

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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R.19-09-009

JOINT PARTIES' MOTION FOR A COMPREHENSIVE MICROGRID TARIFF
DEVELOPMENT PROCESS

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The Joint Parties are as follows: Green Power Institute, The Climate Center, Microgrid Resources Coalition, Vote Solar, CEDMC, Clean Coalition, and 350 Bay Area. Lorenzo Kristov, California Alliance for Community Energy, and Indivisible California Green Team are co-signers to this motion but are not parties. The Joint Parties respectfully submit this motion, pursuant to Rule 11.1 of the *Rules of Practice and Procedure*, in order to accelerate development of a comprehensive microgrid tariff, a much-needed component of commercialization of microgrids per SB 1339's directives.

I. Motion

The Joint Parties, relying on scoping guidance from the Assigned Commissioner's Amended Scoping Memo (July 3, 2020), move that the Commission issue a ruling that would schedule a series of workshops in the next few months for robust discussion of utility and stakeholder ideas and resolution of issues regarding a comprehensive microgrid tariff that specifies the roles and responsibilities of investor-owned utilities ("IOUs") and community and private microgrid developers in the deployment and operation of microgrids, including compensation rates.

We suggest that this effort proceed in two phases. The first phase, to be completed in Track 2 of the present proceeding, would set conditions for the establishment and operation of a microgrid tariff for **simple microgrids**, with the following characteristics:

- It is established by or for a single customer or a collection of customers to the extent permitted by Public Utilities Code Section 218 and utility rules 18/19 as they may be amended over time.
- It acts as a single customer of the IOU with a single point of common coupling and a single entity (the "microgrid operator") that has operational and financial responsibility.
- It can include any mix of Distributed Energy Resources ("DER") contemplated by SB 1339 as well as demand response capability without individual or aggregate size limitations.

- It does not make use of IOU assets behind the point of common coupling to distribute electric energy within the microgrid.

The ruling should establish that such a tariff will be implemented by January of 2021 in order to enable widespread deployment of simple microgrids throughout the IOU service areas prior to the onset of the 2021 fire season. It should deal with four critical topics:

- **Interconnection.** The tariff should provide an expedited process for interconnection for simple microgrids and their components whether or not NEM eligible.
- **Wholesale Sales and Distribution Grid Services.** The tariff should permit a simple microgrid to make wholesale sales of energy, ancillary services, and capacity as well as sales of grid services to the IOU or the California Independent System Operator (“CAISO”), under any IOU or CAISO tariff for which they can qualify on a performance capability basis, whether currently existing or that may be developed over time. It should also address loading order principles, demand response counting and valuation of services.
- **Clarification of Charges.** The tariff should clarify that simple microgrids will not be subject to departing load charges or standby charges and should specify the applicability of public benefit charges to power imports by simple microgrids.
- **Energy Purchases.** The tariff should permit a simple microgrid to purchase power from the IOU or other load-serving entity (LSE) at any retail rate for which it is eligible; should specifically permit the microgrid to elect time of use rates; and should eliminate any non-statutory barriers to distribution or sale of power within the microgrid by the microgrid operator to a customer, whether internally generated or purchased.

The second phase of workshops should be held in advance of staff or IOU proposals for Track 3 to receive preliminary input on implementing a **comprehensive microgrid tariff** that goes beyond the simple microgrid tariff. A comprehensive microgrid tariff must address **utility partnership microgrids**, i.e., multi-customer community microgrids that make use of IOU infrastructure for distribution, and should include, among other things, compensation for resiliency services for all microgrids serving critical loads. We elaborate on these proposals below.

Our request is consistent with the amended scoping memo for Track 2 since reducing barriers to microgrids and development of “rates and tariffs” is already scoped, respectively, in issues 2 and 4 (Amended Scoping Memo, p. 4):

2. Develop methods to reduce barriers for microgrid deployment, without shifting costs between ratepayers, pursuant to Section 8371(b).
4. Develop separate rates and tariffs, that are just and reasonable, to support microgrids, pursuant to Section 8371(d).
 - a) Ensure that the separate rates and tariffs shall not compensate a customer for the use of diesel backup or natural gas generation, except as either of those sources is used pursuant to Section 41514.1 of the Health and Safety Code, or except for natural gas generation that is a distributed energy resource, pursuant to Section 8371(d).
 - b) Ensure that the development of microgrids ensures system, public, and worker safety, pursuant to Section 8371(d).

