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A. Background and Question

Distribution customers of investor-owned utilities (utilities) have the right to receive electricity from non-utility facilities under certain conditions. The utilities have an obligation to serve such customers in the event the customers' non-utility generation fails. Standby service is the name given to the type of electric service in which the utilities instantly provide electricity to a customer when the customer's non-utility generation becomes unavailable. The utilities assess customers standby charges to pay for the expenses the utilities incur to have the ability to provide standby service. Such expenses include transmission capacity, distribution capacity, resource adequacy, and energy.

Specifically, standby charges apply to customers whose load is met by:

- resources regularly and completely provided by facilities not owned by an IOU; or
- resources partially met by customer generation or partially available auxiliary service from another public utility or facilities not owned by an IOU; or
- customer sited generation resources that are not NEM-eligible; or
- generation from their own resources that are not NEM-eligible and require the associated IOU to provide reserve capacity and stand ready at all times to supply electricity on an irregular or noncontinuous basis.

Each utility has different standby service schedules and rates, but the standby reservation capacity is generally based on the maximum hourly peak demand or the capacity of the largest customer generating resource. These rates and tariffs went through rigorous public scrutiny and comment resulting in the current CPUC-adjudicated, authorized tariffed rate schedules. SCE and PG&E provide options to sign "physical assurance" contracts if a customer does not wish to retain standby service. Such contracts relieve the utilities of their obligation to serve the customer in the event of that non-utility generation is unavailable and require the customer to physically reduce load to compensate for lost generation instead.

It has been suggested that microgrids may be capable of providing services to non-microgrid customers that would merit a waiver or reduction in the standby charges to which the microgrid customer would otherwise be subjected.

- 1) Do you agree with the overview of standby charges provided in section A above? If not, please explain.

B. Overarching Scoping Questions

- 1) Should the CPUC require the IOUs to waive or reduce standby charges for a customer operating a microgrid if specific conditions are met?
 - a) If so,
 - i) What are the specific conditions that should be met to qualify for a standby charge waiver or reduction?
 - ii) Which standby charges should be reduced or waived, and by how much?

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- iii) Please explain any additional details of how a standby charge waiver or reduction should be implemented that are necessary for the CPUC to consider.
 - a) If not, why not?
- 2) What are potential consequences of waiving standby charges? Please quantify wherever possible.
 - a) If reducing or eliminating standby charges for microgrids would facilitate the installation of new microgrid capacity that would create benefits for non-microgrid customers, please detail how, and quantify the benefits.
 - b) If reducing or eliminating standby charges for microgrids would result in a cost shift prohibited by SB 1339, please detail how, and quantify the cost shift.

C. Questions for Utilities

- 1) Provide a high-level overview of the standby service rate schedule and the key options available to customer generators, including customer microgrids. Describe the relationship, if any, between the standby service rate schedule, a customer's otherwise applicable rate schedule, and a rate schedule that covers credits for generation, such as a net energy metering rate schedule.
- 2) Under what circumstances, if any, is a customer obligated to take service under a standby service rate schedule? What CPUC Decision(s) or Resolution(s) authorized the utility to create that obligation? If any of the Decision(s) or Resolution(s) were adopted pursuant to specific legislation, identify the legislation. Please explain the following observations in your response:
 - a) PG&E Schedule S does not indicate "Optional" or "Mandatory"
 - b) SCE Schedule S indicates "Mandatory"
- 3) What is the utility's gross monthly revenue from standby charges over past three years? Provide breakdown by customer class, service voltage category, reservation capacity, and by interconnection to the utility transmission or utility distribution system.
- 4) As of year-end 2020, how many customer accounts are taking standby service, by customer class? Are any of those accounts microgrids, to the best of your knowledge? How often has the standby service been triggered (i.e., the utility has provided electricity) for those that are microgrids?
- 5) As of year-end 2020, how many customer generators have active executed contracts using physically assured load reduction?

D. Existing Rate Schedule Features (directed to Utilities and Developers)

The below questions are directed towards utilities and developers.

- 1) Describe the existing ways a customer generator or microgrid project can take service that would not obligate the customer to incur a standby charge, citing for reference to the exact applicable CPUC authorized tariffs, rates, or rules. Are there existing exemptions from standby charges that could apply to certain microgrid use cases? If so, describe.
- 2) What obstacles prevent customer generators or microgrid project developers from using the customer provision of physically assured load reduction (for one example, refer to PG&E Electric Sample Form No. 79-1050)? Would options such as providing physical assurance

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through reliable firmware settings and less expensive protective relay equipment reduce those obstacles?

