



COM/GSH/mef 8/17/2021

FILED
08/17/21
04:46 PM

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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

Rulemaking 19-09-009

**ASSIGNED COMMISSIONER'S
AMENDED SCOPING MEMO AND RULING
SETTING TRACK 4: EXPEDITED PHASE 1, AND PHASE 2**

This Amended Scoping Memo and Ruling (Amended Scoping Memo) sets forth the category, issues to be addressed, and schedule of the proceeding pursuant to Public Utilities (Pub. Util.) Code Section 1701.1. and Article 7 of the Commission's Rules of Practice and Procedure (Rules).

1. Procedural Background

In September 2019, the California Public Utilities Commission (Commission) opened this rulemaking¹ to facilitate the commercialization of microgrids and adopt resiliency strategies pursuant to Senate Bill (SB) 1339 (Stern, Stats. 2018, Ch. 566). SB 1339 requires the Commission, in consultation with the California Energy Commission (CEC), and the California Independent System Operator (CAISO), to take action to facilitate the commercialization of microgrids for distribution customers of large electrical corporations.

Components of microgrid commercialization are set by SB 1339, and must include: (1) rates, tariffs, and rules, as necessary; that (2) remove barriers for

¹ Order Instituting Rulemaking (OIR) Regarding Microgrids Pursuant to SB 1339 and Resiliency Strategies, September 12, 2019.

deploying microgrids across the large investor-owned utility service territories; (3) without shifting costs onto non-benefiting customers; and (4) prioritizing and ensuring worker, public, and the electric system's safety and reliability.

In response to SB 1339's mandates the Commission issued two decisions facilitating the commercialization of microgrids: (1) Decision (D.) 20-06-017; and (2) D.21-01-018.

1.1. Track 1

Track 1 of this proceeding initially began in December 2019, with an Energy Division workshop.² This workshop facilitated discussion between stakeholders, focusing on short-term actions related to microgrids and resiliency strategies for Summer 2020 implementation. Following this workshop, a prehearing conference was held on December 17, 2019. Then, the Track 1 Scoping Memo and Ruling (Scoping Memo) was issued on December 20, 2019.³

Through Track 1 of this proceeding, the Commission adopted D.20-16-017. D.20-16-017 satisfied many of SB 1339's requirements by requiring the following:

1. Permitting Requirements 8371, subdivision (a)
 - a) Required the development of a template-based application process for specific behind-the-meter project types to prioritize, streamline, and expedite applications and approvals for key resiliency projects.
2. Barrier Reduction 8371, subdivision (b)
 - a) Required the development of a template-based application process for specific behind-the-meter project types to prioritize, streamline, and expedite applications and approvals for key resiliency projects.

² December 4, 2019, Administrative Law Judge's Ruling Noticing Microgrid Workshop.

³ Assigned Commissioner's Scoping Memo, December 20, 2019.

- b) Added dedicated staff to the utilities' distribution planning teams that specialize in resiliency project development for local jurisdictions.
 - c) Allowed energy storage systems, in advance of Public Safety Power Shutoff (PSPS) events, to import from – but not export to – the grid, in support of preparedness in advance of a grid outage.
 - d) Removed the storage sizing limit for large net energy metering (NEM)-paired storage and maintained existing metering requirements.
 - e) Required the development of a separate access-restricted portal for local jurisdictions that gives information to support local community resiliency projects.
 - f) Approved the Pacific Gas and Electric Company's (PG&E) Community Microgrid Enablement Program which provides incremental technical and financial support on a prioritized basis for community requested microgrids for PSPS mitigation purposes.
 - g) Approved PG&E's Make-Ready Program for the period of 2020 through 2022 which includes enabling each of the prioritized substations to operate in islanded mode.
 - h) Approved PG&E's Temporary Generation Program which involves leasing mobile generators for temporary use during the 2020 wildfire season.
 - i) Approved San Diego Gas & Electric Company's (SDG&E) request to procure a local area distribution controller.
3. Rates and Tariffs 8371, subdivision (d)
- a) Allowed energy storage systems, in advance of PSPS events, to import from – but not export to – the grid in support of preparedness in advance of a grid outage.
 - b) Removed the storage sizing limit for large NEM-paired storage and maintained existing metering requirements.

4. Standards and Protocols 8371, subdivision (e)

- a) Developed a template - based application process for specific behind-the-meter project types to prioritize, streamline, and expedite applications and approvals for key resiliency projects.
- b) Approved SDG&E's request to procure a local area distribution controller.

