

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**



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Order Instituting Rulemaking Regarding  
Microgrids Pursuant to Senate Bill 1339  
and Resiliency Strategies.

Rulemaking 19-09-009  
(Filed September 12, 2019)

**REPLY COMMENTS OF VOTE SOLAR, THE CLIMATE CENTER AND  
THE GREEN POWER INSTITUTE ON THE ASSIGNED COMMISSIONER'S  
AMENDED SCOPING MEMO AND RULING FOR TRACK 3**

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Vote Solar, The Climate Center and the Green Power Institute (referred to hereafter as the “Joint Parties”) respectfully submit these reply comments pursuant to the Assigned Commissioner’s Amended Scoping Memo and Ruling for Track 3 issued on February 9, 2021 (“Amended Scoping Memo”).

**I. INTRODUCTION**

The Joint Parties in our opening comments discussed the applicability of standby charges for customers who are served by a microgrid. We argued that the underlying assumption that exempting microgrid customers from standby charges “contravened SB 1339 prohibition against cost shifting” is an inappropriate starting point for the Track 3 proceeding. We noted that the Energy Division Staff questions were posed from the point of view of what happens to a utility when a non-utility generator fails, rather than what happens to a customer when portions of the utility’s transmission and distribution system fail. Instead of accepting this framing, we have asked the Commission to develop a record to determine whether and under what circumstances it may be appropriate to establish a standby charge for customers of a microgrid. As several parties have noted, this question is inextricably linked with determining the value of resiliency in the delivery of electric service.

In these Reply Comments we will examine the opening comments of Southern California Edison (“SCE”), Pacific Gas and Electric Company (“PG&E”), the Sierra Club and the California Energy Storage Alliance (“CESA”), in respect to the question about the appropriateness of applying standby charges to microgrid customers and the responsibilities of

distribution utilities for offsetting the recent and expected future degradation of electric service reliability.

## **II. APPLICATION OF STANDBY CHARGES FOR MICROGRID CUSTOMERS**

SCE notes that currently standby charges apply only to customers with behind-the-meter generation. They observe that standby charges do not apply to “microgrid projects” per se.<sup>1</sup>

Furthermore, SCE notes that exemptions to standby service apply to customers with a renewable generating facility on Net Energy Metering (NEM) rate schedules, customers operating a generation facility used for auxiliary, emergency, or backup purposes that does not operate in parallel to the grid and customers utilizing solar generating facilities up to one megawatt that do not sell power to the grid, pursuant to D.1-07-027.<sup>2</sup>

The Joint Parties agree with SCE’s observation that microgrid customers using a combination of solar, storage, and fuel cell resources that are located behind-the-meter are currently exempt from standby charges. The repeal of these existing exemptions should not be a matter for consideration in this proceeding. Instead, the question of the application of standby charges should be focused on customers who are currently subject to standby charges, and how a decision by those customers to form or participate in a microgrid should affect the applicability of standby charges.

SCE also explains how “The Ruling and the general overview of standby charges provided in Section A of Attachment A seem to conflate standby charges and departing load charges.”<sup>3</sup> The Joint Parties appreciate SCE raising this point. The Ruling places great emphasis on preventing inappropriate cost shifting as a basis for the applicability of standby charges. This can work both ways: absent transparent and accurate definitions, a charge can be excessive if it attempts to recover costs that should be recovered through another mechanism just as easily as it may fail to recover appropriate costs if it is not applied correctly. It is therefore imperative that the Commission clearly and carefully articulate the cost causation basis for standby charges as distinct from departing load or other types of charges to which a customer participating in a microgrid may be subject. In particular, the Commission’s characterization of standby charges in this proceeding must ensure consistency with the relevant IOU tariff definitions.

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<sup>1</sup> Opening Comments of Southern California Edison Comments, page 6.

<sup>2</sup> *Id.*

<sup>3</sup> *Id.*, page 3.

PG&E frames the Track 3 ruling as attempting to answer a cost-benefit question about microgrids. They argue that it will be necessary first to determine the resiliency benefits that microgrids provide to customers or communities before answering questions about compensation. PG&E recommends that the Commission defer consideration of any cost-benefit analysis, until both the social costs of exemptions and the social benefits of microgrids have been adequately quantified.<sup>4</sup>

PG&E further argues that the costs and benefits of microgrids may be more appropriately handled through separate mechanisms. They assert that standby charges are intended to compensate a distribution utility for a service requested by a customer-generator. They assert further that the benefits provided by a microgrid to a utility's distribution customers should be compensated through mechanisms such as a microgrid tariff or incentive program.<sup>5</sup>

The Joint Parties agree with PG&E that transparent ratemaking policy should measure and assess the costs of providing a standby service separately from determining the resiliency and other benefits of microgrids.

