

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

AGENDA ID: 17491
RESOLUTION E-4997
July 11, 2019

R E S O L U T I O N

Resolution E-4997. Rejection of San Diego Gas and Electric Advice Letter 3309-E related to its Request to Procure a Distributed Energy Resource Solution, pursuant to Decision (D.) 18-02-004.

PROPOSED OUTCOME:

- Denies Advice Letter 3309-E.
- This Resolution rejects San Diego Gas & Electric Company's (SDG&E) request to procure Distributed Energy Resources (DERs) in the 2018 Distribution Investment Deferral Framework procurement cycle.
- This Resolution requires SDG&E to evaluate the need to couple capacity service with a back-tie requirement on a case by case basis.
- This Resolution directs SDG&E to evaluate the candidate distribution deferral project in the 2019 Distribution Investment Deferral Framework Distribution Planning Advisory Group process.

SAFETY CONSIDERATIONS:

- There are no safety considerations.

ESTIMATED COST:

- This Resolution entails no incremental costs.

By San Diego Gas & Electric Company Advice Letter 3309-E filed on
November 28, 2018

SUMMARY

On November 28, 2018, San Diego Gas & Electric Company (SDG&E) filed Advice Letter (AL) 3309-E that 1) identifies the candidate distribution deferral

project discussed with SDG&E's 2018 Distribution Investment Deferral Framework (DIDF) Distribution Planning Advisory Group (DPAG), 2) requests approval to initiate a solicitation process to procure a cost-effective DER solution that would allow SDG&E to defer the candidate deferral project, and 3) provides a cost-effectiveness cap. The AL was filed in accordance with Ordering Paragraph "w" of Decision (D.)18-02-004.

This Resolution rejects the AL. This Resolution denies SDG&E's request to require a DER solution to provide both a back-tie service coupled with a capacity service as a blanket condition for all distribution deferral projects.¹ For the distribution deferral project in this AL, the Resolution finds that SDG&E did not adequately justify the need for both services to be combined. The Resolution requires SDG&E to substantiate any requirement to combine DER capacity services with back-tie services on a case by case basis for each project as part of the DIDF/DPAG process and future ALs seeking approval for DER solicitations.

Finally, this Resolution denies initiating the solicitation at this time to allow for more time to better understand how the grid need may change over the course of the next DIDF cycle. We agree with the IPE's conclusion that since the traditional 'wires' project would be monitored for at least one more year before committing to an investment, there is ample time to determine if the need is more certain in the 2019 DIDF cycle.

BACKGROUND

On February 15, 2018, the Commission issued a decision within the Distribution Resources Plans (DRP) proceeding, Rulemaking (R.)14-08-013, that, in part, adopted a DIDF that has as a central objective the identification of opportunities for DERs to cost-effectively defer traditional Investor Owned Utility (IOU) distribution investments planned to mitigate forecast deficiencies. The Administrative Law Judge (ALJ) issued a Ruling on May 7, 2019 that addressed

¹ The Back-tie service (a.k.a. "tie capacity") is an industry-wide engineering best practice of incorporating thermal capacity and tie switches between radial circuits in order to maintain continuity of service in the event of planned or unplanned outages. This practice provides switching capability to avoid or mitigate the impact of outages to customers during planned (e.g. maintenance) and unplanned (e.g. emergencies) events.

improvements to the annual DIDF process, which set August 15, 2019 as the start of the 2019 DIDF cycle.

As part of the 2018 DIDF, SDG&E filed a Grid Needs Assessment (GNA) on June 1, 2018 that presented a report of SDG&E's distribution planning assumptions and the resulting 40 distribution grid needs for the five-year period 2018 – 2022. SDG&E filed a Distribution Deferral Opportunities Report (DDOR) on September 1, 2018 that contained a list of 23 planned investments/projects that addressed the grid needs identified in the GNA. The DDOR also informed, that after applying the two initial deferral screens approved by the Commission, SDG&E identified one of the planned investments as being a candidate deferral project, i.e., a project with the potential to result in a cost-effective, investment deferral with DERs, a.k.a., a "non-wires alternative." The DPAG was convened during the September 15 – October 31, 2018 period, and was a forum for SDG&E and stakeholders to discuss the content in SDG&E's GNA and DDOR, and examine if, and if so, how application of prioritization metrics would impact the list of candidate deferral project(s). Discussions with the DPAG did not identify other candidate deferral projects; nor did the discussions result in SDG&E's removal of the candidate deferral project.