1.2. Track 2

Following the adoption of D.20-06-017 on June 17, 2020, the Track 2 Amended Scoping Memo was issued on July 3, 2020.⁴ This amended Scoping Memo focused on the continued implementation of SB 1339 through the statutory contours of Pub. Util. Code Section 8371.⁵

On July 23, 2020, the Administrative Law Judge (ALJ) issued a ruling⁶ with a proposal prepared by the Energy Division, titled, *Facilitating the Commercialization of Microgrids Pursuant to Senate Bill 1339* (Staff Proposal). Parties to this proceeding attended an August 2020 workshop to discuss the Staff Proposal. Following the workshop, parties submitted comments in response to the Staff Proposal.

On August 25, 2020, Energy Division held another all-day online public workshop discussing the challenges and demands associated with energizing safe-to-energize substations during PSPS events. Officials from the Commission as well as the California Air Resources Board (CARB) and the CEC were present. On September 4, 2020, following the Energy Division workshop, the assigned

⁴ Assigned Commissioner's Amended Scoping Memo, July 3, 2020.

⁵ Unless otherwise specified, all subsequent section references are to the Pub. Util Code.

⁶ ALJs Ruling, July 23, 2020.

Commissioner and ALJ issued a ruling⁷ seeking comment on policy questions and proposed an interim approach for minimizing emissions from generation during transmission outages. The interim approach for minimizing emissions generation during transmission outages proposed a process for transition to clean temporary generation in 2022 and beyond.

On January 21, 2021, the Commission issued D.21-01-018 that adopts rates, tariffs, and rules for facilitating the commercialization of microgrids pursuant to SB 1339. This decision continues the Commission's goal of commercializing microgrids and reduces barriers for microgrid deployment across California. D.21-01-018 also adopts an interim approach for minimizing emissions from generation during transmission outages and a process for transitioning to clean temporary generation in 2022 and beyond.

Specifically, D.21-01-018 orders the following primary actions from the state's large IOUs:

1. Southern California Edison Company (SCE) to revise its Rule 2 to permit installing added or special facilities microgrids.
2. SCE and PG&E to revise their Rules 18 and SDG&E to revise its Rule 19, to allow local government microgrids to service critical customers on adjacent parcels.
3. SCE, PG&E, and SDG&E to each create a renewable microgrid tariff that prevents cost shifting for their territories.
4. SCE, PG&E, and SDG&E to jointly develop a statewide Microgrid Incentive Program with a \$200 million budget to fund clean energy microgrids to support the critical needs of vulnerable communities impacted by grid outages and

⁷ Assigned Commissioner and ALJ's Ruling Seeking Comment on Policy Questions and an Interim Approach for Minimizing Emissions from Generation During Transmission Outages, September 4, 2020.

test new technologies or regulatory approaches to inform future action.

5. SCE, PG&E, and SDG&E to develop pathways for the evaluation and approval of low-cost, reliable electrical isolation methods to evaluate safety and reliability.

D.21-01-018 also formalized a Resiliency and Microgrids Working Group to facilitate thoughtful and informed discussions to continue to support the goal of resiliency and the commercialization of microgrids within Track 3 and beyond.

1.3. Track 3

Less than a month after the adoption of D.21-01-018, the assigned Commissioner issued another Amended Scoping Memo for Track 3 on February 9, 2021. The Amended Scoping Memo focused on whether to waive or reduce standby service charges in exchange for the value that resiliency microgrids may offer. Parties filed opening comments on March 3, 2021, and reply comments on March 10, 2021, in response to the Amended Scoping Memo scoping issues on standby service charges.

On July 15, 2021, the Commission adopted D.21-07-011 which suspended the capacity reservation component of the standby charge for eligible microgrid distributed technologies.

1.4. Track 4

This Amended Scoping Memo initiates an Expedited Phase 1 of Track 4, in response to Governor Gavin Newsom's July 30, 2021, Proclamation of a State of Emergency. This Amended Scoping Memo also initiates a non-expedited Phase 2 of Track 4 to develop a microgrid multi-property tariff to facilitate the commercialization of microgrids.

1.4.1. Expedited Phase 1 of Track 4

On July 30, 2021, Governor Gavin Newsom issued a Proclamation of a State of Emergency (Proclamation) in response to the significant and accelerating impacts of climate change in California.⁸ Among other things, the Proclamation directed:⁹

2. The California Energy Commission is directed, and the California Public Utilities Commission and the CAISO are requested, to work with the State's load serving entities on accelerating plans for the construction, procurement, and rapid deployment of new clean energy and storage projects to mitigate the risk of capacity shortages and increase the availability of carbon-free energy at all times of day.