PG&E also recommends continuing a mechanism whereby a microgrid operator can reduce or eliminate standby charges by agreeing to physically assure it will not require standby service from the IOU. PG&E qualifies their recommendation by adding "... so long as they adequately compensate an IOU for investments that may become stranded ..."<sup>6</sup> The Joint Parties agree with PG&E that the IOUs should continue this option for microgrids. At the same time, we note that PG&E's point about compensating the IOU for potentially stranded investments ties back to SCE's point about the need to clarify exactly what IOU costs are incurred due to standby service as distinct from costs to be recovered from departing load and other charges.

The Sierra Club notes that standby charges are billed to customers that receive standby services. Like SCE they observe it is the customers of a microgrid rather than the microgrid per se that would be billed for or exempted from standby service charges. The Sierra Club recommends that a variety of service options should be available to customers.<sup>7</sup>

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<sup>4</sup> Opening Comments of Pacific Gas and Electric Company, page 4.

<sup>5</sup> *Id.*

<sup>6</sup> *Id.*

<sup>7</sup> Opening Comments of the Sierra Club, page 2.

They recommend that a lower cost “as available” standby service be offered which would only require limited grid upgrades and/or interconnection facilities, in addition to the existing "Supplemental", "Back-Up," and "Physical Assurance" service options that are available under existing tariffs.<sup>8</sup>

The Joint Parties support the recommendation that standby service should be an option available to microgrid customers rather than a requirement. The development of an “as available” standby service is consistent with the approach that the Commission has adopted in the Distribution Infrastructure Deferral Framework that encourages the development of distributed energy resources in lieu of conventional grid upgrades.

### **III. RESOURCE ELIGIBILITY IN CONSIDERATION OF STANDBY CHARGES**

The Sierra Club argues that microgrids that create net adverse public impacts as an alternative to utilizing electric power supplies available through the grid should not be encouraged and should only be used when there is no viable alternative.<sup>9</sup> The Joint Parties agree with the Sierra Club that fossil fuel combustion and fossil fuel extraction and delivery must be reduced and ultimately eliminated in order to meet critical air quality and climate goals. Compensation for microgrid services should recognize this policy imperative and should encourage preferred (renewable) resources. The Joint Parties recognize, however, that PSPS events and other reliability events may in some cases require the limited use of generators that use fossil fuels. In such microgrid cases, the Joint Parties urge that such fossil resources not be incentivized or favored through tariff exceptions or waivers.

The Sierra Club also argues that the value of distributed energy resources (DERs) to provide valuable services to the grid and other customers is not necessarily linked to a facility’s ability to operate as a microgrid. DERs can be operated individually, in coordination, or in aggregation to provide grid services, regardless of their incorporation within a microgrid.<sup>10</sup> The Joint Parties agree that the Microgrid proceeding creates an opportunity to more fully recognize, utilize, and compensate DERs for the grid services they are capable of providing, including

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<sup>8</sup> *Id.*

<sup>9</sup> *Id.*, page 6.

<sup>10</sup> *Id.*

resiliency. We also agree that the operation of DERs as components of microgrids can be additive to the value of DERs operating individually.

#### **IV. COORDINATION WITH THE DEVELOPMENT OF AN EMERGENCY LOAD REDUCTION PROGRAM**

CESA has noted that in R.20-11-003, the Commission is considering the development of an Emergency Load Reduction Program (“ELRP”) to reduce the likelihood of rotating outages during extreme weather events. The ELRP would seek the participation of distributed energy resources outside of the CAISO market and outside of the Resource Adequacy program.<sup>11</sup> The Staff Proposal is to compensate providers of these vital services on an after the-fact “pay-for-performance” payment instead of a standby or capacity-like payment.

CESA observes that in order to encourage participation of microgrid customers in the ELRP that they could receive standby charge reductions. Microgrids could be required to respond to IOU signals to island and “shed” segments of load that otherwise would be served by the broader grid.<sup>12</sup>

The Joint Parties agree that since participation in the ELRP will not be counted for RA compensation or offset the CEC load forecasts for load serving entities, there should be concern at the Commission about how to incentivize microgrids to be available as emergency standby capacity. The Commission needs to consider payment of a standby charge to microgrid customers who have generation and storage resources that can be made available to remove load from the grid in response to an IOU dispatch signal and thereby reduce or avoid rotating outages.

#### **V. CONCLUSION**

The Joint Parties believe that the scope for the Track 3 proceeding based on the comments of multiple parties needs to be adjusted. Track 3 should not consider standby charges in isolation but instead evaluate them in a broader policy context and accurately specify the actual IOU costs of providing standby services. Given the impacts of PSPS events and the possibility of rotating outages during extreme weather events the Commission needs to reduce barriers to advance microgrid deployment that can provide vital grid services with the greatest

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<sup>11</sup> Opening Comments of the California Energy Storage Alliance, page 5.

<sup>12</sup> *Id.*

urgency focused on those who are most vulnerable to the loss of electric service. We look forward to working with the Commission to further the objectives of SB 1339.

Respectfully submitted March 10, 2021.

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