

**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 IN RESPONSE TO PROPOSED
MICROGRID INCENTIVE PROGRAM IMPLEMENTATION PLAN**

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I. INTRODUCTION

Pursuant to Rule 6.2 of the California Public Utilities Commission (“the Commission”) Rules of Practice and Procedure, the Clean Coalition respectfully submits these opening comments in response to the *Proposed Microgrid Incentive Program Implementation Plan* (“MIP”). The filing of this MIP Implementation Plan represents the culmination of months of work, including ironing out the mechanics of microgrid agreements (the MIS and MOA) for PG&E’s Community Microgrid Enablement Program (“CMEP”) and a series of stakeholder workshops to determine the eligibility and scoring criteria for the MIP. The Clean Coalition supports the MIP as a starting point for the deployment of Community Microgrids throughout the state, particularly with the joint community, stakeholder, and utility buy-in that has led to the creation a robust program capable of effectively managing the distribution of \$200 million.

It is encouraging that the Implementation Plan incorporates stakeholder feedback from the workshops, with a focus on equity and ensuring that there are resources available for communities that require additional support to prepare an application. With that being said, there are a few more amendments necessary to best prepare local governments and potential applicants up for successful outcomes. Currently, the MIP provides the only pathway to the development of Community Microgrids in California, albeit without offering any certainty that a submitted application will actually result in the deployment of a Community Microgrid. For potential applicants using either their own resources or MIP funds to plan and submit an application, the end result must be more deterministic than a gamble that the application score will be high enough to receive approval.

- Applicants should have prior understanding of the relative score needed for an application to be approved.
- The application process should not be predicated on an applicant’s need for public funds. This unnecessarily restricts third parties with access to enough capital to self-

fund a Community Microgrid but lack a regulatory pathway to deploy one.

- The utilities need to provide standard interconnection timelines to ensure that all resources will be receive PTO in time to meet the COD.
- All Community Microgrid need to receive full compensation for services provided, including deliverability and an exemption from Transmission Access Charges.
- There should be a dispute resolution process to ensure fairness for all parties involved.

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. Applicants should have prior understanding of the relative score needed for an application to be approved.

The MIP Implementation Plan explains that applications will be approved in different intake windows, of unspecified lengths and with unspecified amounts of funding available, to be determined in the future individually by each utility. For potential applicants, this makes the timeframe to put together an application and the ideal strategy for approval impossible to pin down in advance. Even when the first two Application Intake Windows are announced, there is no guarantee that future Intake Windows will be identical, or even similar, in terms of available funds or the amount of time to apply. Moreover, while the MIP includes the scoring criteria and a formula that will be used to rank applications, there is not sufficient information to determine whether an application will be approved or denied, even it meets all the necessary criteria. **This is paramount to the success of the MIP; high up-front application costs and timeline uncertainty are both project killers.** In its current form, the formula to evaluate an application uses the amount of requested funding as the denominator, which is a good way for the state to stretch the available

funding across the greatest number of projects. Projects requesting less money will receive higher scores. However, the lack of clear information about what a “winning score” might look like incentivizes an applicant to be overly conservative when requesting funding for the sake of approval, rather than being accurate to the needs of the project. Therefore, each utility should publish best-guess estimates of what the threshold for a winning score might be, the likely timeline of an Application Intake Window as well as the amount of funding that could be available. As the IOUs get a better understanding of interest in the program and requested funding, these estimates will surely become more accurate over time, to the benefit of potential applicants.

B. Third parties not requesting state funding should receive expedited application approval.

The purpose of the scoring process is to rank projects in a way that makes it possible to fairly distribute funds, while ensuring that the public realizes the value of proposed benefits from a Community Microgrid. While this is important for the distribution of public funds, it does create a bottleneck that slows down the only existing pathway to the deployment of Community Microgrids. The Clean Coalition agrees that funding should be prioritized for projects in Low Median Income (“LMI”) Communities that serve Critical Community Facilities (“CCFs”), but posits that other organizations interested in deploying Community Microgrids without the use of state funding should not be ineligible or held to the same measured timeline.

These types of applications — that do not require funding and/or are willing to compensate the utility for any required technical support — should receive automatic approval. Moreover, since the proposed project timeline is based on multiple dates when funding is being awarded, third-party Community Microgrids (not requesting funded), should not be held to the same COD, as to not limit more complicated projects from moving forward.

