BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Create a Consistent Regulatory Framework for the Guidance, Planning, and Evaluation of Integrated Distributed Energy Resources.	Rulemaking 14-10-003 (Filed October 2, 2014)

PROPOSAL OF THE CALIFORNIA ENERGY STORAGE ALLIANCE IN RESPONSE TO THE ADMINISTRATIVE LAW JUDGE'S RULING DIRECTING PROPOSALS FOR DISTRIBUTED ENERGY RESOURCES TARIFFS

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In accordance with the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission"), the California Energy Storage Alliance ("CESA")[1] hereby submits this proposal in response to the *Administrative Law Judge's Ruling Directing Proposals for Distributed Energy Resources Tariffs* ("Ruling"), filed by Administrative Law Judge ("ALJ")

[1] 174 Power Global, 8minutenergy Renewables, Able Grid Energy Solutions, Advanced Microgrid Solutions, Alligant Scientific, LLC, AltaGas Services, Amber Kinetics, Ameresco, American Honda Motor Company, Inc., Avangrid Renewables, Axiom Exergy, Better Energies, Boston Energy Trading & Marketing, Brenmiller Energy, Bright Energy Storage Technologies, Brookfield Renewables, Carbon Solutions Group, Clean Energy Associates, ConEd Battery Development, Customized Energy Solutions, Dimension Renewable Energy, Doosan GridTech, Eagle Crest Energy Company, East Penn Manufacturing Company, EDF Renewable Energy, ElectrIQ Power, eMotorWerks, Inc., Enel X North America, Energport, Engie Storage, E.ON Climate & Renewables North America, esVolta, Fluence, Form Energy, GAF, General Electric Company, Greensmith Energy, Gridwiz Inc., Hecate Grid LLC, Ingersoll Rand, Innovation Core SEI, Inc. (A Sumitomo Electric Company), Johnson Controls, Lendlease Energy Development, LG Chem Power, Inc., Lockheed Martin Advanced Energy Storage LLC, LS Energy Solutions, LS Power Development, LLC, Magnum CAES, Mercedes-Benz Energy, NantEnergy, National Grid, NEC Energy Solutions, Inc., NextEra Energy Resources, NEXTracker, NGK Insulators, Ltd., Nuvve, Pattern Energy, Pintail Power, Primus Power, Polyjoule, Quidnet Energy, Range Energy Storage Systems, Recurrent Energy, Renewable Energy Systems (RES), SNC-Lavalin, Southwest Generation, Sovereign Energy, Stem, STOREME, Inc., Sunrun, Swell Energy, Tenaska, Inc., Tesla, True North Venture Partners, Viridity Energy, VRB Energy, WattTime, Wellhead Electric, and Younicos. The views expressed in these Comments are those of CESA, and do not necessarily reflect the views of all of the individual CESA member companies. (http://storagealliance.org).

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Kelly A. Hymes on November 16, 2018. CESA also provides its commentary on the proposed definitions and design principles included in Attachment A pursuant to the Ruling.

I. INTRODUCTION.

CESA appreciates this opportunity to provide input on the design principles for Distributed Energy Resources ("DERs") tariffs and to propose specific tariff proposal ideas that address a gap in the current Distribution Investment Deferral Framework ("DIDF"). In addition to responding to several foundational questions around the development of DER tariffs in general, CESA proposes a distribution and hosting capacity tariff and proposes some concepts for a voltage support and resiliency tariff. Finally, CESA recommends clarification and determination of the next procedural steps.

The IDER proceeding is considering how and by which tariffs can DERs be sourced to meet, support, or otherwise defer distribution investments and to more broadly provide distribution grid services, as determined through the Competitive Solicitation Framework ("CSF") Working Group in the Distributed Resource Planning ("DRP") proceeding (R.14-08-013) and as determined in Decision ("D.") 16-12-036. Heretofore, competitive solicitations have been used and tested through the IDER process. CESA previously expressed views on the pros and cons of tariffs in comments on the Amended Scoping Memo,[2] noting advantages of tariffs over solicitations in reducing the time and resources required of DER service providers, and in allowing for incremental procurement to potentially 'right-size' distribution grid needs as they change or grow. CESA continues to see great import in the DIDF insofar as it can materially support smart investments in the distribution system, address grid needs in a timely manner, and support DER solution

[2] *Comments of the California Energy Storage Alliance on the Amended Scoping Memo of Assigned Commissioner and Joint Ruling with Administrative Law Judge*, R.14-10-003, filed on March 29, 2018, pp. 5-6. See link here.

deployments that may otherwise not fit with more traditional distribution planning approaches. CESA plans to continue to be an active participant in the Distribution Planning Advisory Group ("DPAG").

II. **DEFINITIONS AND DESIGN PRINCIPLES.**

The Ruling proposes the following definitions for the different sourcing mechanisms:

- **Contract:** an agreement between two parties that is enforceable by law.
- **Tariff:** a type of contract between a utility and a utility customer that defines the terms and conditions under which sales will be made between the two parties, including the prices for various products that are bought and sold.
- **Other Mechanisms:** any rule, policy or action of the Commission.

Furthermore, the Ruling proposes the following design principles for DER deployment mechanism proposals:

- Does not inherently favor traditional infrastructure investments over distributed energy resources or vice versa.
- Does not inherently favor any specific distributed energy resource type.
- Provides an incentive for energy usage and market behavior (consuming, buying, and selling energy and capacity and derivative products) that is reasonably expected to reduce greenhouse gas emissions and other air pollutants.
- Provides an incentive for energy usage and market behavior (consuming, buying, and selling energy and capacity and derivative products) that is reasonably expected to minimize overall energy system costs, relative to other available options, including, but not limited to: distribution costs, transmission costs, generation costs, and other costs that may overlap with the above categories, including costs associated with vegetation management, preventative de-energization, insurance, and any other related costs.
- Enables utilities to recover all Commission-approved revenue requirements equitably from both participating and non-participating customers.
- Is reasonably expected to improve the deployment of cost-effective distributed energy resources relative to the other mechanisms currently available.

