

**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
(Filed September 12, 2019)

**COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE ON THE
MICROGRID INCENTIVE PROGRAM IMPLEMENTATION PLAN PURSUANT TO
ASSIGNED COMMISSIONER'S AMENDED SCOPING MEMO AND RULING
RESETTING TRACK 4**

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In accordance with Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), the California Energy Storage Alliance (“CESA”) hereby submits these comments on the investor-owned utilities’ (“IOU”) Microgrid Incentive Program (“MIP”) Implementation Plan submitted on December 3, 2021. Pursuant to the *Assigned Commissioner’s Amended Scoping Memo and Ruling Resetting Track 4* (“Ruling”), issued by Administrative Law Judge (“ALJ”) Collin Rizzo on December 17, 2021, CESA is timely submitting these comments.

I. INTRODUCTION.

In the face of Public Safety Power Shutoffs (“PSPS”) and other outages/risks stemming from climate change-related extreme weather events (*e.g.*, wildfires, drought, heat waves), customers in California are increasingly turning to customer-sited distributed energy resources (“DERs”), such as behind-the-meter (“BTM”) solar and energy storage, as well as backup fossil-fueled generators, to provide electricity resiliency solutions. There has also been significant interest in community microgrids, which can provide backup power to multiple customers and/or critical facilities, as an important tool to provide resiliency solutions to many customers in cases where communities are either unable or find it less economic to install their own comprehensive BTM system. Especially where microgrids can provide additional energy bill reduction as well as grid services such as system load reduction, distribution deferral, and resource adequacy (“RA”), microgrids can provide incremental value to address system and local capacity needs and stack value in ways that make customer, industry, and ratepayer investments more economic and cost-effective.

To this end, CESA is a strong proponent and supporter of the Microgrid Incentive Program (“MIP”), which will play an important role in addressing the state’s electric resiliency needs and in increasing the access to community microgrids for disadvantaged and vulnerable communities (“DVCs”), who may find DERs, particularly more clean energy options, to be cost prohibitive and/or inaccessible due to the complexity of community and multi-customer microgrids. It will be important to expand access to resiliency solutions within DVCs in order to address inequities within our energy system related to access to DER solutions for resiliency needs.

Overall, CESA is excited to see the launch of MIP that will support DVCs in mitigating the harmful impacts of grid outages. We also appreciate the multiple workshops held by the IOUs to facilitate and solicit stakeholder feedback to better shape the MIP for success that is responsive to the needs of communities as well as cognizant of project development considerations of community microgrids. Based on the stakeholder input in the workshops, the MIP Implementation Plan has clear signs of improvement since the initial program design and plans were shared early in the workshop process, such as including an active IOU role in consultation to the process, flexibility in the application process to help communities and developers navigate the technical interconnection, project configuration, and planning processes, and the removal of requirements or scoring around the provision of grid services by microgrid applicants, among other key changes.

While appreciative and supportive of these improvements, CESA offers several additional areas of improvement to the MIP Implementation Plan that can be made to make the program more viable for communities and to create fair scoring mechanisms to allocate funds in the most effective and broadly impactful way possible. Specifically, our comments to the MIP Implementation Plan can be summarized as follows:

- The 24-month commercial operation deadline for MIP projects should be extended.
- The points for the Benefit Score for each sub-category should not be arbitrarily limited.
- The Environmental Benefits scoring criteria should consider the magnitude of clean energy capacity to be installed.

II. THE 24-MONTH COMMERCIAL OPERATION DEADLINE FOR MIP PROJECTS SHOULD BE EXTENDED.

CESA supports the IOUs' proposal to extend the commercial operation deadline ("COD") set in Decision ("D.") 21-01-018, which currently requires all MIP-funded projects to come online within 24 months of the adoption of a MIP implementation plan.¹ As highlighted by the IOUs,² stakeholders universally raised this as one of the largest barriers to participation in MIP, particularly for DVCs, which may need additional time to learn about MIP, design a comprehensive community microgrid that meets their needs, and consider additional funding sources outside of MIP to make projects financially viable as well as potentially higher scoring in the MIP evaluation process. CESA commends the IOUs for providing additional access and support in this implementation plan so that more DVCs can apply to this program, including the community outreach plan, multiple application intake windows, and grants to cover application costs. In particular, considering that each IOU will develop a comprehensive handbook based on the Commission approval of the MIP design and Implementation Plan, it makes sense to not "start the clock" on MIP-funded project COD requirements upon this Commission approval. Without the finalization of the program handbook that memorializes or specifies in more detail the aspects of the MIP application process and program design, MIP applicants will have incomplete information to inform their application and project design/development steps.

