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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE

STATE OF CALIFORNIA

Order Instituting Rulemaking to Modernize the Electric Grid for a High Distributed Energy Resources Future.	R.21-06-017

MOTION OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) AND SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E) TO TEMPORARILY SUSPEND PORTIONS OF THE DISTRIBUTION INVESTMENT DEFERRAL FRAMEWORK PROCESS FOR 2024-2025

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I.

INTRODUCTION

Pursuant to Rule 11.1 of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission" or "CPUC"), Southern California Edison Company ("SCE") and San Diego Gas & Electric Company ("SDG&E") respectfully submit this motion to suspend portions of the annual Distribution Investment Deferral Framework ("DIDF") process for 2024-2025 ("Motion"). Due to upcoming DIDF deadlines, SCE and SDG&E respectfully request expedited review of this Motion.

II.

REQUEST TO TEMPORARILY SUSPEND SOLICITATION RELATED PORTIONS OF THE DIDF

Since 2019, California Independent System Operator ("CAISO") interconnection process cycle times, which directly affect commercial operation dates, have been a barrier in the DIDF solicitation process. This issue has now become insurmountable, as interconnection delays would prevent In Front of Meter ("IFOM") resources providing distribution deferral services from coming online within the needed years in the upcoming round of DIDF. SCE and SDG&E

therefore request to suspend solicitation-related portions of the 2024 Grid Needs Assessment ("GNA") and Distribution Deferral Opportunity Report ("DDOR") and the related solicitation process through the Request for Offer ("RFO") and Partnership Pilot ("PP"). Thus, for 2024, SCE and SDG&E would only publish non-solicitation related data in their respective GNAs and DDORs.

III.

