 MW, though it would include a greater number of waivers than for projects under 1 MW.

D. Critical facility microgrids should have reduced standby charges.

We were disturbed by the SDG&E's nonchalant response to the concept of exempting critical facility microgrids from standby charges. They suggested, "It is quite possible that those non-participating customers simply do not value the resiliency for a few hours to a few days of the year enough to justify the cost-shift," adding that, "parties with a product to sell do not want to acknowledge this."[7] SDG&E completely misses the mark here, failing to consider that the point of an exemption is to provide a community with options for grid resilience and let it determine value during the process of planning for emergencies. An outright rejection of exempting standby charges for critical facility microgrids removes a community planning option, ultimately reducing a community's agency rather than improving it. Moreover, it is ironic that SDG&E suggests that a community might not value resilience without any kind of evidence to support the assertion since it was the first IOU to rely on Public Safety Power Shutoffs ("PSPS"), starting over a decade ago, and has deployed a frequently used microgrid at Borrego Springs. If anyone

[6] Opening Comments of the Joint Parties, at 10
[7] Opening Comments of SDG&E, at 20

should know about the value a critical facility microgrid can provide, it is the ratepayers in SDG&E's service territory. Therefore, we agree with California Clean DG Coalition and CESA that critical facility microgrids should receive a waiver for standby charges.

IV. CONCLUSION

The comments of the Joint Parties include series of topics that still need to be resolved to fully enable the deployment of microgrids throughout the state, including streamlined interconnection (for different resource types and to easily access different markets), properly assessing Transmission Access Charges for microgrids, and reforming standby charges to account for planned outages such as PSPS. We support addressing all of these issues, particularly exempting microgrids from Transmission Access Charges and streamlining interconnection, which will fundamentally change microgrid project economics. The Clean Coalition appreciates the opportunity to submit these reply comments on the amended scoping memo and standby charges.

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