

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on the Commission's own motion to improve distribution level interconnection rules and regulations for certain classes of electric generators and electric storage resources.

Rulemaking _____

ORDER INSTITUTING RULEMAKING

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ORDER INSTITUTING RULEMAKING

1. Summary

The Commission issues this Order Instituting Rulemaking to review the rules and regulations governing interconnecting generation and storage resources to the electric distribution systems of Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E). The current rules and regulations are set forth in Rule 21 of the Electric Tariffs of PG&E, SCE and SDG&E. In this rulemaking, we seek to review, and, if necessary, revise, Rule 21 to ensure that the interconnection process is timely, non-discriminatory, cost-effective, and transparent. We also seek to revise Rule 21 to incorporate processes appropriate for new technologies, such as energy storage. In addition, we intend to revise Rule 21 to ensure compliance with certain statutory obligations, such as those contained in Pub. Util. Code § 399.20(e).¹ Lastly, this rulemaking may be used by the Commission as the procedural forum for the recently initiated settlement efforts to address matters related to Rule 21.

2. Generation Programs and Interconnection

The California Renewables Portfolio Standard (RPS) Program set forth in §§ 399.11 - 399.22 requires Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E) and other electricity retailers to procure 33% of their electricity from renewable resources by December 31, 2020. This 33% RPS requirement translates into the need for California investor-owned utilities (IOUs) to procure

¹ All statutory references are to the Public Utilities Code unless otherwise indicated.

approximately 19.6 gigawatts (GW)² of new renewable resources in the next decade. In support of the 33% RPS requirement, the Legislature and the Commission designed electric procurement programs that seek to lower the transaction costs of renewable generation up to 20 megawatts (MW) in size with near-term on-line dates. These programs include the IOU Solar Photovoltaic programs, the Renewable Auction Mechanism, and the Renewable Feed-in Tariff.

In addition to these renewable programs, the Legislature and the Commission have also encouraged development of Qualifying Facilities (QFs)³ and Combined Heat and Power (CHP). Specifically, the Commission has established a feed-in tariff for efficient, greenhouse gas reducing CHP facilities up to 20 MW pursuant to Assembly Bill 1613 (Stats. 2007, ch. 713) (AB 1613)⁴ and standard contracts and a procurement mechanism for QFs of all sizes through Decision (D.) 10-12-035.

The procurement programs are largely succeeding in encouraging the development and procurement of small generation projects up to 20 MW.

² This represents the general 33% RPS trajectory. The total GW of new resources varies when technology, cost, environmental, and other constraints are applied. See Commission's Renewable Portfolio Standard Program Report to the California Legislature, First Quarter 2011 at 12:

<http://www.cpuc.ca.gov/NR/rdonlyres/62B4B596-1CE1-47C9-AB53-2DEF1BF52770/0/Q12011RPSReporttotheLegislatureFINAL.pdf>.

³ A QF is a qualifying small power production facilities and qualifying cogeneration facilities. A small power production facility is a generating facility of 80 MW or less whose primary energy source is renewable (hydro, wind or solar), biomass, waste, or geothermal resources. A cogeneration facility is a generating facility that sequentially produces electricity and another form of useful thermal energy (such as heat or steam) in a way that is more efficient than the separate production of both forms of energy.

However, the success of these procurement programs may be enhanced by timely and cost-effective interconnection to the distribution system. By this rulemaking, we seek to address the key policy and technical issues essential to timely, non-discriminatory, cost-effective and transparent interconnection.

Many entities participating in the Commission's renewable and CHP procurement programs for small generators seek interconnection to the IOUs' distribution systems. Presently, when interconnecting to the distribution system, a generator must comply with one of two interconnection tariffs: the Commission-jurisdictional Electric Tariff Rule 21, which we have previously discussed, or the Federal Energy Regulatory Commission (FERC)-jurisdictional Wholesale Distribution Access Tariffs (WDATs). The FERC-jurisdictional WDATs are filed by each IOU at FERC.