SDG&E's candidate distribution deferral project has a capital cost of \$412,000 with Locational Net Benefits Analysis (LNBA)² value below \$100/kW-yr. SDG&E is requesting approval to launch a solicitation for DERs that must provide both distribution capacity and back-tie services:

- Capacity requirements at identified times of day starting in 2022 that incrementally increase through 2027
- Back-tie requirement is immediate dispatch for two hours at any time of day at the same incremental capacity levels

The SDG&E proposed cost cap (i.e. the value of deferring the traditional infrastructure project minus the incremental administrative costs associated with the solicitation process to procure DERs) included in the confidential version of

²Locational Net Benefits Analysis provide an estimate of the value of a given distribution deferral project at a specific location on the distribution grid. \$/kW-yr is one metric of cost-effectiveness used in the DIDF DPAG process to screen candidate deferral projects.

the AL is relatively small.³ A cost-effective DER solution needs to cost less than the proposed cost cap per Decision (D.)18-02-004.

The proposed solicitation timeline and requirements conform to the requirements established in Track 1 decision and IDER solicitation requirements. SDG&E would launch the DER solicitation within 30 days of approval of AL 3309-E.

NOTICE

SDG&E served copies of AL 3309-E to the interested parties on the R.14-08-013 service list.

PROTESTS AND RESPONSE

California Public Advocates Office⁴ (CalPA) protested the Advice Letter while California Energy Storage Alliance, and the California Efficiency and Demand Management Council submitted responses. Although the CalPA protested SDG&E Advice Letter, neither CalPA, nor the other respondents, protested SDG&E's request to initiate a solicitation for a DER solution.

CalPA

CalPA submitted a timely protest to SDG&E AL 3309-E. CalPA's protest focus on three separate issues: data redaction, back-tie requirements and potential reforms to the DIDF process going forward.

CalPA in their protest stated that SDG&E's AL redacts much of the project details which makes a meaningful discussion of SDG&E's proposed project

³ Please refer to Confidential Appendix C of SDG&E's AL 3309-E for more information. The administrative costs include the contract cost of the Independent Professional Engineer and the Independent Evaluator.

⁴ Senate Bill 854 (Stats. 2018, Ch. 51) amended Pub. Util. Code Section 309.5(a) to, in part, rename the Office of Ratepayer Advocates as the Public Advocate's Office of the Public Utilities Commission. We will refer to this party as CalPA.

difficult. In its protest, CalPA argued against blanket confidential treatment of distribution planning data arguing that this is counter to the stated DRP goal for increased transparency.

CalPA also protested the requirement that DER bidders to the deferral project provide distribution capacity as well as back-tie service. Specifically, SDG&E stipulated that the DER solution provide an immediate dispatch of two hours of back-tie service once per year at SDG&E's request.

CalPA pointed out that the Independent Professional Engineer (IPE) report highlights how DERs procured to meet a specific demand do not provide the capacity margin to serve operational flexibility that traditional distribution infrastructure can provide. CalPA noted that the IPE's report states that they are not aware of a planning process that systematically determines the nature of capital projects in order to maintain a margin for operational flexibility, and further states that they were not able to verify SDG&E's back-tie requirement for grid need identified for deferral.⁵

CalPA argued that since a margin for back-tie is not always provided by traditional distribution capacity projects, the back-tie for this specific distribution deferral project has not yet been justified, and SDG&E is generally expecting DER solutions to provide services that they were not necessarily designed to do.

California Energy Storage Alliance (CESA)

In its response, CESA stated that while they support proceeding to a solicitation for the proposed project, they have concerns on how the RFO will be structured. Specifically, CESA does not find any compelling need to couple thermal capacity services with back-tie services from the same DER solutions. CESA further argues that doing so will create disproportionate financial and contract risk for DER providers that participate in the RFO. CESA requests that more justification

⁵ SDG&E AL 3309-E, Attachment D - *Independent Professional Engineer SDG&E 2018 DDOR/DPAG Report* on page 28.

from SDG&E is needed before requiring back-tie services from DERs that provide peak capacity requirements.

CESA further stated that the redaction of project details inhibits discussion and validation of the project.

California Efficiency and Demand Management Council (Council)

The Council stated in its response that SDG&E's requirement that back tie service be coupled with thermal capacity services may preclude the participation of EE and DR resources individually (or in combination) in SDG&E's DIDF project. The Council suggested that SDG&E conduct more analysis to better quantify the need and value of those services at this location and to determine if potential DER solutions must provide those services.

SDG&E's Replies to Protests and Comments of Advice Letter 3309-E

In reply comments, SDG&E stated that they consider certain project-specific information to be confidential and that the absence of this information did not inhibit discussion of the project in a public forum and therefore does not impair that DIDF RFP process. SDG&E stated that market participants as with other utility service providers, should only gain access to non-public data on a need to know basis through non-disclosure agreements for the DIDF RFO process.

Regarding concerns on performance requirements, SDG&E responded by stating that they are designed to place an equal level of risk on the DER providers as consumers would bear if the deferrable distribution upgrade was built. DER providers should provide approximately the same level of service reliability that a deferred upgrade would provide.