- 3) If a microgrid project developer or customer generator account signs a physical assurance agreement, will they be eligible to participate in the base interruptible program,¹ emergency load reduction program² or other demand response programs, by promising to island when called and continuing to serve their own customer microgrid load?

E. Questions for Developers

- 1) Please list examples of customers who were presented with a project cost estimate that declined to move forward in past five years based on concerns of economic feasibility, where it would be reasonable to expect that a complete elimination or partial reduction in standby charges would have changed the customer’s decision. Please include quantitative details on the project cost, customer’s economic feasibility threshold, and standby charges involved for each example.
- 2) Please provide quantitative examples of hypothetical but realistic scenarios demonstrating how standby charges affect project economics and/or company profitability.
- 3) Provide examples of customers who have contracted for a physical assurance agreement and describe the terms, conditions, costs, and experience using physically assured load reduction in lieu of paying standby charges.
- 4) Please provide quantitative examples of realistic scenarios demonstrating how standby charges affect project economics and company profitability.
- 5) What obstacles prevent customer generators or microgrid project developers from shifting fuels to renewable fuels in order to become eligible for current standby exemptions or utility rate schedules limited to fully renewable and/or lower carbon intensity technologies?
- 6) Please estimate the forecasted market for microgrids under the following situations by completing the table below listing identifying categories of market sectors or critical facility types defined by D.19-05-042. Please cite data sources where applicable:
 - o Total megawatts of microgrid generation capacity (excluding storage) that would be financially viable in California if standby charges were waived;
 - o Total megawatts of microgrid generation capacity (excluding storage) that would be financially viable in California if standby charges are not modified from their present form.

Categories of Market Sectors or Critical Facilities Types	Total MW Microgrid Generating Capacity (excl. storage) – Standby Charges Waived)	Total MW Microgrid Generating Capacity (excl. storage) – Standby Charges NOT Waived)

¹ Base Interruptible Program: A utility rate schedule that offers a monthly bill credit to businesses that commit to reducing energy to a minimum pre-determined level when requested.

² Emergency Load Reduction Program is a potential new program under CPUC consideration in R.20-22-003, “Order Instituting Rulemaking to Establish Policies, Processes, and Rules to Ensure Reliable Electric Service in California in the Event of an Extreme Weather Event in 2021.”

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F. Resource Eligibility Questions

Certain types of resources are already exempt, or partially exempt, from standby charges. Those exemptions apply regardless of whether the resources are part of a microgrid or not. This question seeks input on which additional resource types, if any, should be eligible for a partial or complete reduction in standby charges, if they are part of a microgrid and subject to other conditions and criteria discussed in this document. This question is specifically about resource types, not other conditions, or criteria, such as the type of service provided by the microgrid.

- 1) Please indicate which resource types below should be granted a partial or complete waiver and explain why (multiple answers are acceptable).
 - a) No additional resource types, i.e. standby charge exemptions limited to:
 - i) Resources that qualify for exemptions or waivers in existing CPUC authorized rate schedules, with no additional revisions;
 - ii) Resources that qualify for exemptions or waivers through implementation of physically assured load reduction and a physical assurance agreement executed with the utility;
 - iii) Only renewable electrical generating facilities as defined by the California Energy Commission Renewable Portfolio Standard Eligibility Guidebook and the Overall Program Guidebook;
 - iv) Backup diesel generators that serve health care facilities as defined by Health and Safety Code 41514.1 (referenced in P.U.C. 8371(d));
 - b) Natural gas generators that comply with emissions standards adopted by the State Air Resources Board pursuant to the distributed generation certification program requirements of Section 94203 of Title 17 of the California Code of Regulations, or any successor regulation (referenced in P.U.C. 8371(d));
 - c) Resources that meet some other set of criteria (please explain);
 - d) No limits other than meeting the criteria defined elsewhere that are not related to resource eligibility.
- 2) If CPUC were to allow nonrenewable project resources to be eligible for a waiver or reduction in standby charges in exchange for a service, should it take additional actions to ensure consistency with statewide greenhouse gas emissions and criteria air pollution reduction goals? For example,
 - a) Should the CPUC impose a maximum emissions limit other than one of those listed in the question above?
 - b) Should the CPUC define periodic reporting requirements to demonstrate a reduced carbon intensity compared to a standard?