The Joint Parties submit that a comprehensive microgrid tariff is critical for fulfilling SB 1339’s directive to accelerate commercialization of microgrids, and that at least with respect to the proposed “simple microgrid” tariff, it is possible to issue a proposed order within the statutory deadline. That the staff proposal did not attempt to meet these objectives is a startling omission.

II. Discussion

The opening and reply comments filed in Track 2 of the Commission’s microgrid proceeding (R.19-09-009) include a call by numerous diverse parties for the Commission to initiate immediate effort to develop and adopt a standardized microgrid tariff. In this motion the Joint Parties explain why a microgrid tariff is urgently needed and offer recommendations for a process the Commission can institute quickly to begin the tariff development process.

The Commission should immediately issue a ruling establishing a formal microgrid tariff development process. The ruling should establish a schedule where the Commission hosts a series of workshops over the next two months that would provide a venue for robust discussion of IOU and stakeholder ideas regarding a tariff for “simple” microgrids as described above and, promptly following, in Track 3, a comprehensive microgrid tariff for California that also addresses utility partnership microgrids and more complex arrangements.

The ruling should invite interested parties and stakeholders to present tariff proposals to the Commission and provide an opportunity to comment on the tariff proposals. After reviewing the tariff proposals and associated comments, the Commission should issue a Proposed Decision in December 2020 for simple microgrids, including a model tariff applicable to all three utilities, for party review and comment. The Commission should strive to issue a Final Decision adopting a final simple microgrid tariff in January 2021.

The ruling should also assist in scoping Track 3 of the proceeding to establish a comprehensive microgrid tariff, including utility partnership microgrid tariffs and compensation for contributions to grid resilience, as the next phase of microgrid tariff development. Below the Joint Parties propose a timeline that would enable the Commission to comply with the statutory timeline of SB 1339 and also set up the framework for a robust Track 3 to continue addressing microgrid policy and regulatory issues in furtherance of the commercialization goals laid out in the statute.

a. The need for a comprehensive microgrid tariff

As we witness the unfolding changes to California’s electric power system, there should be no doubt that microgrids and distributed energy resources (“DER”) will play a key role in achieving our state’s goals for decarbonization, resilience and environmental and social justice. Of course, we will also need utility-scale renewable generation accessed through the bulk power system, but bulk system resources alone cannot address local needs. These resources must be complemented by the growth of local energy systems for resilience to disruptive events, to power local electrification initiatives, and to provide community economic benefits to address past and current inequities and vulnerabilities.

Microgrid tariffs will invite and encourage customer and private investment to help with sharing in the cost of building resilient energy infrastructure, instead of all costs to build microgrids being borne by ratepayers. The author of SB 1339 has made it quite clear that standardized rates and tariffs are the pathway to commercialization and the wide scale deployment of microgrids that thousands of communities in California need at this time.

Regarding Track 2 it is important for the Commission to focus on facilitating the commercialization of behind-the-meter microgrids by developing separate, standardized rates and tariffs, as is explicitly outlined in [SB 1339], to support wide scale deployment of microgrids.... It appears the Commission may be focusing too much energy providing

direction to electrical corporations to utilize temporary diesel back-up generators and creating large scale microgrid pilot programs with limitations, instead of prioritizing the wider deployment of microgrids with new rates and tariffs.... Facilitating structural opportunities for the broader development of commercial, customer-owned microgrid projects is more important and beneficial to the grid and energy resiliency efforts than creating new utility scale microgrid pilot programs.¹

The Commission should fulfill the legislature’s explicit direction to facilitate commercialization of microgrids through standardized rates and tariffs. It will result in microgrids getting deployed more widely and quickly across the state with less investment needed from ratepayers. A piecemeal approach to building utility partnership microgrid pilots is not sufficient to address the resiliency needs of the thousands of communities across California who are suffering from multiple crises. The Commission must create microgrid tariffs so that all communities and customers can take advantage of resilient energy solutions. It is not just or reasonable to limit resiliency opportunities when Californians are suffering and there are effective, clean-energy solutions that could be brought to bear.

To realize the full societal benefits of microgrids and other DERs at a pace that meets the challenges of climate volatility, the Commission must define new relationships between the utilities and the various parties who will develop local energy resources: local governments and communities, microgrid developers and operators, DER technology providers, and diverse end-use customers, many of whom are already installing on-site microgrids and DERs that can provide grid support services.

b. The crucial role of a microgrid tariff

A standardized microgrid tariff is the vehicle for defining, in regulatory provisions, the relationships between the utilities and these other parties. The tariff specifies the roles and responsibilities of the IOU, its interactions with the other actors, rates for services provided by each party, and the requirements on the other actors to be “good citizens” of the IOU distribution network. To advance microgrid commercialization, the tariff creates a level playing field where all parties can participate under non-discriminatory rules and collaborate to design and implement resilient clean energy solutions to meet urgent near-term and long-term needs.