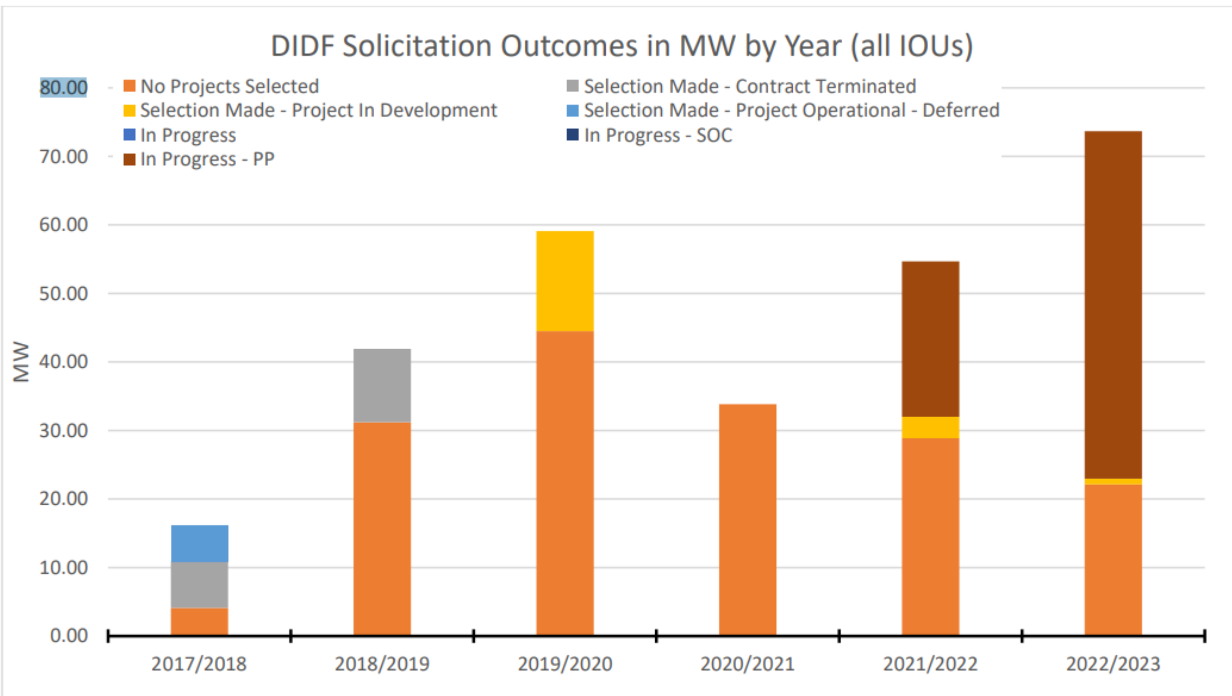
DISCUSSION

In Decision ("D.") 18-02-004, issued on February 15, 2018, within the Distribution Resources Plan ("DRP") proceeding, the Commission established the DIDF, which directed investor-owned utilities ("IOUs") to consider deferral of traditional utility investments through distributed energy resources ("DERs"). The goal of DIDF was to identify and select cost competitive opportunities for third party DERs to defer traditional capital investments. As part of the process, each IOU issues a GNA and a DDOR annually in August, which identify deferral opportunities and are used in the solicitation process.

While this process has been closely adhered to over the course of the past six years, it has resulted in very few distribution deferral contracts. This has been the outcome despite significant effort and ratepayer expense. In addition, for the 2024-2025 DIDF cycle, SCE and SDG&E face a growing challenge. Specifically, the generator interconnection backlog is now further reducing the likelihood of cost-effective distribution deferral contracts via IFOM resources. For this reason, SCE and SDG&E request suspension of requirements related to soliciting IFOM and behind the meter ("BTM") resources, including related components of the GNA report and DDOR. As further described below, while BTM resources may not be directly impacted by delays in the interconnection process for IFOM resources, the deferral solicitations since the inception of the DIDF have indicated that BTM resources are unlikely to result in cost-effective distribution deferral contracts. Running further solicitations for such resources is not warranted.

A. Through its lifetime, the DIDF program has resulted in very few cost-effective deferral contracts.

Despite multiple annual reforms, including development of the Partnership Pilot ("PP") and Standard Offer Contract ("SOC") Pilot in D.21-02-006, the DIDF has not resulted in a significant number of cost-effective deferral contracts. As a result, the SOC Pilot was off-ramped in May of 2023. Furthermore, as seen in the graph below, no DER offers were selected for the majority of deferral opportunities, and of the few selected offers, even fewer are currently operating successfully.[1]



For example, while all IOU data has not yet been compiled for 2023/2024, one notable metric is that neither SCE nor SDG&E received offers in their 2023/2024 solicitations. This outcome is the first time SCE has received no offers and serves as further evidence that the DIDF is not generating a meaningful number of deferrals.

1 This graph was created by the High DER Independent Professional Engineer and republished by Energy Division in its Staff Proposal to Improve the Distribution Planning and Execution Process, issued March 13, 2024.

B. <u>This year's unique interconnection challenge will make it impossible to execute a deferral contract for In Front of Meter resources.</u>

Since 2019, CAISO interconnection process cycle times, which directly affect commercial operation dates, have been a barrier in the DIDF solicitation process. This issue has now become insurmountable, as interconnection delays would prevent IFOM resources from coming online by the distribution infrastructure need dates in the upcoming round of DIDF.

At the time DIDF was implemented, the IOUs and Commission generally assumed it would be possible to complete the generator interconnection process in 2-3 years. Adding time for construction, it would be possible to build and interconnect DERs in time to meet a need 4-5 years out. In reality, experience indicates that 2-3 years has in fact been a best-case outcome and is generally not reflective of actual efforts to add DER capacity. Recent developments have exacerbated this long-standing issue.

Once deferral opportunities are identified in the GNA and DDOR, SCE and SDG&E, through their solicitation processes, may receive offers for IFOM DER solutions. IFOM solutions seeking deliverability in order to be eligible to provide resource adequacy to load serving entities (and thereby secure a key revenue stream that would support cost-effective distribution deferral) would need to submit interconnection requests pursuant to each IOUs' Wholesale Distribution Access Tariff ("WDAT"). The processing of interconnection requests under the WDATs is generally dependent upon the timelines associated with the CAISO's queue cluster interconnection process, and recent developments to that process have rendered deferral offers involving new IFOM DER solutions to be an impossibility until such time as the CAISO reopens its queue cluster interconnection process.