C. Changes to the MIP interconnection requirements are necessary to make the MIP fully functional.

I. The interconnection cost cap must be removed.

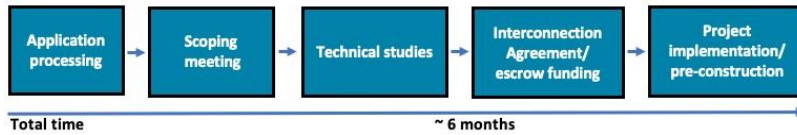
Currently, the cost cap for all interconnection costs covered by the MIP is set at \$1 million, which is a low number even for small projects. Community Microgrids requiring multiple interconnection applications for different tariffs can be extremely expensive and increase in complexity the larger the resource is (and the more upgrades are required). As an example, consider

the slide below, which shows the timeline and costs for the interconnection of the Valencia Gardens Energy Storage (“VGES”) project, a front-of-meter project the Clean Coalition is working to deploy in PG&E’s service territory as part of a CEC grant.

Expected Fast Track FOM Interconnection process vs actual experience



Expected Fast Track Interconnection experience



**Expected Fast Track Interconnection process for VGES :
~ 6 months and final cost between \$75k – \$100k**

Actual VGES Fast Track Interconnection experience

	Application processing	Scoping meeting	Technical studies/ Supplemental Review	Second Supplemental Review	Interconnection Agreement/ escrow funding	Project implementation/ pre-construction
Months:	1 month	1 month	3 months	1 month	6 months	12 months
Costs:		Estimated	\$86,263	\$87,500	\$142,124	\$145,000
Cumulative:		\$75k - \$90k	\$86,263	\$173,763	\$315,887	\$460,887
Item:		PG&E total project estimate	Site upgrades: transformer	Recloser	Higher cost of ownership	Vault
Total time	25 months					

**Actual VGES Fast Track Interconnection process
25 months and final cost at approximately \$461k**

Although the interconnection costs were initially expected to be under \$100,000, the actual costs ended up being four times that, in part due to a high cost of ownership and onerous deeding process. The Clean Coalition’s experience with VGES offers a few valuable lessons for the implementation of the MIP.

First, Community Microgrids that are larger than 1 MW will have significant interconnection costs, especially microgrids that require the interconnection of a mix of WDAT and Rule 21-governed resources. It is unreasonable to cap the amount covered by MIP funding at \$1 million. Second, the MIP funding should cover all interconnection costs, as listed by the IOU unit cost guides.¹ The MIP currently would not allow applicants to use funding to cover Network Reliability Upgrades, which is an unnecessary exclusion given the public benefits a Community

¹ The unit cost guides provide accurate average costs to the utility accrued for all types of infrastructure upgrades.

Microgrid provides. Third, while the MIP suggests that the utility will complete the construction of interconnection-related infrastructure upgrades, it must specifically note that the utility will also handle the transfer of funds, to avoid the inconvenient deeding and cost of ownership processes. In the case of VGES and other similar projects, deeding adds a significant amount of time to any interconnection application requiring upgrades and always results in money being frozen in an escrow account for an extended period.

II. Interconnection timelines must be guaranteed by the IOUs for all MIP-resources.

Variable interconnection times make it difficult to pinpoint a realistic COD for a Community Microgrid, adding uncertainty to a new, complicated program like the MIP. This was a point of contention during the stakeholder workshops and the IOUs, who were conscientious of the feedback, agreed to extend the timeline for a project in the MIP Implementation Plan. However, despite the change, interconnection delays can still put a Community Microgrid project in jeopardy of missing deadlines, forcing applicants to think about what is easiest rather than what is best. As seen in the slide above, for VGES, which was in the Fast-Track queue, a process that was supposed to take six months ended up taking more than four times that. Similar time delays on one or more resource-interconnection applications in a Community Microgrid could be devastating to a project. Thus, the best method to make the MIP as effective as possible is to require the utilities to guarantee interconnection timelines, allowing all projects to meet deadlines.²