13. The Commission is requested to exercise its powers to expedite Commission actions, to the maximum extent necessary to meet the purposes and directives of this proclamation, including by expanding and expediting approval of demand response programs and storage and clean energy projects, to ensure that California has a safe and reliable electricity supply through October 31, 2021, to reduce strain on the energy infrastructure, and to ensure increased clean energy capacity by October 31, 2022.

15. The California Energy Commission, in consultation with the California Air Resources Board, the CAISO, and the California Commission, shall identify and prioritize action on recommendations in the March 2021 SB 100 Joint Agency Report, and any additional actions, that would accelerate the State's transition to carbon-free energy."

The Commission is undertaking an array of actions in many proceedings to identify steps that can expedite or accelerate clean energy project development

⁸ Gavin Newsom, Proclamation of a State of Emergency, July 30, 2021, available at: CAP14-20210730130249

⁹ *Id.*

as soon as possible, particularly for the Summers of 2022 and 2023. While Rulemaking 20-11-003 is the primary venue for emergency action and electric reliability service in California in the event of extreme weather, there may be actions that the Commission can take in this docket that will help support the Governor's and the Commission's overall goals. An expedited Phase 1 of Track 4 to this proceeding will consider such action.

1.4.2. Phase 2 of Track 4

The Order Instituting Rulemaking (OIR) states that many electricity customers are seeing the potential benefits of investing in their own distributed energy resources. The OIR also states that microgrids – as a distributed energy resource – may help electricity customers ensure: (1) their own level of reliability; manage their needs better; (2) act as an aggregated single entity to the distribution system operator; or (3) support California's policies to integrate a high concentration of distributed energy resources on the grid.¹⁰

After considering the entirety of the record for this proceeding, the next step to take for facilitating the commercialization of microgrids is to develop a microgrid multi-property tariff. Thus, the issues and scope for Phase 2 of Track 4 are set forth, below.

2. Issues

2.1. Expedited Phase 1 of Track 4

The issues to be determined or otherwise considered are:

1. Suspension of the Capacity Reservation Component of the Standby Charge
 - (a) How should microgrid projects that participate in the suspension of the capacity reservation component of the standby charge, pursuant to D.21-07-011, be required to

¹⁰ OIR Regarding Microgrids Pursuant to SB 1339 and Resiliency Strategies at 3.

help address a system capacity shortfall, particularly during net peak hour?

2. Islanding

- (a) Does islanding help address a system capacity shortfall?
- (b) Does islanding supplement or enhance the ability of other resources like storage, generation, or demand response to help address a system capacity shortfall, particularly in summer net peak hours?

3. Potential New Microgrid Programs and Projects

- (a) Could potential new microgrid programs or projects help address a system capacity shortfall, particularly in summer net peak hours?

4. Modifications to Existing Tariffs

- (a) Excluding the modifications already proposed and adopted in this proceeding (*i.e.*, modifications to PG&E Electric Rule 18, SCE Electric Rule 18, and SDG&E Electric Rule 19), are there other modifications to existing tariffs that would enable microgrids to help a system capacity shortfall, particularly in summer net peak hours?
- (b) Excluding modifications that have already been proposed and adopted in this proceeding (*i.e.*, modifications to PG&E Electric Rule 18, SCE Electric Rule 18, and SDG&E Electric Rule 19), what rules or requirements may create barriers to expedited or accelerated deployment of microgrid or resiliency projects that can help address a system capacity shortfall, particularly in summer net peak hours?

5. Leveraging Existing Microgrid and Resiliency Programs

- (a) How should existing Commission microgrid and resiliency regulatory programs, like the Make Ready Program and Temporary Generation Program, be leveraged to reduce load during peak and net peak hours?

6. Leveraging EPIC Programs

- (a) How can existing microgrids that have been awarded grant funds (*i.e.*, projects awarded funding by the California Energy Commission via EPIC) be further leveraged to reduce load, especially during peak and net peak hours?

7. Cost Recovery

- (a) How should the Commission structure cost recovery for the activities contemplated in Expedited Phase 1?

2.2. Phase 2 of Track 4

The issues to be determined or otherwise considered are:

1. Microgrid Incentive Program

- (a) Should the joint investor-owned utility (IOU) proposal for implementing the Microgrid Incentive Program pursuant to Ordering Paragraph 6 of D.21-01-018 be approved?