As a result of the unprecedented number of interconnection requests the CAISO received in queue clusters 14 and 15, the Federal Energy Regulatory Commission ("FERC") has approved schedule and procedural changes requested by the CAISO, resulting in additional time being needed to complete the processing of interconnection requests already submitted.[2] The CAISO has also paused the processing of interconnection requests submitted as part of queue cluster 15 and is conducting a stakeholder process – Interconnection Process Enhancements ("IPE") 2023 – to develop revisions to its tariff. In addition, the CAISO is required to make a FERC filing to comply with Order 2023 and Order 2023-A to implement revisions to its interconnection process.[3] Finally, on February 8, 2024, the CAISO filed a tariff amendment with FERC to forgo a new interconnection request window in 2024.[4]

These schedule impacts to the interconnection process will likely push the commercial online dates for any DERs in queue cluster 15 and later clusters beyond deferral opportunity need/target dates, making it highly unlikely that the next DIDF solicitation process will result in any deferral contracts. More specifically, the need dates for candidate deferral years 4 and 5 in the 2024 GNA/DDOR would be 2027 and 2028. However, the interconnection delays prevent any IFOM DERs seeking to interconnect via the queue cluster process from coming on-line in time to provide the needed capacity in 2027 and 2028.

This is significant because, for the 2024-2025 GNA/DDOR solicitations, if an offer were awarded to a DER developer, they would likely need to apply in the queue cluster 16 application window, which based on CAISO's most recent schedule published on March 29, 2024, is scheduled to open in October, 2026.[5] This is long after the date when DIDF contracts need to be executed. If DER developers attempt to bypass the standard generator interconnection process, they may try to use the Independent Study Process ("ISP") but, due to the high number of generators already in the interconnection queue, a new generator interconnection application is

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[2] California Independent System Operator Corp., 176 FERC ¶ 61,207 (2021); California Independent System Operator Corp., 184 FERC ¶ 61,069 (2023).

[3] SCE must also make an Order 2023 (2023-A) compliance filing with FERC for its WDAT, 90 days after the CAISO makes its compliance filing.

[4] FERC Docket ER24-1213.

[5] Available at: [FinalProposalClusterSchedule-InterconnectionProcessEnhancements2023Track2.pdf (caiso.com)](FinalProposalClusterSchedule-InterconnectionProcessEnhancements2023Track2.pdf).

not likely to be able to pass the screens that would allow it to proceed through the ISP. The application would then be transferred into the queue cluster process which would begin after the conclusion of 2024-2025 GNA/DDOR solicitations. Even assuming DER developers and SCE or SDG&E would agree to enter into an agreement prior to the developer submitting its interconnection request in October 2026, the interconnection study process could only be completed by 2028, pushing the commercial operations after 2028. Consequently, SCE and SDG&E believe that a COD in 2028 for queue cluster 16 projects is not feasible.

SCE met with the Energy Division ("ED") on March 4, 2024, to discuss broad concerns with the 2024 GNA/DDOR process due to delays in the generator interconnection process. SCE inquired into the possibility of suspending solicitation requirements due to ongoing interconnection issues. ED acknowledged the challenges and recommended that the IOUs propose a solution to this novel situation. The result is the present motion, being filed jointly by SCE and SDG&E, as each is faced with a similar challenge.

If required to continue with the 2024-2025 DIDF process, SCE and SDG&E would need to continue allocating valuable resources to a process that is highly unlikely to yield any deferral contracts, diverting attention from current efforts on other critical objectives such as the procurement of thousands of MWs required for Mid-Term Reliability (D.21-06-035). Due to upcoming DIDF deadlines, SCE and SDG&E respectfully request expedited review of this Motion.