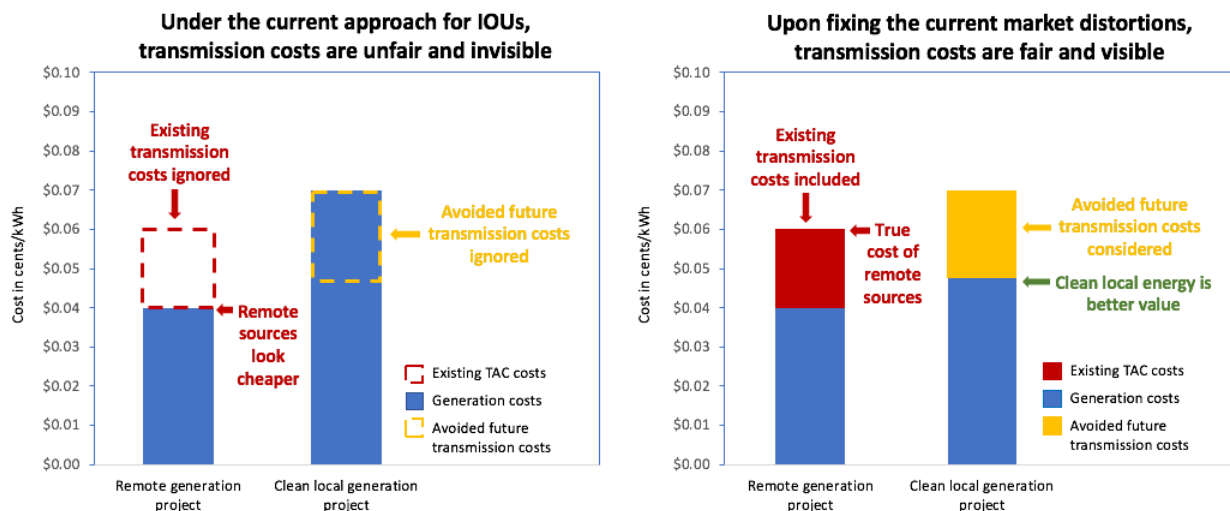
D. Community Microgrids must receive be fully compensated for the services they provide.

The best way to minimize the amount of funding each applicant requests while maximizing the potential benefits that each Community Microgrid can provide to the ratepayers is to guarantee that all Community Microgrids are fully compensated for the services they provide. For example, because of their islanding capabilities, a Community Microgrid can fulfill Resource Adequacy requirements for a section of the distribution grid. However, the process of achieving deliverability is time-consuming and often delays projects from coming online. As part of the guaranteed interconnection timelines, each utility should automatically award deliverability for all resources within a Community Microgrid.

On a similar note, whenever a Community Microgrid is in an islanded mode or is exporting energy to the grid, Transmission Access Charges (“TAC”) should not be assessed. As

² An alternative would be to start the 24-month timeline to COD following the approval of all interconnection applications.

demonstrated by the graph below, TAC artificially depress the value of distributed energy resources (“DER”), distorting the market by making remote generation seem more cost-effective than local generation. Properly assessing TAC based on actual usage of the transmission grid and not stealing an average of 3¢/kWh from all energy used, will normalize the economics of Community Microgrids, requiring less state funding for each project and increasing the value of the MIP to all ratepayers.



Existing transmission costs, assessed as TAC and currently averaging 2¢/kWh, should be added to the cost of remote generation that requires use of the transmission grid to get energy from where it is generated to where it is used, which is almost always on the distribution grid where people live and work. Future transmission investments, currently averaging 2.5¢/kWh in the evenings, can be avoided via dispatchable local generation, and that value should reduce the evaluated cost of local generation. When correctly considering ratepayer impacts of transmission costs, dispatchable local generation provides an average of 4.5¢/kWh of better value to ratepayers than is currently assumed in the majority of instances.

E. The MIP should include a dispute resolution process to maximize the value of ratepayer funds being used.

Due to the complicated nature of Community Microgrids, it is reasonable to consider a situation where there is a difference in opinion between a project developer and the utility-administrator. This was part of the reason that the Clean Coalition requested that the utilities include an amendment process in the MIP, similar to the structure of PG&E’s CMEP.³ We believe that a party involved in funding a Community Microgrid via the MIP should have the ability to appeal to the Commission in the instance of an irresolvable dispute, either through advice letter or an expedited arbitration process. Ideally such a process would not need to be used, but it is better to have a well-thought-out procedure in advance rather than no good option to resolve a problem when one

³ Workshop #5 Notes, at 36

inevitably comes up.

IV. CONCLUSION

The Clean Coalition appreciates the opportunity to submit these opening comments and urges the Commission to approve a slightly amended version of the MIP that includes greater project timeline and cost certainty for the applicants, which will maximize the value of the MIP.

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