In general, when a generator seeks primarily to offset on-site load, interconnection under the California-jurisdictional Rule 21 occurs efficiently, cost-effectively, and under a proven regulatory structure. To date, more than 95,300 of these generators have been installed in California, representing approximately 880 MW of capacity.⁵ These are primarily net energy metering generators interconnecting under Rule 21. These generators are queued serially on a first-come, first-served basis and are interconnected serially, usually within 30 business days of submitting a complete interconnection request.

⁴ See, e.g., §§ 2840-2845 and Decision (D.) 09-12-042, D.10-12-055, and D.11-04-033.

⁵ California had 95,371 installed and interconnected systems under the California Solar Initiative Program and the Self-Generation Incentive Program as of August 3, 2011. See <http://www.californiasolarstatistics.ca.gov/> (updated biweekly). This total includes installations by IOUs and publicly owned utilities. The publicly owned utilities offer interconnection tariffs similar to Rule 21 for these types of customer.

In contrast, generators seeking to export a portion or all of their generation to their host utility's distribution system do not have a clear interconnection study process under Rule 21. For example, since 2008, one utility has received approximately 176 interconnection requests under Rule 21 for generators seeking to export or sell power to the utility and only two of those generators have been interconnected. This situation may become more prevalent as the renewable and CHP procurement programs for small generators are fully implemented.

3. Preliminary Scoping Memo - Issues

As set forth in Rule 7.1(d), we include a preliminary scoping memo in this Order Instituting Rulemaking. As discussed in the Sections below, this preliminary scoping memo is composed of the proposed issues, preliminary determination of category, preliminary determination of need for hearing, and proposed schedule.

The general scope of this proceeding is to consider revisions to PG&E's SCE's, and SDG&E's Electric Tariff Rule 21. A preliminary list of issues is identified below.

Issue 1: Reform Distribution-Level Interconnection Process and Reporting Requirements

Review and revise existing distribution-level interconnection procedures, including, but not limited to the following:

- Define the appropriate interconnection study process for all types of generation resources seeking interconnection to the distribution system.
- Create distribution-level interconnection procedures for storage technologies.
- Evaluate and determine appropriate processes for establishing distribution-level interconnection queues (serial or cluster).

- Establish data and reporting requirements.

Issue 2: Technology Operating Standards, Standardized Engineering Study Methodology, and Deliverability Study Methodology

Determine appropriate engineering standards and the appropriate path to qualify for resource adequacy, including but not limited to, the following:

- Evaluate the need to revise technical operating standards due to advances in technology, communications, and the potential need for the system operator to control these systems.
- Define distinct engineering methodologies based on the characteristics of the resource, such as the resource's impact on the transmission system.
- Establish a path to resource adequacy qualification for resources that have certain characteristics.

Issue 3: Limits on Distributed Generation Penetration

Review and define limits on the amount of generation that can be safely interconnected to the distribution system without additional engineering study, including, but not limited to, the following:

- Review and modify, if necessary, the screening mechanism that limits an expedited interconnection to fifteen percent of a line section's peak load.

Issue 4: Cost Allocation for Infrastructure Upgrades

Review existing infrastructure upgrade cost-allocation rules including, but not limited to, the following:

- Evaluate mechanisms to improve cost certainty around infrastructure upgrades throughout the interconnection study process.

- Evaluate methodologies to allocate infrastructure upgrade costs between generators and ratepayers.

Issue 5: Procedural Forum for Rule 21 Settlement Efforts

This rulemaking may be used by the Commission as the procedural forum for the recently initiated settlement efforts to address matters related to Rule 21.

4. Proceeding Category and Need for Hearings

Rule 7.1(d) of the Commission's Rules of Practice and Procedure provides that a rulemaking order "shall preliminarily determine the category and need for hearing, and shall attach a preliminary scoping memo." This rulemaking is preliminarily determined to be ratesetting, as that term is defined in Rule 1.3(e). Rule 1.3(e) states "ratesetting proceedings are proceedings in which the Commission sets or investigates rates for a specifically named utility (or utilities), or establishes a mechanism that in turn sets the rates for a specifically named utility (or utilities)." This rulemaking will focus on, among other things, the allocation of costs associated with interconnecting distributed generation to the distribution systems of PG&E, SCE, and SDG&E.

Further, we preliminarily determine that evidentiary hearings are not needed in this proceeding. However, in addition to written comments, the record for this proceeding may be developed through workshops.