2. Microgrid Multi-Property Tariff: Guiding Principles

- (a) What guiding principles (including those related to SB 1339 (2018, Stern), should the Commission adopt to assist in the development of a microgrid multi-property tariff?

3. Forming a Microgrid Multi-Property Tariff

- (a) To protect the public interest, what information should a new multi-property microgrid tariff include? For example, should the microgrid multi-property tariff include any of the following: (1) a description of the roles and responsibilities of participating entities; (2) configuration and technology eligibility; (3) mechanisms to ensure consumer and ratepayer protections; (4) mechanisms to prevent cost-shifting; (5) contractual obligations to ensure operational security and safety.
- (b) What terms and conditions should a new microgrid multi-property tariff include? For example, should the

new tariff include: (a) a new rate schedule; (b) new contracts or agreements; (c) new electric rules.

- (c) What, if any, program elements or specific features should the Commission include in a new microgrid multi-property tariff?
- (d) What additional or enhanced consumer protections for customers taking service under the new microgrid multi-property tariff should be adopted by the Commission? What additional or enhanced consumer protections for ratepayers who are not participating should be adopted by the Commission?

3. Need for Evidentiary Hearing

In the Rulemaking opening this proceeding, the Commission preliminarily determined that hearings are required.¹¹ This Scoping Memo confirms that determination. However, hearings are deemed not necessary for Track 4.

4. Schedule

The following schedule is adopted here and may be modified by the assigned ALJ, as required, to promote the efficient and fair resolution of the rulemaking:

Expedited Phase 1 Schedule

Event	Date
ALJ Ruling: Guidance and Expectations to Parties for Proposal Submittals	August 24, 2021
IOU Microgrid Reliability Proposal, filed and served	September 10, 2021
Microgrid Reliability Proposals from Participants of the Suspension of the Capacity Reservation Component of the Standby Charge (D.21-07-011)	September 10, 2021
Other Party Microgrid Reliability Proposals, filed and served	September 10, 2021

¹¹ Commission OIR at 10, September 12, 2019.

Opening Comments, filed and served	September 24, 2021
Reply Comments, filed and served	October 1, 2021
Proposed decision	October 29, 2021
Commission decision	November 18, 2021

Phase 2 Schedule

Event	Date
Joint IOU Microgrid Incentive Program Implementation Plan, filed and served	October 4, 2021
Microgrid Incentive Program Implementation Plan, Public Workshop	October 15, 2021
Opening Comments on the Joint IOU Microgrid Incentive Program Implementation Plan, filed and served	November 1, 2021
Reply Comments on the Joint IOU Microgrid Incentive Program Implementation Plan, filed and served	November 22, 2021
ALJ Ruling: Draft Multi-Property Microgrid Tariff Guiding Principles	November 30, 2021
Opening Comments on Multi-Property Microgrid Tariff Guiding Principles, filed and served	December 8, 2021
Reply Comments on Multi-Property Microgrid Tariff Guiding Principles, filed and served	December 17, 2021
ALJ Ruling: Guidance to Parties on Submittal of Microgrid Multi-Property Tariff Proposals	January 10, 2022
Stakeholder Proposals for Microgrid Multi-Property Tariff, filed and served	February 14, 2022
Public Workshop: Stakeholder Presentation on Microgrid Multi-Property Tariff Proposals	March 2022
Opening Comments to Stakeholder Microgrid Multi-Property Tariff Proposals, filed and served	April 2022

Reply Comments to Stakeholder Microgrid Multi-Property Tariff Proposals, filed and served	April 2022
ALJ Ruling with Energy Division Staff Proposal for Microgrid Multi-Property Tariff	May 2022
Energy Division Public Workshop on Multi-Property Tariff	June 2022
Opening Comments to Energy Division Staff Proposal for Microgrid Multi-Property Tariff, filed and served	July 2022
Reply Comments to Energy Division Staff Proposal for Microgrid Multi-Property Tariff, filed and served	July 2022
Proposed Decision	Released in accordance with the Rules of Practice and Procedure

This proceeding will conform to the statutory case management deadline for ratesetting matters set forth in Section 1701.5. It is the Commission's intention to resolve all relevant issues in this proceeding within 36 months of the date of this Scoping Memo. The Commission will make every effort to expedite the schedule for addressing all items within the scope of this proceeding.

The ALJ may revise the schedule when more information is available. The ALJ may modify the schedule or require more evidence or argument, as necessary. In addition, there may be public workshops in this proceeding. Notice of such workshops will be posted on the Commission's Daily Calendar to inform the public that a decisionmaker or an advisor may be present at those meetings or workshops. Parties should check the Daily Calendar regularly for such notices.

