

**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)

**REPLY 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**

Jin Noh
Policy Director

Grace Pratt
Policy Analyst

CALIFORNIA ENERGY STORAGE ALLIANCE
2150 Allston Way, Suite 400
Berkeley, California 94704
Telephone: (510) 665-7811
Email: cesa_regulatory@storagealliance.org

January 28, 2022

**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)

**REPLY 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**

In accordance with Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), the California Energy Storage Alliance (“CESA”) hereby submits these reply 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.

CESA appreciates the collaboration between all stakeholders involved in developing the Microgrid Incentive Program (“MIP”). As highlighted by many parties, community microgrids will be a valuable way of ensuring that customers can maintain electric reliability in the face of outage events, which are becoming more common due to climate change and subsequent extreme weather. While behind-the-meter (“BTM”) systems also have a role to play in providing resiliency solutions, community microgrids provide alternative ways for customers to pool resources and provide larger systems to more cost-effectively serve multiple customers. To this end, the MIP will be crucial to ensuring that disadvantaged and vulnerable communities (“DVC”) can access community microgrids to help achieve their energy reliability needs, given that these customers have historically had less access distributed energy resource (“DER”) resiliency solutions.

CESA is focused on ensuring that this program works for communities and is set up for success. In particular, we want to reiterate the importance of recognizing full project benefits within the scoring system by removing the maximum points caps proposed in the Implementation Plan. By capping Benefit Score points, additional project benefits, such as serving large cohorts of customers and critical facilities, will not be accounted for. Additionally, by then dividing benefit score points by the requested incentive, larger projects requesting more funding may be disproportionately harmed, given that their full benefits are not reflected in benefit score points. Concerns surrounding this project scoring methodology were highlighted not only by CESA but also by the Rural County Representatives of California (“RCRC”) and the Microgrid Equity Coalition (“MEC”), stakeholders representing the DVCs this program is designed to serve.

The stakeholder workshops this summer provided good insights into how to make the MIP most effective; however, parties highlight how the financing and blue-sky operations of these systems need to be considered. In particular, given shared concerns about the time that may be needed between the execution of a Microgrid Operating Agreement (“MOA”) and commercial operation date (“COD”), CESA recommends that MIP projects be allowed to pursue grid-service opportunities and contracts in order to support project cost effectiveness via additional revenue streams *but* not require or force projects to secure contracts to provide these grid services, as suggested by some parties. To support the timely deployment of MIP-funded community microgrids, the MIP should more appropriately focus on and assess prospective projects on their costs and benefits to provide community resiliency to DVCs.

In addition, CESA supports and agrees with RCRC and MEC in expanding and modifying scoring criteria to support the mitigation of all types of outages, including with a more balanced focus on historical levels of reliability, rather than overly weighting Public Safety Power Shutoff (“PSPS”) outages.

Finally, CESA also supports and agrees with the recommendations from the Public Advocates Office (“Cal Advocates”) to allocate MIP budget based on the number of DVC customers impacted by grid outages.

II. ADDITIONAL REVENUE STREAMS SHOULD BE PURSUED BY THE MICROGRID APPLICANT OR DEVELOPER OUTSIDE OF THE MIP SO THAT THE PROGRAM CAN FOCUS ON AND MORE SUCCESSFULLY DELIVER ON COMMUNITY RESILIENCY.

CESA agrees that it is important to unlock multiple revenue streams for MIP projects where possible, particularly during blue-sky operations. These additional revenue streams can help cover the operating costs of microgrids and ultimately improve the cost-effectiveness of community microgrid projects. Importantly, these revenue streams can reduce the amount of funding needed from the MIP, allowing more projects to receive funds. While supportive of such value-stacking opportunities, CESA has concerns with any changes that would add an express requirement or scoring criteria around grid services, such as energy, capacity, or renewable energy certificates (“REC”), which may add additional complexity and time to bring projects online. For Resource Adequacy (“RA”) services, for example, the Commission is likely aware that resources must participate in queue cluster (“QC”) study processes and be allocated deliverability to provide RA services, which may also involve additional system upgrades. However, the California Independent System Operator (“CAISO”) has experienced a “supercluster” in the current QC14 process, lengthening the usual QC study timeline to three years and delaying QC15 to April 2023. Any requirement for third parties to secure grid services such as RA or for the utilities to contract for RA from these projects run the risk of causing MIP project delays beyond the 24-month window to achieve COD. Proposals to automatically award deliverability to these projects would also constitute queue jumping. As highlighted by Clean Coalition and Green Power Institute’s (“GPI”), microgrid projects can often experience interconnection delays.¹ In this vein, the risk of further delays associated with securing deliverability should be avoided.

Rather than requiring grid services from third parties or from the utilities via contracts, the MIP should narrowly focus on supporting community resiliency, with third parties having the onus to separately pursue additional revenue opportunities if feasible and economic and request lower incentive amounts in the MIP. The inclusion of grid services as a requirement or scoring criteria would only complicate the MIP application process² and risk delays in project COD due to more

¹ Clean Coalition Comments at 4.