Any person who objects to the preliminary categorization of this rulemaking or the determination that hearings are not required shall state their objections in their initial comments and reply comments. The assigned Commissioner will issue a scoping memo making a final category determination. The final determination as to category is subject to appeal, as set forth in § 1701.5 and Rule 7.6(a).

5. Proposed Schedule

Comments and reply comments shall be filed and served on the schedule stated below. Comments shall state any objections to the preliminary scoping memo regarding the issues, category, need for hearing, or schedule. (Rule 6.2.) Comments shall also address any matter a party believes should be considered now for the purpose of scoping this rulemaking, and anything else necessary for the efficient, effective and equitable conduct of this proceeding.

In particular, each party should clearly state and describe the issues it recommends be considered by the Commission in this proceeding, the priority for taking up these issues, and the party's preferred schedule for addressing the issues over 18 months. Active parties should coordinate with other active parties to determine whether or not there is agreement on the issues, priorities, schedule and any other matters to be considered in this proceeding. If so, parties should file one joint comment statement reflecting consensus on issues, priorities, schedule and related matters, along with separate comments on other matters to the extent necessary.

Proposed Schedule

Notice of Intent to Claim Intervenor Compensation	Filed according to Section 12, herein.
Opening Comments on preliminary Scoping Memo	30 days from the issuance of the rulemaking
Reply Comments on Preliminary Scoping Memo	45 days from the issuance of the rulemaking

No further schedule is set here. Rather, the assigned Commissioner will issue a scoping memo after considering comments and reply comments on the rulemaking, including parties' views on issues, identified priorities, and recommendations on the schedule for addressing the substance of issues.

Consistent with § 1701.5, we anticipate this rulemaking will be resolved within 18 months from the issuance of the scoping memo. The assigned Commissioner or Administrative Law Judge (ALJ) may modify the schedules set forth in this rulemaking.

Many of the distribution-level interconnection issues subject to this rulemaking have been considered in various past and ongoing Commission proceedings, including R.08-08-009 and its successor proceeding, Rulemaking (R.) 11-05-005, R.10-05-004, R.08-06-024, Application (A.) 08-03-015, A.09-02-019, and A.08-07-017. Distribution-level interconnection issues are present in the context of various advice letter filings by utilities, such as SDG&E Advice Letter 2262-E, PG&E Advice Letter 3864-E, SCE Advice Letter 2593-E, and PG&E Advice Letter 3674-E.

Recognizing that these issues require timely action to ensure the success of the Commission's procurement programs, the Commission recently initiated a settlement effort to address matters related to Rule 21. These settlement efforts have been noticed in the Commission's Daily Calendar. In addition, notice of the commencement of this settlement effort was sent to the service lists of several ongoing Commission proceedings. A copy of this notice can be found at Attachment D. Also, the assigned ALJ issued a ruling on September 2, 2011 in R.11-05-005 providing notice to parties in that proceeding that the settlement efforts may address issues, including issues related to § 399.20(e), raised in that proceeding.

The Commission encourages the active participation of interested parties in these settlement efforts, which are intended to result in timely, non-discriminatory, cost-effective, and transparent interconnection rules for the distribution system - similar to the goals of this rulemaking. Potential parties are

put on notice that to the extent a settlement is reached which addresses some or all of the issues in this rulemaking, the settlement may be considered by the Commission in this proceeding.

6. Coordination with Other State Agencies, Entities, and Local Agencies

The Commission invites comments and encourages participation from other entities with interests related to the scope of this proceeding. These entities include the California Independent System Operator Corporation, the California Energy Commission, publicly-owned utilities, local governments, and any other interested governmental organizations.

7. Respondents

Respondents for this proceeding shall be PG&E, SCE, and SDG&E. These entities are designated as parties this proceeding pursuant of Rule 1.4(d) of the Commission's Rules of Practice and Procedure.

8. Parties and Creation of Official Service List

The Commission will create an official service list for this proceeding, which will be available at http://www.cpuc.ca.gov/published/service_lists. We anticipate that the official service list will be posted before the first filing deadline in this proceeding. Before serving documents at any time during this proceeding, parties shall ensure they are using the most up-to-date official service list by checking the Commission's website prior to each service date.