Please explain any other suggestions you think would address this goal.

G. Questions to Identify Details of Proposed Service Provided

- 1) What existing services (define and describe in detail) do distributed energy resources in microgrids already qualify for that the microgrid owner can offer to the IOU or the CAISO?

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- 2) Under what specific circumstances would it be in the public interest to require utilities to waive or reduce standby charges to a microgrid for intentional islanding? How should the benefits to the public be identified, measured, and valued?
- 3) Would providing electric service to a critical facility as defined by D.19-05-042 in situations where the IOU does not provide service, such as during a planned public safety power shutoff, be sufficient to merit waiving or reducing standby charges? (E.g., if a microgrid that serves a critical facility must island to continue to provide service to the critical facility during a utility planned outage such as a PSPS, should the standby charge be waived or reduced for that microgrid for any month in which that occurred?) If so, why should a waiver or reduction in standby charges be available to microgrids and not other types of backup generation? Please explain your answer. If you think criteria other than those defined in D.19-05-042 should be used to determine eligibility, please explain which criteria should be used and why.
- 4) Other than islanding, is there a different type of grid service that can be uniquely provided by microgrids (or specific types of microgrids), and not the individual resources comprising the microgrids, that would merit a standby charge waiver or reduction (please define the type of microgrid and the grid service)? How should the benefits to the public be identified, measured, and valued?
- 5) How should a customer be required to demonstrate that it can provide a particular service in exchange for a standby charge waiver or reduction and why?
 - a) Physical equipment meeting certain specifications;
 - b) Software settings capable of inducing equipment behavior;
 - c) Contractual obligation only;
 - d) Combination of the above;
 - e) Other.
- 6) What trigger should CPUC require a customer to respond to in exchange for a waiver or reduction in standby charges and why? Examples:
 - a) Warning of Stage 3 Emergency ;
 - b) Specific temperature threshold (please specify);
 - c) Price threshold (please specify);
 - d) Emergency situation on the electric distribution or electric transmission system (please specify);
 - e) Situation impacting system restoration (please specify);
 - f) Emergency declaration by local, state, or federal authority;
 - g) Designated situation specific to IOU bi-lateral agreement;
 - h) Other

H. Cost Benefits Questions

- 1) Are standby charges appropriately rooted in cost causation principles? If reducing or exempting microgrids from standby charges would result in a cost shift prohibited by Senate Bill 1339, please detail how.

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- 2) How can the estimate of public benefits to non-participating ratepayers not connected to a microgrid be quantified in such a way as to be able to provide a basis for waiving or reducing standby charges?
- 3) What form of evidence that the microgrid provides incremental benefit to other customers must the microgrid owner provide to justify the waiver? (e.g. If the microgrid can demonstrate measurable, quantified benefits to non-participating customers or the utility or the microgrid serves critical facilities, essential services and others identified by D.19-05-042.)
- 4) What controls are needed to ensure that the customer generator or microgrid project is not over-compensated and not double-counted from among multiple programs. including the Base Interruptible Program, the Emergency Load Reduction Program, individual power purchase agreements or bilateral contracts, Net Energy Metering, and the various incentive programs such as the Self Generation Incentive Program?

I. Questions to Identify Details of Potential Waiver

- 1) What specific parts of the standby charges rate schedule should be waived or reduced, if any waivers or reductions are granted?
 - a) Reservation;
 - b) Other (please explain).
- 2) What amount of standby charges should be waived if waivers are granted, and why?
 - a) All;
 - b) Proportionate to benefit;
 - c) All if no demand charges in that billing period;
 - d) Other (please explain).
- 3) How long should a waiver be granted if any waivers are granted, and why?
 - a) Indefinitely;
 - b) Certain number of years (please specify);
 - c) Annual, with annual renewal;
 - d) Certain capacity enrolled;
 - e) Other (please explain).
- 4) If the CPUC takes the action above such as modifying the standby charge, should CPUC limit the applicability of the standby charge waiver to new projects, or should the waiver apply to existing projects as well? Please justify your answer, after first stating your position:
 - a) Please describe what types of incremental benefits a waiver of standby charges would be likely to enable existing microgrids to provide to non-microgrid customers. Please describe in detail how a waiver of standby charges would enable the delivery of each proposed benefit, and how the benefit would be incremental to the present circumstances.
 - b) Please estimate, in \$/MW, the financial value of each incremental benefit that waiving standby charges for existing microgrids would deliver to non-microgrid customers.