C. <u>**Evidence indicates that BTM contracts are unlikely to result in cost-effective deferral.**</u>

While the queue cluster process may not impact BTM resources, SCE and SDG&E do not see merit in publishing the DDOR only for third-party BTM procurement. Within the DIDF, neither SCE nor SDG&E have had a deferral contract that relies only on BTM resources. It has been SCE's and SDG&E's experience that third-party BTM resources are typically small and, to meet the requirements of the deferral needs, a portfolio that contains an IFOM solution and/or multiple third-party BTM aggregators are needed. Further, third-party BTM resources generally have either fixed energy production profiles or have restrictive dispatch parameters that do not match well with deferral needs. These challenges also affect the Partnership Pilot ("PP") currently testing the third-party BTM-only option. Between SCE and SDG&E, there have been over 100 BTM offers between DIDF RFO and PP, and none have been feasible or cost-effective for SCE or SDG&E.

For the PP specifically, SCE and SDG&E are of the opinion that the pilot should be off-ramped. Additionally, both SCE's[6] and SDG&E's[7] Independent Evaluator ("IE") recommended in their mid-stream evaluations, submitted in March 2024, to off-ramp the PP.

D. <u>**A suspension of DDOR at this time is consistent with the CPUC Staff Proposal to reduce focus on DIDF and shift towards other means of utilizing DERs to provide grid benefits.**</u>

As indicated by ED's inclusion of DIDF reform options within the Track 1, Phase 1 Staff Proposal issued on March 14, 2024, there is clear interest in an alternate future for DIDF on an expedited basis. DIDF is not fully in scope until Track 1, Phase 2 of the proceeding, for which a decision would be unlikely to be issued until late-2025 given current schedules.[8] ED has shown a willingness to engage in this discussion earlier by opening the door to "deprioritize" DIDF in its Track 1, Phase 1 Staff Proposal, specifically laying out options to suspend DIDF reforms or recast DIDF entirely.[9]

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6 R.21-06-017, "SCE Independent Evaluator Annual and Mid-Stream Partnership Pilot Report," Mar. 25, 2024. Available at: https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M528/K882/528882815.PDF.

7 R.21-06-017, "SDG&E Partnership Pilot Independent Evaluator Midstream Report," Mar. 25, 2024. Available at: https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M528/K846/528846445.PDF.

8 The Assigned Commissioner Amended Scoping Memo issued on Aug. 11, 2023, indicates that the earliest activity in Track 1, Phase 2 would be the Electrification Impacts Study, Part 2, slated for Q3/Q4'24, but that has already been pushed out to Q1'25 based on recent conversations with Commissioner Houck. A Staff Proposal for Track 1, Phase 2 would thus be unlikely to arrive any earlier than mid-2025.

9 Staff Proposal for the High DER Proceeding, p. 89.

Of note, at the March 27, 2024, public workshop held by ED to walk through its proposals, a clear expression was made by staff that the future of DIDF would not be focused on deferrals and that other options, like load flexibility, held much more promise. While these concepts are still at the proposal stage, and some may need to wait until Track 1, Phase 2 of the Proceeding, a pausing of DIDF in the face of unprecedented interconnection challenges would be consistent with the messaging coming from ED regarding DIDF.

E. A temporary suspension of DIDF is consistent with CPUC policy on ALJ rulings.

In D.18-02-004, the Commission recognized the ALJs' authority to make modifications to the DIDF - outside of a Commission rulemaking - based on subsequent developments and learnings, finding that "an open pathway for modifying various elements of the DIDF is needed." Pursuant to this direction, significant DIDF reforms such as elimination of the SOC Pilot in May 2023 to minimize unnecessary costs to ratepayers have been implemented by ALJ ruling. With challenges in the interconnection process now preventing SCE and SDG&E from implementing a successful DIDF solicitation process, similar ALJ intervention is required. Temporary suspension of portions of the process for 2024-2025 is justified and consistent with the original DIDF rulemaking and CPUC policy.

IV.

CONCLUSION

The interconnection challenges currently jeopardizing the 2024-2025 DIDF process are daunting and, combined with the paucity of deferral contracts since DIDF's inception, a temporary pause is advisable. It is also consistent with recent concepts introduced by ED for recasting DIDF in the near future. For these reasons, SCE and SDG&E respectfully request expedited review of this motion to suspend the solicitation process and related elements of the GNA and DDOR for 2024-2025.

Respectfully submitted,

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