The respondents are parties to this rulemaking.

All persons or entities seeking to be added to the service list shall inform the Commission's Process Office of the below noted information no later than 20 days after the issuance date of this rulemaking via electronic mail

(Process_Office@cpuc.ca.gov) or by postal mail (Process Office, California Public Utilities Commission, 505 Van Ness Avenue, San Francisco, California 94102):

- Name and party represented, if any;
- Address;
- Telephone number;
- Email address;
- Request for one of the following: (1) Party status, (2) State Service, or (3) Information-Only status; and⁶
- Specify the docket number of this rulemaking in the subject line of the email or letter.

Upon receipt of your information, the Process Office will place your name on the official service list posted on the Commission's website as soon as practicable.

In addition, you may be added to the official service list after this 20-day period but you will only receive service of documents that are filed subsequent to your addition to the service list. You can become a party beyond this 20-day period by filing comments in response to this rulemaking pursuant to Rule 1.4(a)(2) or by making a motion to become a party pursuant to Rule 1.4(a)(3) or (a)(4). A person seeking party status pursuant to Rule 1.4(a)(3) or (a)(4) shall comply with Rule 1.4(b). You also may have your name added to the official service list, either as State Service or Information-Only, after the expiration of this 20-day period by making a request to the Process Office (Rule 1.9(e)).

⁶ The Party status designation is for those planning to actively participate in this rulemaking through, at a minimum, submission of written comments on the questions raised herein. State Service status is for employees of the State of California who will not be submitting comments. Information-Only status is for those who intend to follow the proceeding and receive electronic service of documents associated with it, but who will not be actively participating.

A person or entity may change the mailing address or e-mail address for service or the designation of a person for service by sending a written notice to the Process Office and serving a copy of the notice on each person on the official service list (Rule 1.9(e)).

9. Service of the Rulemaking

The Executive Director shall serve a copy of this rulemaking on the respondents, PG&E, SCE and SDG&E, identified at Attachment A. In addition, the Executive Director shall serve a copy of this rulemaking on the existing service lists for the following Commission proceedings:

- Rulemaking (R.) 11-05-005 (*Order Instituting Rulemaking to Continue Implementation and Administration of California Renewable Portfolio Standard Program*);
- R.10-05-004 (*Order Instituting Rulemaking Regarding Policies, Procedures and Rules for the California Solar Initiative, the Self-Generation Incentive Program and Other Distributed Generation Issues*);
- R. 08-06-024 (*Order Instituting Rulemaking on the Commission's Own Motion into Combined Heat and Power Pursuant to Assembly Bill 1613*);
- A.08-03-015 (*Application of Southern California Edison Company (U338E) for Authority to Implement and Recover in Rates the Cost of its Proposed Solar Photovoltaic Program*);
- A.09-02-019 (*Application of Pacific Gas and Electric Company (U39E) to Implement and Recover in Rates the Costs of its Photovoltaic Program*); and
- A.08-07-017 (*Application of San Diego Gas & Electric Company (U902M) for Approval of the SDG&E Solar Energy Project*).

These service lists are identified at Attachment B. The Executive Director shall also serve a copy of this rulemaking on the mailing list for the Rule 21 settlement efforts described in Sections 3 and 5. This mailing list is attached at Attachment C.

Service and receipt of this order does not confer party status on any entity or person, with the exception of the named respondents, and does not result in that entity or person being placed on the official service list for this proceeding. You must follow the procedures explained above to become a party and/or to have your name placed on the official service list.

10. Service of Documents

We anticipate that an official service list will be available before the first filing deadline in this proceeding.

After the official service list is issued, parties must use the most up-to-date official service list on the Commission's website when serving documents. In addition, service of all documents filed with the Commission's Docket Office must be done consistent with Rule 1.9 and Rule 1.10. These rules permit electronic mail (e-mail) service of documents, in searchable format. In this proceeding, parties shall provide concurrent e-mail service to all persons on the official service list for whom an e-mail address is available, including "Party," "State Service," and "Information-Only" designations.