¹ Senator Stern Letter to Commissioner Shiroma, August 21, 2020.

The needed microgrid tariffs must address both simple microgrids and utility partnership microgrids where the IOU plays a more integrated, collaborative role. The primary IOU role to be spelled out in the tariff is to be the provider of the electrical network and platform services for implementing locally designed microgrids that can function either connected to the grid or in islanded mode. As part of this role, the IOU must provide data and distribution system technical expertise to assist the local communities and developers in designing microgrids that meet local needs while supporting the safe and reliable operation of the grid.

c. The comprehensive microgrid tariff development process

With a comprehensive microgrid tariff as the explicit targeted outcome to be achieved within the current proceeding, we recommend that the Commission structure the effort in two phases and issue a ruling to initiate phase 1 as soon as possible. We also recommend that the Commission engage expert, neutral third-party facilitation, such as Rocky Mountain Institute or GridWorks, for this effort.

Phase 1: Create a Simple Microgrid Tariff to meet the SB 1339 statutory timeline

Within Track 2 of this proceeding, the Commission should conduct 2-3 working group sessions or workshops from October to early November to:

1. Address and resolve issues needed to finalize the tariff provisions for simple microgrids. The provisions should recognize the services microgrids can provide to the grid and be compensated for and provide a framework for microgrid participation in markets for energy, resource adequacy, and ancillary services, such as the value of resiliency to the grid, that currently exist or are later implemented under any IOU or CAISO tariff. We believe the tariff provisions for simple microgrids can and should be completed in Phase 1 this year in line with the goals of SB 1339.
2. Lay out a framework for Track 3 to focus on the full range of microgrid issues including utility partnership microgrids and compensation for resiliency services. The utility partnership microgrid effort need not start from scratch. The framework should specify key definitions and use cases, identify the essential elements needed for a comprehensive microgrid tariff, state principles and criteria for evaluating solution options, and draft a plan for conducting Phase 2 as part of the Track 3 scope in 2021. A starting principle should be to create a

standardized utility partnership microgrid tariff applicable to all three utilities, not different rules for each IOU.

The Track 2 decision would commit to continuing the microgrid tariff development process in Track 3 with the creation of rules for utility partnership microgrid as a part of comprehensive microgrid tariffs. We believe the Commission can complete Phase 1 in time to comply with the SB 1339 deadline if it starts the process promptly.

Phase 2: Complete the comprehensive microgrid tariff by creating utility partnership microgrid tariffs to further the goal of microgrid commercialization

Beginning in January 2021, the Commission should conduct a series of working group meetings over several months to work out all necessary elements of the comprehensive microgrid tariff and develop a complete tariff proposal in the second quarter of 2021. This effort need not start from scratch. Useful materials that should be discussed at the first workshop include Pacific Gas & Electric’s CMEP experimental tariff proposed in its Advice Letter 5918-E,² proposals filed by the Microgrid Resources Coalition and Green Power Institute in their opening comments, and the recent report issued by the Smart Electric Power Alliance.³ The ruling to initiate the working group should also invite all parties to present tariff proposals.

We recommend that the Commission schedule the microgrid tariff development process to result in a final decision in early summer 2021.

III. Conclusion

The dramatic and unprecedented events of 2020 – an ongoing global pandemic, followed by dry lightning storms igniting the largest wildfires in California history and rolling blackouts not seen since the energy crisis of 2001, all coming on the heels of widespread PSPS events and the devastating wildfires of 2017-19 – require the Commission and other California policymakers to prepare for a decade or more of disruptions of equal or even greater magnitude. We cannot overstate the urgency of the need to proliferate microgrids and other local energy

² We urge the Commission to formally incorporate PG&E’s community microgrid tariff proposal into the process described here, rather than address it through action on the Advice Letter. Standardization and consistency across the three IOUs are vitally important for microgrid commercialization.

³ SEPA (August 2020) “How to Design Multi-User Microgrid Tariffs”; <https://sepapower.org/resource/how-to-design-multi-user-microgrid-tariffs/>

resources widely across California to provide clean, resilient, electric service that can function without the grid when necessary. The current Track 2 staff proposals fall far short of what the present moment demands.

The Joint Parties urge the Commission to commit to the process described above and issue a ruling as soon as possible to establish the microgrid tariff development process, adopting the motion as described herein.

Dated: October 1, 2020, at Berkeley, California.

Respectfully Submitted,



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