

**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 SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E) ON
ENERGY DIVISION QUESTIONS APPENDED TO AMENDED SCOPING MEMO**

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Pursuant to the *Assigned Comm'r's Amended Scoping Memo and Ruling for Track 3* (February 9, 2021) (“amended scoping memo”), San Diego Gas & Electric Company (“SDG&E”) submits this reply to opening comments on the Attachment A questions to the amended scoping memo.¹ SDG&E does not undertake to reply to every contention in opening comments with which it disagrees, but in reply will focus on a few fundamental issues.

In crafting a comprehensive list of questions, the amended scoping memo undertook to establish a record upon which to consider a waiver of standby charges. Opening comments show that there are no facts to support such a waiver, and that any waiver will inevitably shift costs to non-participating customers. The Commission should dismiss further discussion of waivers and allow the Resiliency & Microgrids Working Group to examine the value of resiliency, as the Commission already appropriately scoped.

I. THE UTILITY DOES NOT ABANDON ITS OBLIGATION TO SERVE

MRC claims that “microgrids (or other resources) that provide backup to utilities who abandon their obligation to serve and declare [Public Safety Power Shutoff (“PSPS”)] events to

¹ Opening comments were submitted on March 3, 2021 by Bloom Energy Corp. (“Bloom”), California Clean DG Coalition (CCDC), California Energy Storage Alliance (“CESA”), California Environmental Justice Alliance (“CEJA”), Center for Energy Efficiency and Renewable Technologies (“CEERT”), Clean Coalition, Doosan Fuel Cell America, Inc. (“Doosan”), Enchanted Rock, FuelCell Energy (“FCE”), Joint Parties (Vote Solar, The Climate Center and Green Power Institute), Microgrid Resources Coalition (“MRC”) Pacific Gas and Electric Co. (“PG&E”), Public Advocates Office (“Cal Advocates”), SDG&E, Sierra Club, Southern California Gas Company (“SCG”) Southern California Edison Co. (“SCE”), and Unison Energy. Opening comments are cited as follows: “[party nickname] at [page number(s)].”

shield themselves from liability, should get the professional courtesy of an exemption from standby charges.”² Similarly, Doosan argues that “the historical provider-of-last-resort context is technically negated by (PSPS) and more grid outages.”³ These arguments are simply false and should be accorded no weight.

Each utility has an obligation to “operate its electric distribution grid in its service territory” and must do so in “a *safe*, reliable, efficient, and cost-effective manner.”⁴ The Commission has determined that PSPS is an appropriate measure to mitigate the risk of fires caused by electric infrastructure.⁵ The utilities do not perform PSPS to “shield themselves from liability” as indicated by MRC. It has already been seen that electrical infrastructure has the potential to cause a catastrophic wildfire based on extreme weather conditions. To protect the public, it is necessary to de-energize the system at times and places facing such conditions. As noted by Cal Advocates, “the IOUs’ Wildfire Mitigation Plans have the goal of decreasing the frequency and duration of wildfire-related outages.”⁶

What parties like MRC and Doosan fail to acknowledge in requesting special treatment, is a similar responsibility *of the microgrid* to de-energize its infrastructure equipment to reduce the risk of causing a catastrophic wildfire. If a microgrid is located in a high fire threat district where weather conditions necessitate de-energization, and the microgrid contains overhead electric facilities, the microgrid is exposed to the same risk of causing a wildfire as facilities beyond the microgrid. Therefore, in such circumstances, the microgrid would be unsafe to

² MRC at 16.

³ Doosan at 4.

⁴ Public Utilities (“P.U.”) Code § 399.2(a)(1) (emphasis added).

⁵ D.12-04-024 (at 25) affirmed “SDG&E’s statutory obligation to operate its system safely requires SDG&E to shut off its system if doing so is necessary to protect public safety.”