Most of all, it would be a shame if all these carefully considered efforts to make the program accessible were ineffective due to the extremely short development timeline, as outlined in D.21-01-018, which the Commission may have not anticipated or contemplated at the time of adoption of such MIP guidance. For example, the Blue Lake Rancheria microgrid took a full 24 months to design, develop, construct, and interconnect. Given the months needed for the utilities to implement the MIP and conduct outreach to share these opportunities with communities, beginning the 24-month deadline from the adoption of this plan will only allow for participation from communities already beginning the development of a microgrid.

CESA thus agrees with a development term of 24 months beginning on the effective date of the Microgrid Operating Agreement ("MOA"), with a potential 12-month extension, as

¹ D.21-01-018 at 66.

² MIP Implementation Plan at 5.

proposed by the IOUs in the MIP Implementation Plan.³ This will ensure that projects are developed in a timely manner while allowing for adequate time to design the microgrid and submit applications.

III. THE POINTS FOR THE BENEFIT SCORE FOR EACH SUB-CATEGORY SHOULD NOT BE ARBITRARILY LIMITED.

In the MIP Implementation Plan, the IOUs outline the three categories under which points can be accumulated: (1) Customer & Community Benefits; (2) Resilience Benefits; and (3) Environmental Benefits. Within each Benefit Scoring Category, there are sub-categories with associating specific scoring criteria and points awarded for those scoring parameters; however, the maximum number of points that can be accumulated for these scoring parameters is capped. For example, within the Customer & Community Benefits category, Critical Facilities is a sub-category, with 10 points given for each critical facility within the project boundary serving a DVC. Yet, a maximum of 30 points is given for Critical Facilities overall, causing any project with more than three critical facilities serving DVCs to not earn additional points for additional facilities beyond this cap. Point caps similarly limit the points that can be accumulated for:

- Number of low-income or vulnerable customers served (limits of 80 and 50 customers respectively)
- Community resilience services provided (limit 1)
- Historical PSPS events experienced (limit 7 from all years)
- Islanding duration (limit of 96 hours)
- Backup fossil fuel generation sets displaced (limit 1)

These limitations mean that larger microgrids that are providing services to potentially hundreds of low-income and vulnerable customers, or over multitudes of community facilities (*e.g.*, 10) do not earn points commensurate with their broader-scale contributions. It is unclear how these caps were determined and seem to have been arbitrarily chosen by the IOUs. If the IOUs intended the various caps in the sub-categories to guard against single or few projects taking up all

³ MIP Implementation Plan at 5.

of the MIP funds, CESA would contend that \$15-million project caps are already in place to ensure a reasonably equitable distribution of funds to MIP applicants.

As currently constructed, point caps will disproportionately harm the Project Scores of larger projects, even as larger projects could serve a larger number of customers for the same amount of requested funds as smaller projects. As outlined in the MIP Implementation Plan, the overall Project Score for any project applying to MIP will be calculated as: Benefit Score (in points) divided by the Application Incentive Request (“AIR”) (in dollars). Therefore, having a capped Benefit Score will inevitably harm an application on a per-AIR basis if the beneficiaries of the MIP exceed the cap amounts and do not recognize the incremental benefits provided by larger projects. For example, consider two hypothetical projects (Project A and Project B) assessed for their benefits along the number of low-income customers served by their respective proposed microgrids. Project A serves 80 low-income customers and requests \$5 million in incentives, thus earning an overall Project Score of 1.6 (*i.e.*, 8 points / \$5 million) and serving 16 customers per \$1 million in incentives. On the other hand, Project B serves 300 low-income customers and requests \$15 million in incentives, thus only earning an overall project score of 0.5 (8 points / \$15 million) but serving 20 customers per \$1 million in incentives. Despite Project B being more cost-effective, Project A would be prioritized and awarded funds first if applications exceed funds available in an application intake window.