5. Category of Proceeding and Ex Parte Restrictions

This ruling confirms the Commission's preliminary determination¹² that this is a ratesetting proceeding. Accordingly, *ex parte* communications are restricted and must be reported pursuant to Article 8 of the Rules.

6. Public Outreach

Pursuant to Pub. Util. Code Section 1711(a), I hereby report that the Commission sought the participation of those likely to be affected by this matter by noticing it in the Commission's monthly newsletter that is served on communities and business that subscribe to it and posted on the Commission's website.

7. Intervenor Compensation

This Amended Scoping Memo makes a provision for any eligible parties wishing to do so, to file a new or revised Notice of Intent (NOIs) to seek intervenor compensation related to work on Track 4. Governor Newsom's Proclamation directs the Commission to exercise its powers to expedite Commission actions, to the maximum extent necessary to meet the purposes and directives of its proclamation, including by expanding and expediting approval of demand response programs and storage and clean energy projects, to ensure that California has a safe and reliable electricity supply through October 31, 2021, to reduce strain on the energy infrastructure, and to ensure increased clean energy capacity by October 31, 2022. Section 1804 (a)(1) of the Public Utilities Code allows the Commission to determine an appropriate procedure for accepting new or revised NOIs in the event that new issues emerge subsequent to the time originally set for filing of the NOI. The issues related to

¹² OIR at 10.

Governor Newsom's Proclamation emerged subsequent to the original deadline for filing NOIs. This ruling allows parties to file new or revised NOIs to reflect the anticipated work of Track 4 no later than 30 days after issuance of this Amended Scoping Memo and Ruling.

8. Response to Public Comments

Parties may, but are not required to, respond to written comments received from the public. Parties may do so by posting such response using the "Add Public Comment" button on the "Public Comment" tab of the online docket card for the proceeding.

9. Public Advisor

Any person interested in participating in this proceeding who is unfamiliar with the Commission's procedures or has questions about the electronic filing procedures is encouraged to obtain more information at <http://consumers.cpuc.ca.gov/pao/> or contact the Commission's Public Advisor at 866-849-8390 or 866-836-7825 (TTY), or send an e-mail to public.advisor@cpuc.ca.gov.

10. Filing, Service, and Service List

The official service list has been created and is on the Commission's website. Parties should confirm that their information on the service list is correct and serve notice of any errors on the Commission's Process office, the service list, and the ALJ. Persons may become a party pursuant to Rule 1.4.

When serving any document, each party must ensure that it is using the current official service list on the Commission's website.

This proceeding will follow the electronic service protocol set forth in Rule 1.10. All parties to this proceeding shall serve documents and pleadings

using electronic mail, transmitted no later than 5:00 p.m., on the date scheduled for service to occur.

When serving documents on Commissioners or their personal advisors, and the assigned ALJ, whether they are on the official service list, **parties must only provide electronic service.**

Parties must not send hard copies of documents to Commissioners or their personal advisors or the assigned ALJ unless specifically instructed to do so.

Persons who are not parties but wish to receive electronic service of documents filed in the proceeding may contact the Process Office at process_office@cpuc.ca.gov to request addition to the “Information Only” category of the official service list pursuant to Rule 1.9(f).

The Commission encourages those who seek information-only status on the service list to consider the Commission’s subscription service as an alternative. The subscription service sends individual notifications to each subscriber of formal e-filings tendered and accepted by the Commission. Notices sent through subscription service are less likely to be flagged by spam or other filters. Notifications can be for a specific proceeding, a range of documents and daily or weekly digests.

11. Receiving Electronic Service from the Commission

Parties and other persons on the service list are advised that it is the responsibility of each person or entity on the service list for Commission proceedings to ensure their ability to receive e-mails from the Commission. Please add “@cpuc.ca.gov” to your e-mail safe sender list and update your e-mail screening practices, settings and filters to ensure receipt of e-mails from the Commission.

12. Assignment of Proceeding

Genevieve Shiroma is the assigned Commissioner and Colin Rizzo is the assigned ALJ for the proceeding.

IT IS RULED that:

1. The scope of this proceeding is described above and is adopted.
2. The schedule of this proceeding is set forth above and is adopted.
3. Evidentiary hearing is not needed.
4. The category of the proceeding is ratesetting.

This order is effective today.

Dated August 17, 2021, at San Francisco, California.

/s/ GENEVIEVE SHIROMA

Genevieve Shiroma
Assigned Commissioner