⁶ Cal Advocates at 9-10.

operate in islanded mode. MRC and Doosan indicate a critical lack of understanding of what it takes to operate electrical infrastructure and delivery energy to customers in a safe manner. They offer no evidence to support waiving standby charges, and their allegations supporting waiver are simply unfounded.

II. THE COMMISSION SHOULD EVALUATE THE BENEFITS OF MICROGRIDS TO RATEPAYERS AND ADDRESS ANY SUCH BENEFITS THROUGH SEPARATE COMPENSATION

While the amended scoping memo considers exempting microgrids from standby charges,⁷ many parties agree with SDG&E⁸ that further evaluation of the benefits of microgrids to ratepayers should be conducted before the appropriate incentive or compensation can be determined.⁹ To this point, no party offers any evidence supporting how exemptions from standby charges are justified and equitable.

Cal Advocates states that “standby charge exemptions and resiliency services are fundamentally mismatched” and notes the difference between resiliency being a need that is “immediate and sporadic in nature,” whereas “standby charges reflect long-term planning.”¹⁰ As noted by PG&E (at 2), “the issue of valuing the resiliency benefits offered by microgrids to the broader distribution customer class is scoped into Track 4 of this Proceeding.”

Some parties indicate agreement with the approach of exempting microgrids from standby charges, but still recognize that “a reasonable measurement and evaluation framework to assess the costs and benefits” should be conducted prior to adopting such policy.¹¹ MRC (at 3)

⁷ SCE notes (at 3) that some of the amended scoping memo questions or statements appear to confuse standby charges and departing load charges.⁷ SDG&E agrees with SCE’s interpretation.

⁸ *E.g.*, SDG&E at 2.

⁹ PG&E at 2, SCE at 4, Cal Advocates at 3.

¹⁰ Cal Advocates at 9.

¹¹ CESA at 13. *See also*, SCG at 2, Sierra Club at 1, and CEJA at 6.

concedes that “the suggested trade will not be based on accurate valuation of the respective services and could muffle rather than create incentives for microgrids.” When evaluating such cost and benefit valuations, it is important to consider a technology neutral approach based on the service(s) and/or benefit(s) offered.

SDG&E further agrees with PG&E (at 3) that “these costs and benefits are unrelated and could be handled more rationally through separate mechanisms.” Similarly, Cal Advocates (at 10) suggests “a more precise policy mechanism to incentivize resiliency services, such as one that can respond to an evolving grid and that does not embed long-term cost shifts.” As noted in SDG&E’s opening comments (at 8), a separate and transparent compensation mechanism is a more appropriate approach to valuing any services a microgrid can provide. This would not result in a cost-shift because the value would appropriately reflect the service rendered. This issue has been appropriately scoped for Track 4 of this proceeding.

In sum, opening comments resoundingly support development of separate compensation mechanism for microgrids providing services to the larger grid. Indeed, to comply with Senate Bill (“SB”) 1339’s directive that the Commission may not shift costs, customers should “pay for services received and be compensated for services rendered.”¹²

III. PARTIES REQUESTING EXEMPTION FAIL TO DEMONSTRATE THE EQUITY OF EXEMPTING STANDBY CHARGES AND REVEAL IGNORANCE OF STANDBY SERVICE AND RATE DESIGN

Many parties assert that waiver or exemption of standby charges is a fair trade for the services offered by a microgrid.¹³ MRC goes so far as to say, “current standby charges improperly shift costs to microgrids (and to a lesser extent to other BTM resources).”¹⁴

¹² Sierra Club at 3.

¹³ Doosan at 14, CESA at 3; Joint Parties at 4; CCDC at 11-12; CEERT at 3; Bloom at 3-4; FCE at 2.

¹⁴ MRC at 5 (emphasis added).

However, as Cal Advocates aptly notes, “the proposal to waive standby charges prior to valuation of public benefits is unsupported, indirect, and unproven approach that could result in cost-shifting between customer classes in violation of SB 1339.”¹⁵ To date, parties have not provided empirical evidence or a coherent logic supporting waiver.¹⁶ and their responses to this amended scoping memo. Without proper evidence, the Commission may not waive standby charges.

