

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 THE CENTER FOR ENERGY EFFICIENCY AND
RENEWABLE TECHNOLOGIES ON ASSIGNED COMMISSIONER'S AMENDED
SCOPING MEMO AND RULING FOR TRACK 3**

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

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The Center for Energy Efficiency and Renewable Technologies (CEERT) respectfully submits these Reply Comments on the Assigned Commissioner’s Amended Scoping Memo and Ruling for Track 3 (Amended Scoping Memo). These Reply Comments are timely filed and served pursuant to the Commission’s Rules of Practice and Procedure and the Amended Scoping Memo.

**I.
THE ISSUE OF STANDBY CHARGES FOR MICROGRIDS MUST BE CAREFULLY
EVALUATED AND ACCOUNT FOR THE BENEFITS THESE RESOURCES BRING
TO THE GRID**

As stated in CEERT’s Opening Comments, California’s standby charge paradigm in the context of microgrids does not account for the resiliency, societal, and environmental benefits resulting from their integration. Furthermore, as the Sierra Club correctly states in its Opening Comments,

“...[the] capabilities and...value [of microgrids] are not necessarily specific to a facility’s ability to operate as a microgrid—a microgrid is composed of distributed energy resources (“DER”), and the DER may be operated individually, in coordination, or in aggregation to provide grid services, regardless of their incorporation within a microgrid. Any microgrid should be understood as reflecting at least the value of its component parts...”¹

Thus, CEERT agrees with Vote Solar, the Climate Center, and the Green Power Institute (Joint Parties) that questions embedded in the Amended Scoping Memo are innately flawed because

¹ Opening Comments of the Sierra Club, at p. 6.

they assume that there is a need to waive standby charges for microgrids before establishing “...whether it is appropriate to apply a standby charge to customers of a microgrid.... If the customers served by a microgrid do not receive the services the standby charge is intended to compensate, then the charge should not be applied and the matter of a waiver is moot.”² CEERT agrees that the Commission must first consider in the record of this proceeding whether or not standby charges are relevant in context of microgrid operations, before delving into details of a waiver.

CEERT agrees with parties including the Sierra Club,³ Microgrid Resources Coalition (MRC),⁴ Fuel Cell Energy Inc. (Fuel Cell Energy),⁵ and the Joint Parties that the benefits microgrids provide, “including improving the reliability of the electric power system as a whole, improving the resilient operation of the electric distribution system, accelerating the reduction of [greenhouse gas (GHG)] emissions, and providing community resilience for the benefit of vulnerable populations,”⁶ must be accounted for when assessing service compensation. Benefits also include those substantial reliability services that the microgrid can provide if allowed to export power to the grid.⁷

As such, CEERT supports the Joint Parties’ recommendation to analyze “on a case-by-case basis for the appropriate load serving entity (LSE)...the cost and benefits of a particular microgrid and balance the equities with the provider of microgrid services.”⁸ Furthermore, the Sierra Club correctly states that “[a]dditional work is needed by the Commission and parties to...[determine] the appropriate level of compensation for energy and services from microgrids

² Opening Comments of the Joint Parties, at pp.1-2.

³ Opening Comments of the Sierra Club, at p. 1.

⁴ Opening Comments of MRC, at p. 4.

⁵ Opening Comments of Fuel Cell Energy, at pp. 2-3.

⁶ Opening Comments of the Joint Parties, at pp. 8-9.

⁷ Opening Comments of MRC, at p. 8.

⁸ *I.d.* at p. 4.

and ensuring that microgrids can be commercialized and further deployed to support local resilience while advancing our climate and equity goals.”⁹ Thus, CEERT concurs with the Joint Parties’ characterization of the working relationship between LSEs and microgrid developers as a partnership to benefit their common customers.¹⁰

II. COMMERCIALIZATION OF MICROGRIDS SHOULD HELP FACILITATE CALIFORNIA’S CLEAN ENERGY TRANSITION

In their Opening Comments, numerous other parties including the Joint Parties, the California Environmental Justice Alliance (CEJA), the Sierra Club, Public Advocates Office, and Southern California Edison (SCE) urge the Commission to exclude fossil fuel generation from standby charge waiver eligibility.¹¹ As detailed above, the commercialization of microgrids has the potential to bring a suite of benefits to the electric grid, including reducing GHG emissions. Thus, the Commission should utilize this opportunity to incentivize clean energy development in interest of progressing towards meeting its climate goals.