Instead of this approach, CESA recommends that the IOUs modify their MIP scoring criteria to *not* impose caps on the maximum points that can be accumulated for any sub-category. This way, the full contributions of projects can be measured and considered in the Benefit Score. We do understand that the current Benefit Score calculations are designed to apply weights the Customer & Community Benefits, Resilience Benefits, and Environmental Benefits categories by giving each category 50%, 30%, and 20% of the total potential points respectively, based on a proposal made by Sierra Club and the Microgrid Equity Coalition (“MEC”) in the MIP workshops. CESA does not believe weighting of points among three categories is necessary, but if the Commission decides it is important to weight points given the importance of balancing across these categories and eligibility criteria that ensure projects support DVCs, CESA recommends a traditional weighting structure, whereby all points accumulated in Customer & Community Benefits are weighted by 50% Resilience Benefits are weighted by 30%, and Environmental Benefits are weighted by 20%. In doing so, rather than weighting based on total points allocated

across the three Benefits categories but capped point counts in each sub-category, the weighting would be done at the Benefits category level while leaving the sub-category points uncapped. This will better achieve the balance of weighting different criteria while evaluating projects for the full range and scope of benefits that could be offered by any given microgrid project, including larger ones that could offer sizable and scalable benefits.

IV. THE ENVIRONMENTAL BENEFITS SCORING CRITERIA SHOULD CONSIDER THE MAGNITUDE OF CLEAN ENERGY CAPACITY TO BE INSTALLED.

Within the Environmental Benefits Category, there are two sub-categories: (1) Clean Energy, based on the percentage of clean energy capacity in relation to total capacity being installed; and (2) Fossil Fuel Displacement, with three points given if a fossil fuel system is displaced as the primary backup system. However, neither of these categories considers the amount of clean energy capacity being installed in the system and how that may impact the use of fossil fuels. Again, by way of example, consider Project A that consists of a 100% clean energy microgrid with a capacity of 500 kW, earning 17 points in Environmental Benefits.⁴ Now consider Project B that consists of an 80% clean energy microgrid of 1 MW that also displaces a 500-kW fossil fuel generator, earning only 5 points.⁵ Even though Project B installs more clean energy (*i.e.*, 800 kW compared to 500 kW for Project A) and displaces 300 kW of fossil fuel generation, it earns less points than Project A. Modifying existing or adding additional scoring criteria to consider the capacity of clean energy that is being installed will help to consider the full contributions of these projects. Additionally, it will serve to level the playing field between smaller and larger projects by allowing for more consideration of cost-effectiveness based on the capacity being installed.

V. MISCELLANEOUS AREAS OF CLARIFICATION OR MODIFICATION.

In addition to the major improvement areas above, CESA identified several areas of clarification on the MIP Implementation Plan:

⁴ 17 points are awarded to projects consisting of 100% clean energy.

⁵ 2 points are awarded for projects consisting of 80-89% clean energy and 3 points are awarded for displacing Fossil Fuel Gen as the primary backup.

- **Typical load profile within the microgrid boundary:** CESA requests clarification on the reasonableness of the IOUs’ proposal for defining this profile⁶ since microgrids may have load profiles that differ from “typical” when operating in islanded mode to, for example, serve certain critical loads. If non-typical load profiles are used, it should be clarified on how this could impact the scoring criteria around the minimum 24-hour islanding capability requirement and any additional islanding capability beyond that.
- **Additional benefits:** CESA encourages the IOUs to provide information to MIP applicants on overlapping distribution deferral opportunities for the proposed microgrid site,⁷ which the applicant may not be aware of and would facilitate more immediate contracts with the IOUs to stack incremental value. In addition to deferral opportunities, the IOUs should inform the applicant of any available deliverability or low-cost upgrades for deliverability,⁸ if feasible, to inform the applicant of opportunities to potentially pursue these other revenue streams outside of the MIP, which may inform (and potentially reduce) the AIR amount in the MIP.

VI. CONCLUSION.

CESA appreciates the opportunity to submit these comments on the Implementation Plan and looks forward to collaborating with the Commission and stakeholders in this proceeding.

Respectfully submitted,



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⁶ MIP Implementation Plan at 19, 23-24, and 30.

⁷ MIP Implementation Plan at 29.

⁸ MIP Implementation Plan at 34.