MRC (at 14) also argues that “SB 1339 requires the Commission to eliminate barriers for all microgrids as defined, not some of them.” This is factually untrue. SB 1339 says “without shifting costs between ratepayers, develop methods to *reduce* barriers for microgrid deployment” and to do so “*without shifting costs* between ratepayers” (emphasis added).¹⁷ Nowhere does SB 1339 say the Commission must *eliminate* barriers – especially when such barriers are inherent to the cost of utility service to microgrid customers. In response, the Commission has appropriately scoped in this proceeding multiple tracks to address the many complicated aspects of microgrids. For the Commission to forego a thorough review and determination process in this proceeding would violate SB 1339 by embedding a cost shift and by not prioritizing system, public and worker safety.

MRC (at 19) believes “that generators below a certain size do not fail in sufficient concentrations in any given region of the grid to constitute anything more than noise in the overall operation of the grid” and suggests microgrids of 5 megawatts in aggregate should be

¹⁵ Cal Advocates at 1.

¹⁶ Cal Advocates at 2. MRC (at 19) goes so far as to note that to estimate the public benefits to non-microgrid customers would be “time consuming and arbitrary,” and that (at 21) “it is not realistic to ask this of participants in the proceeding” in response to the Commission’s question to estimate the financial value of each incremental benefit that waiving standby charges would deliver. This is evasive and silly; reasonably interpreted, the questions imply an estimate based on available information at this stage of the proceeding and reasonable hypothesis, not moon-shot perfection.

¹⁷ P.U. Code § 8371(b). (emphasis added).

exempted from standby charges. Distribution planning includes consideration of the existing infrastructure and forecast load growth, including changes to timing and size of peak demands, to design and build the feeders, transformers, circuits, and substations to meet the forecast needs. Overloads on a circuit cause equipment failure. MRC's suggestion (*id.*) that the failure of a microgrid to meet its load is "noise in the overall operation of the grid" indicates a lack of the knowledge required to design, build, and operate the infrastructure needed to deliver energy to customers – all of which is part of a microgrid. It also reveals no understanding of the public utility obligation to serve.

MRC (at 6) also creates a scenario beyond just providing resiliency, describing that microgrids can "act as their own balancing authority in island mode and their corresponding ability to manage their load, generation, exports and imports in grid connected mode." The microgrid operation in grid-connected mode, as described by MRC, is the same operation provided in coordination by both the electrical corporations and the balancing authority; in California, that role is played by the California Independent System Operation Corporation ("CAISO"). If that is the true intent of microgrids, then there are existing pathways in which a microgrid can offer those services 24/7 by becoming an electrical corporation.

MRC further blurs the line between costs and benefits by describing a range of services that do not require a microgrid and/or retail tariff today. First, MRC describes many services that a microgrid may be able to offer, including load reduction, demand response, ancillary services,¹⁸ and resilience. As Cal Advocates (at 8) correctly notes, "CAISO has established a mechanism to solicit grid services from these resources: the ancillary services market." Second, MRC (at 15) alleges that many of these revenue streams are "generally impossible for non-Rule

¹⁸ MRC describes this as reduced volatility and ramping capability, also known as regulation up, regulation down, spinning reserve, and non-spinning reserve services in the CAISO market.

21 eligible resources” or for those “eligible for Rule 21 interconnection, ... this currently precludes them from participating in CAISO markets.” The interaction between the utility’s Rule 21 retail tariff and the Wholesale Distribution Access Tariff needed for participation in the CAISO market poses jurisdictional concerns between retail and wholesale with the Commission and FERC. Notwithstanding these issues, a microgrid is not necessary to provide any of these services. All of the existing generation resources behind the microgrid may provide these services under existing tariffs and programs.

IV. CONCLUSION

SDG&E requests that the Commission accept these reply comments.

Respectfully submitted,

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