We encourage electronic filing and e-mail service in this proceeding. Parties can find information about electronic filing of documents at <http://www.cpuc.ca.gov/PUC/efiling>. E-mail service should be made according to Rule 1.10. Parties providing e-mail service should also provide a paper copy to the assigned Commissioner and ALJ. The electronic copy should be in Microsoft Word or Excel formats to the extent possible. The paper copy should be double-sided. E-mail service of documents should occur no later than 5:00 p.m. on the date that service is scheduled to occur.

If you have questions about the Commission's filing and service procedures, contact the Commission's Docket Office.

11. Commission's Public Advisor's Office

Any person interested in participating in this rulemaking and who is unfamiliar with the Commission's procedures should contact the Commission's Public Advisor's Office in San Francisco at (866) 849-8390 or (415) 703-2074 or in Los Angeles at (866) 849-8391 or (213) 576-7055, or send an e-mail to public_advisor@cpuc.ca.gov. More information about the Public Advisor's Office is available at the Commission's website, <http://www.cpuc.ca.gov>.

12. Intervenor Compensation

A party that expects to request intervenor compensation for its participation in this rulemaking or the Rule 21 settlement efforts, discussed in Sections 3 and 5, shall file its notice of intent to claim intervenor compensation in accordance with Rule 17.1. Because no prehearing conference currently is set in this order, the notice of intent should be filed within 30 days of the date this rulemaking is mailed.⁷ The notice of intent may be amended within 15 days after the issuance of the Scoping Memo. (Rule 17.1(b).)

Any party that expects to claim intervenor compensation for its participation in these settlement efforts should file its notice of intent to claim intervenor compensation in this rulemaking according to the instruction set forth in Section 12, herein.

13. Ex Parte Communications

This proceeding is subject to Article 8 of the Rules of Practice and Procedure, which specifies standards for engaging in ex parte communications and the reporting of such communications.

⁷ If a prehearing conference is held, the Notice of Intent may be filed within 30 days of the date of the prehearing conference. (Rule 17.1(a)(1).)

IT IS ORDERED that:

1. The Commission hereby institutes this rulemaking to consider revisions to the respondent investor-owned utilities' respective Electric Tariff Rule 21.

2. Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company are named as respondents and are parties to this proceeding pursuant of Rule 1.4(d) of the Commission's Rules of Practice and Procedure.

3. The assigned Commissioner or Administrative Law Judge may modify the schedules identified herein.

4. The Executive Director shall cause this Order Instituting Rulemaking to be served on the following: all respondents identified at Attachment A, the service lists for Rulemaking (R.) 11-05-005, R.10-05-004, R.08-06-024, Application (A.) 08-03-015, A.09-02-019, A.08-07-017 identified at Attachment B, and the mailing list for the Rule 21 settlement efforts identified at Attachment C.

5. An official service list for this proceeding shall be created by the Commission's Process Office and posted on the Commission's website (www.cpuc.ca.gov) as soon as practicable. Parties may also obtain the official service list by contacting the Process Office at (415) 703-2021.

6. Interested persons shall follow the directions in Section 8 of this Order Instituting Rulemaking to become a party or be placed on the official service list.

7. The category of this rulemaking is preliminarily determined to be "ratesetting" as that term is defined in Rule 1.3(e) of the Commission's Rules of Practice and Procedure.

8. Person and entities may file comments and reply comments on this rulemaking, including, but not limited to, the proposed scope, schedule, and other procedural issues as noted in Sections 3, 4 and 5, herein. Parties serving

documents in this proceeding shall comply with Rule 1.10 of the Commission's Rules of Practice and Procedure regarding electronic mail (e-mail) service.

Parties providing e-mail service shall also provide a paper copy to the assigned Commissioner and Administrative Law Judge.

9. A party that expects to request intervenor compensation for its participation in this rulemaking or the related Rule 21 settlement process shall file its notice of intent to claim intervenor compensation in accordance with the instructions set forth in Section 12, herein.

10. Ex parte communications in this rulemaking are governed by Rule 8.2(c) of the Commission's Rules of Practice and Procedure.

This order is effective today.

Dated _____, at San Francisco, California.

[NEW OIR ATTACHMENT D DeAngelis](#)