As such, to the extent that the Commission and the record determines that standby charges and associated waivers are appropriate in the context of microgrid integration, fossil fuel combustion turbines or reciprocating engines should not be eligible for standby charge waivers. However, CEERT believes that microgrids employing fuel cell technologies with zero criteria pollutant emissions should be waived from standby charges. These technologies provide dependable, renewable sources of electric generation without imposing negative public health effects on surrounding communities.

⁹ Opening Comments of Sierra Club, at p. 1.

¹⁰ Opening Comments of the Joint Comments, at p. 5.

¹¹ Opening Comments of the Joint Parties, at p. 12; Opening Comments of CEJA, at pp 3-4; Opening Comments of Sierra Club, at p. 1; Opening Comments of SCE, at p. 15; and Opening Comments of Public Advocates Office, at p. 6.

III. COORDINATION WITH TRACK 4 OF THIS PROCEEDING AND OTHER RELEVANT COMMISSION PROCEEDINGS

As discussed above, clean microgrids have the potential to bring significant benefits to the grid, including increased resiliency in the event of outages. CEERT strongly agrees with CEJA and MRC that the “value of resiliency”, subject to examination in Track 4 of this proceeding, is a critical component of fully realizing the benefits that microgrids bring to the grid and accurately assessing appropriate compensation.¹² In its Opening Comments, CEJA correctly states:

“...the value of resiliency is a key element to determine the value that non-microgrid customers derive from microgrid deployment. Although the value of resiliency will be addressed in Track 4, this topic is inextricable from discussions of benefits to non-microgrid customers in the context of standby charges. Ultimately, the Commission must consider the value of resiliency in deciding on the question of standby charges in order to properly address the value that microgrids provide to the grid.”¹³

CEERT strongly agrees with CEJA in highlighting the importance of resiliency in comprehensively evaluating standby charge issues. Thus, CEERT also agrees with the Joint Parties that “[m]uch work remains to be done in Track 4 in order to meet the [Senate Bill (SB)] 1339 mandates to commercialize microgrids.”¹⁴

Additionally, the issue of successful microgrid commercialization is important in context of related ongoing proceedings, especially in light of recent procurement decisions proposed in the Emergency Resiliency proceeding (R. 20-11-003) and the Integrated Resource Planning proceeding (R.20-05-003). Furthermore, correctly and adequately valuing the range of benefits microgrids provide directly depends on the activities in the Commission’s Resource Adequacy proceeding (R.19-11-009). The way in which DERs, including hybrid solar + storage resources, are evaluated for capacity will directly impact the effectiveness of this microgrid proceeding.

¹² Opening Comments of CEJA, at p. 6 and Opening Comments of MRC, at p. 7.

¹³ Opening Comments of CEJA, at p. 6.

¹⁴ Opening Comments of the Joint Parties, at p. 6.

Thus, CEERT supports the Joint Parties’ urging the Commission to coordinate this and “other relevant proceedings that are driving procurement for new capacity.”¹⁵

IV. CONCLUSION

CEERT appreciates the Commission’s action in this proceeding to work towards successful implementation of SB 1339. Standby charge issues present a potentially large barrier to this objective and addressing how services and benefits are valued is critical in breaking down this barrier. Thus, CEERT urges the Commission to carefully analyze the benefits each microgrid brings to the grid, and in turn, develop appropriate compensation mechanisms to credit customers for those services. Furthermore, CEERT maintains that microgrid integration should not act contrary to California’s decarbonization goals by incentivizing the development of fossil fuel combustion turbines or reciprocating engines. As such, the Commission must ensure the activities in Track 3 of this microgrid proceeding account for necessary resiliency valuation work in Track 4 and are aligned with other relevant proceedings and the State’s climate change mitigation efforts.

Respectfully submitted,

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¹⁵ Opening Comments of the Joint Parties, at p. 8.