² Rather than more straightforward application review, the MIP scoring criteria could lead to more contentiousness and potential due diligence and process around how the utilities conduct net market value analysis, including the inputs and assumptions, which is characteristic of typical utility resource procurement contract review processes.

extensive interconnection study and upgrade processes, thus reducing the viability of MIP projects to meet their primary purpose to support community resiliency within the project development window.

III. THE SCORING CRITERIA SHOULD EQUALLY WEIGHT THE RESILIENCY BENEFITS OF MITIGATING ALL TYPES OF OUTAGES.

Limiting eligibility for MIP to communities vulnerable to outages is appropriate given the focus of this program on providing community-level resiliency and avoiding power outages for customers. In recent years, increasing focus has been placed on PSPS used to prevent electric equipment from causing wildfires, and outages caused by wildfires themselves. Concerns over growing wildfire severity and associated outages is reflected in the MIP eligibility criteria and scoring outlined in the Implementation Plan, where communities living in high-fire threat districts (“HFTD”) and affected by PSPS are both eligible for MIP and assessed points for vulnerability in the benefit score.

At the same time, MIP should not be designed as a program to prioritize mitigating PSPS or wildfire-related outages over other outages creating reliability concerns. Yet, the current proposal gives up to 20 benefit points related to PSPS and wildfire vulnerability,³ while giving only 4 points to the 1% worst performing circuits and no points for communities outside of the 1% worst performing circuits that still suffer from non-wildfire repeated outages. As highlighted by MEC, “[t]his effectively prioritizes projects in areas impacted by the recently adopted utility PSPS tactic over areas that have the worst outages overall.”⁴ While PSPS events have been prevalent in the past five years, the IOUs are working to minimize their frequency and impact, hopefully reducing their use in the future.

In order to consider the wide variety factors that cause outages, CESA supports proposals by RCRC to expand eligibility for MIP to communities with frequent Enhanced Powerline Safety Settings (“EPSS”) or weather-related outages,⁵ such as the recent heavy snowfall in the Sierra Nevada mountain range and associated extended power outages.⁶ CESA also supports adding

³ Projects in Tier 2 HFTD are assessed 3 points, Tier 3 HFTD 6 points, 2 points per PSPS event capped at 14 points.

⁴ MEC Comments at 21.

⁵ RCRC Comments at 7.

⁶ RCRC Comments at 3.

benefit-score points so that all outage risks are weighted equally,⁷ not giving preferential treatment to PSPS/wildfire vulnerability. CESA also supports MEC's calls to expand MIP eligibility and associated points to the worst 2% performing circuits.⁸

IV. BUDGET ALLOCATIONS SHOULD BE BASED ON THE NUMBER OF DISADVANTAGED AND VULNERABLE CUSTOMERS IMPACTED BY GRID OUTAGES.

The goal of the MIP is to support customers vulnerable to grid outages by providing funding to microgrids that can provide critical resiliency services. Some customers have long experienced unreliable electric service, but climate change has caused extreme weather events and wildfires that have exacerbated outages. While all areas of California have been affected, some have been more affected than others. In comments, Cal Advocates shares how Pacific Gas and Electric ("PG&E") had twice as many outages that lasted, on average, twice as long as Southern California Edison ("SCE").⁹ Additionally, HFTDs comprise over 50% of PG&E service territory, while comprising only 35% of SCE territory.¹⁰ Therefore, CESA agrees with Cal Advocates that basing funding allocation among the three IOUs on energy sales does not capture the differences in need among the service territories. Instead, funding allocation between the three IOUs should be based largely on the number of DVC customers. This will help to ensure that all MIP funds are used for the benefit of DVCs, instead of being stranded in areas where these funds are less needed.

In comments, Cal Advocates proposes two ways to allocate funds to better serve DVCs: one, to ensure that each IOU has a minimum number of projects and then allocate funds purely based on application score without considering its service territory, and two, to allocate funds based on MIP-eligible communities. Given that each IOU will be administering the program, leading to differences in number and timing of application windows, CESA believes it is prudent to create a certain budget for each IOU territory. This will also help IOUs plan for their anticipated number of projects and dedicate staffing and interconnection support appropriately. Therefore, CESA supports basing project budgets on the proportion of DVC customers in each IOU service

⁷ This could be done by giving 2 points for each PSPS or weather-related outage experienced since 2018 and giving at least 6 points to the 1-2% worst performing circuits on par with being in a tier 3 HFTD.

⁸ MEC Comments at 13.

⁹ Cal Advocates Comments at 10-11.

¹⁰ Cal Advocates Comments at 11.

territory, with a minimum of one \$15 million project in each IOU territory if necessary. Importantly, the budgets for each IOU should be made clear during the launch of the program.

V. **CONCLUSION.**

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Jin Noh', written in a cursive style.

Jin Noh
Policy Director
CALIFORNIA ENERGY STORAGE ALLIANCE

January 28, 2022