Regarding the requirement to couple back-tie service with capacity. SDG&E stated that this requirement is needed because there are instances when system loading materializes unexpectedly in real time due to events such as customer behavior, emergencies or weather. SDG&E further explained grid operators must have the ability to immediately issue dispatch commands to the DER to mitigate unanticipated conditions or risk outages or damage to equipment. In the DPAG

meetings, SDG&E stated that back-tie need was contingent on the configuration of the distribution infrastructure, which will be determined on a case by case basis. The proposed project requires back-tie service and SDG&E provided circuit topology that it says demonstrates the back-tie benefit of the proposed project.

DISCUSSION

The Commission finds that the requirement to couple the back-tie requirement with the capacity requirement has not been sufficiently justified by SDG&E and vetted with Parties in the DIDF process nor in this AL. We reject the coupling of back-tie requirements with capacity requirements as a blanket condition for all DER solicitations and for this particular project.

The Commission is persuaded by the Independent Professional Engineer's (IPE) report, which recommends that back-tie requirements be determined on a project by project basis, rather than as a general rule, since there are some circumstances where back-ties are not needed or valuable. For this particular project, the IPE found that SDG&E did not provide adequate justification for the back-tie requirement. Further, the IPE report states that the proposed project is ranked low on the cost-effectiveness metric and that the size of the need is relatively small, further adding to the load uncertainty. We agree with the IPE's conclusion that since the traditional 'wires' project would be monitored for at least one more year before committing to an investment, there is ample time to determine if the need is more certain in the 2019 DIDF cycle.

We agree with CESA's concern that coupling back-tie services with capacity will create disproportionate financial and contract risk for DER providers in participating in the RFO. We also agree with CalPA's statement that the requirement to provide an immediate 2-hour dispatch at any time limits the opportunities for DER vendors to stack value by selling services to other buyers, thus increasing the cost of the distribution deferral project. This Resolution will

not address the DIDF reform suggestions by CalPA as that was addressed in the ALJ's May 7, 2019 Ruling modifying the DIDF process.

We, therefore, reject SDG&E's proposed procurement until further justification has been provided on the need to couple back-tie service with capacity services. The Commission also notes that the IPE report suggests that reconsidering this project in the 2019 DIDF cycle also has another advantage insofar as it allows SDG&E to more fully understand the grid need and whether to combine capacity and back-tie requirements for this project. Therefore, the Commission directs SDG&E to consider this project in subsequent DIDF cycles to the degree that the capacity need is there.

The ALJ ruling issued on May 7 found that there is no information within the GNA and DDOR that merited confidential treatment and therefore should not be redacted in future reports. Thus, we agree with parties' concerns with over-redaction by SDG&E in this AL and order SDG&E to follow the Commission guidance on data redaction in the DRP proceeding.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review. Please note that comments are due 20 days from the mailing date of this resolution. Section 311(g)(2) provides that this 30-day review period and 20-day comment period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day review and 20-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

FINDINGS

1. On November 28, 2018, SDG&E filed AL 3309-E that requests approval to initiate a solicitation process to procure a cost-effective Distributed Energy Resources (DER) solution that would allow SDG&E to defer the candidate deferral project.
2. The AL was filed in accordance with Ordering Paragraph “w” of Decision (D.)18-02-004.
3. CalPA submitted a timely protest to SDG&E AL 3309-E.
4. California Energy Storage Alliance and the California Efficiency and Demand Management Council submitted a timely response to SDG&E AL 3309-E.
5. SDG&E did not provide sufficient justification for coupling a procurement of distribution capacity service with a back-tie requirement.
6. The IPE report recommends that back-tie requirements be determined on a project by project basis rather than as a general rule since there are some circumstances where back-ties are not needed or valuable.
7. The IPE report states that the proposed project is ranked low on the cost-effectiveness metric and that the size of the need is relatively small further adding to the load uncertainty.
8. The IPE report concludes that since the traditional ‘wires’ project would be monitored for at least one more year before committing to an investment, there is ample time to determine if the need is more certain in the 2019 DDOR cycle.
9. The IPE report suggests that reconsidering this project in the 2019 DIDF cycle allows SDG&E to more fully understand the grid need and whether to combine capacity and back-tie requirements for this project.

THEREFORE IT IS ORDERED THAT:

1. AL 3309-E is denied.
2. San Diego Gas & Electric Company must provide further justification on the need to couple distribution capacity service with a back-tie requirement on a case by case basis for all future projects considered in the Distribution Investment Deferral Framework.
3. San Diego Gas & Electric Company shall evaluate the need for this candidate deferral project in the 2019 Distribution Investment Deferral Framework process and in its Grid Needs Assessment / Distribution Deferral Opportunities Report filing.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on July 11, 2019; the following Commissioners voting favorably thereon:

ALICE STEBBINS

Executive Director