



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
(Filed September 12, 2019)

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**OPENING COMMENTS OF THE
CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES ON
ADMINISTRATIVE LAW JUDGE'S RULING REQUESTING COMMENT ON THE
TRACK 2 MICROGRID AND RESILIENCY STRATEGIES STAFF PROPOSAL**

August 14, 2020

Carleigh Osen
CEERT
1100 11th Street, Suite 311
Sacramento, CA 95814
Telephone: (916) 442-7785
E-mail: carleigh@ceert.org

Megan M. Myers
Attorney at Law
110 Oxford Street
San Francisco, CA 94134
Telephone: 415-994-1616
Email: meganmmyers@yahoo.com

**FOR: Center for Energy Efficiency and
Renewable Technologies**

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The Center for Energy Efficiency and Renewable Technologies (CEERT) respectfully submits these Opening Comments on the Administrative Law Judge’s (ALJ’s) Ruling Requesting Comment on the Track 2 Microgrid and Resiliency Strategies Staff Proposal, Facilitating the Commercialization of Microgrids Pursuant to Senate Bill (SB) 1339, mailed in this proceeding on July 23, 2020 (July 23 ALJ’s Ruling). These Comments are timely filed and served pursuant to the Commission’s Rules of Practice and Procedure and the July 23 ALJ’s Ruling.

**I.
CEERT COMMENTS ON STAFF PROPOSALS**

CEERT appreciates the opportunity to comment on the Track 2 Microgrid and Resiliency Strategies Staff Proposals. As directed by the July 23 ALJ’s Ruling, CEERT has organized and submits its Comments on the Staff Proposals in the same order as listed in that Ruling.¹ Each topic is listed, with CEERT indicating any on which it has no comment at this time, but reserves the right to address the topic in response to the comments of other parties.

¹ July 23 ALJ’s Ruling, at p. 2.

2.1.1 Proposal 1: Direct the Utilities to Revise Rule 2 to Explicitly Allow the Installation of Microgrids as Special Facilities.

The Commission Staff has identified potential barriers to the commercialization of microgrids in its Track 2 Proposals. However, CEERT believes that the proposed prohibition against parallel operation with the grid, much less disallowing the export of energy and capacity to the grid, is by far the single largest barrier to microgrid deployment.² The current resource adequacy (RA) paradigm reflects this barrier and effectively prevents microgrids from acquiring a Net Qualifying Capacity designation, virtually guaranteeing over-procurement of traditional fossil resources for RA and thereby increasing ratepayer costs as well as greenhouse gas (GHG) and criteria pollutant emissions. The current RA structure for valuing distributed energy resources (DERs), hybrids, and microgrids (lacking even a mechanism to ensure they would be imbedded in the load forecast as a load modifier) simply must be revised to accurately capture the full suite of benefits these resources provide to the grid and pay them accordingly.

By definition, a microgrid has the ability to supply ancillary services to the grid as well as provide capacity that could be shown for RA. However, the current RA counting rules for DERs, hybrids, and microgrids do not capture the actual benefits that these flexible resources bring to grid reliability. Therefore, it is virtually impossible for microgrids to fully access revenue streams from the RA program or the California Independent System Operator (CAISO) energy and ancillary services markets. This is a major hinderance to spurring financial incentive and developing microgrid projects in the most cost-effective way.

The current RA construct is becoming increasingly obsolete as more flexible and customer-sided resources come online. Unless the appropriate RA program and counting rules are in place that accurately reflect the changing grid and capture the benefits of distributed

² The exception that allows energy imports from the grid to charge batteries pre-contingency is woefully inadequate.

technologies, successful commercialization of microgrids will not occur. Therefore, the ability of the Commission to implement SB 1339 and successfully meet the primary objective of this proceeding is contingent upon having the appropriate RA structure in place. While CEERT recognizes the necessary overhaul of the current RA structure will not happen before the December 1st SB 1339 implementation deadline, the Commission must acknowledge that the current RA paradigm is a major impediment to the true commercialization of microgrids and, in turn, to the success of this proceeding.

2.1.2 Proposal 2: Direct the Utilities to Revise PG&E Rule 18, SCE Rule 18 and SDG&E Rule 19 to Allow Microgrids to Serve Critical Customers on Adjacent Parcels

Please see response to Section 2.1.1 above. CEERT reserves the right to offer further comment in its reply to the responses of other parties on this topic.

2.1.3 Proposal 3: Direct the Utilities to Develop a Standardized Tariff for Combinations of Rule 21 Compliant Technologies

CEERT believes that developing an investor-owned utility (IOU) rate structure for microgrids is problematic. Many of the customers in the areas where microgrids are necessary are unbundled customers, with the respective load serving entities (LSEs) in those areas having the authority to set rates. Proposal 3 is utility-centric and does not reflect the realistic landscape of the grid. Therefore, this proposal needs to be addressed in a more transparent manner with other LSEs and the customers in mind.

2.1.4 Proposal 4: Direct the Utilities to Develop a Microgrid Pilot Program.

CEERT agrees with the intent of implementing a microgrid pilot program that “supports the critical needs of vulnerable populations most likely to be impacted by grid outages.”³

However, these programs need to be carefully structured to ensure they are effectively providing benefits to the state’s most vulnerable populations. For example, clarification is needed regarding

³ Staff Proposals, at p. 18.

the criteria air pollutant and GHG emission standards of these projects. The Staff Proposals state that “criteria air pollutant and greenhouse gas emissions cannot be worse than the equivalent grid power.”⁴ This baseline is ambiguous and vague. These programs should aim to achieve the highest GHG and criteria air pollutant reductions possible rather than the bare minimum.

The State’s most vulnerable populations are often not only located in areas prone to power shutoffs, but are also communities most impacted by poor air quality resulting from fossil fuel generation. Further, these populations are the most negatively impacted by the effects of climate change. Proposal 4 must ensure that programs intended to help California’s most vulnerable are actually beneficial to the health and safety of these communities. This includes ensuring that any resulting projects are aligned with the state’s overarching clean energy and climate goals.

2.1.5 Proposal 5: Direct the Utilities to Conduct Pilot Studies of Low Cost Reliable Electrical Isolation Methods

CEERT does not have a comment on this proposal at this time, but reserves the right to do so in reply to the responses of other parties on this topic.

2.2. Secondary Proposals

CEERT does not have a comment on this proposal at this time, but reserves the right to do so in reply to the responses of other parties on this topic.

2.3 Staff Concept Paper

CEERT agrees with the intent of the Staff’s Microgrid Concept paper to standardize the terms used to implement SB 1339. However, the way in which Staff has presented this attachment is opaque and incomplete. CEERT believes that Staff should not only allow parties to comment on this concept paper, but actually include those comments on the record of Track 2 of

⁴ Staff Proposals, at p. 19.

this proceeding. Seeing that Staff directly used definitions and issues addressed in this concept paper to develop its Track 2 proposals, it is contrary to transparent decision-making to solidify these concepts without considering comments from stakeholders.

II. CONCLUSION

CEERT appreciates the opportunity to comment on the Track 2 Staff Proposals. The integration of renewable resources into the grid is vital in meeting the state's mandated climate goals and commercialization of flexible resources such as microgrids is an important component of California's clean energy transition. Therefore, CEERT appreciates the Staff's analysis on potential barriers to that endeavor in its proposals.

However, the Commission must acknowledge that the current RA structure is a major regulatory barrier to the success of this proceeding. Distributed resources must be valued accurately to incentivize their development to the greatest extent. Without access to the CAISO markets and RA revenue streams, microgrid commercialization is an impossible feat.

Respectfully submitted,

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/s/ MEGAN M. MYERS
Megan M. Myers
Attorney for the
Center for Energy Efficiency and Renewable Technologies

Megan M. Myers
Attorney at Law
110 Oxford Street
San Francisco, CA 94134
Telephone: 415-994-1616
E-mail: meganmmyers@yahoo.com