CESA Comments: CESA supports the proposed definitions for different sourcing mechanisms but recommends edits to the proposed design principles. Below, CESA provides views on each of the proposed design principles and recommended modifications to some.

> *Does not inherently favor traditional infrastructure investments over distributed energy resources or vice versa.*

On the one hand, CESA supports the intent of this first design principle. On the other hand, CESA sees benefits and innovation benefits associated with technology diversity and adoption. CESA believes the value of technology diversity and new technology adoption should be factored into investment decisions, all else being equal. There may be qualitative and quantitative ways to value these benefits, in addition to directing the consideration of DERs via least-cost, best-fit principles and cost-effectiveness evaluations that incorporate all the value streams that DERs can provide. Diversity and technology adoption goals may also help 'level the playing field' in a space where distribution planners may have planning tools and preferences based on historical experience, creating a situation where there may be unintentional biases towards traditional infrastructure and the more known items in a planner's tool-kit. Such bias can manifest problematically in cases where DERs are required to have certain performance requirements that traditional infrastructure investments are not necessarily subject to, or to operate in ways that fit traditional assessment models even if not needed. For example, any perceived concerns about the lack of availability, reliability, or performance capability of DERs should also consider any such limitations of traditional 'wires' solutions as well. At the same time, CESA also encourages the Commission be cautious of a strict 'apples-to-apples' comparisons of DERs with traditional infrastructure investments, as the consideration and selection of non-wires alternatives should be based on the net economic benefit of DERs over the traditional infrastructure investment as long as the DER achieves some reasonable level of comparable reliability and performance. For instance, a wires solution may have availability for full deliverability even in the very early hours of the morning, but such a lower value service may not solve any binding problem nor is such an 'off-hours' service worthwhile if a DER resolves the binding 'on-peak' constraints.

> *Does not ~~inherently~~ unreasonably favor any specific distributed energy resource type.*

CESA recommends language of the second design principle, above, be modified to say "unreasonably favor" as opposed to "inherently favor" any specific DER type. Technology neutrality is a key principle of many of the Commission's policies and programs. However, while technology neutrality should be strived for, there may be certain instances where certain DER types are better positioned or capable to address specific distribution grid needs. For example, there may be certain distribution grid needs that require a high-level of dispatchability and response that energy storage resources, given their inherent performance characteristics, are better positioned to compete for and to provide. In other instances, energy storage resources may be less competitive to provide identified distribution grid needs. In both cases, CESA does not believe that such opportunities should be eliminated because of the lack of sufficient technology neutrality to allow multiple DER types to be able to provide.

> *Provides an incentive for energy usage and market behavior (consuming, buying, and selling energy and capacity and derivative products) that is reasonably expected to reduce greenhouse gas emissions and other air pollutants, to the extent feasible, while also recognizing the build-margin value of DERs to avoid new capacity that emit greenhouse gases and other air pollutants.*

CESA recommends that the third design principle above be modified to allow for some flexibility around the goal of having DERs reduce greenhouse gas ("GHG") emissions and other air pollutants. Since the provision of distribution grid services may not be perfectly correlated with marginal GHG emissions rates (*e.g.*, distribution peaks may not be perfectly coincident to system peaks), CESA recommends the use of language around reasonableness or feasibility for DERs to reduce GHG emissions and other air pollutants, as DERs may be faithfully executing on the terms and conditions of their subscribed tariff but are not getting the 'signals' to simultaneously operate in accordance with GHG emissions reduction or to optimize dispatch around both grid services and GHG emissions. Furthermore, CESA adds that this design principle should recognize the long-term build-margin value of DERs to allow distribution utilities to avoid the need to procure new renewable or fossil-fired capacity, or even speed the retirement of some plants (*e.g.*, Puente Power Plant). Reduced volumetric sales or peak generation need could provide additional GHG emission reductions that should also be recognized when assessing a tariff against this design principle. This build-margin effect to impact new capacity needs was recognized in a previous Commission decision in the Self-Generation Incentive Program ("SGIP") proceeding, with the Commission determining that it was reasonable for energy storage resources to primarily affect the dispatch of combustion turbines ("CTs") and combined-cycle gas turbines ("CCGTs") and have a 50-50 weighting of the operating-margin and build-margin effects, based on the data and methodologies available at the time.[3] For these reasons, CESA recommends that the proposed modifications be adopted as part of the guiding principle above.

> *Provides an incentive for energy usage and market behavior (consuming, buying, and selling energy and capacity and derivative products) that is reasonably expected to ~~minimize~~ reduce overall energy system costs, relative to other available options, including, but not limited to: distribution costs, transmission costs, generation costs, and other costs that may overlap with the above categories, including costs associated with operations and maintenance, vegetation management, preventative de-energization, insurance,*

[3] *Decision Revising the Greenhouse Gas Emission Factor to Determine Eligibility to Participate in the Self-Generation Incentive Program Pursuant to Public Utilities Code Section 379.6(b)(2) as Amended by Senate Bill 861*, R.12-11-005, issued on November 23, 2015, pp. 12-13, 17.

> *and any other related costs, where signals or information support such actions.*

Because the focus of the use of DERs for distribution deferral should be on their net economic benefits, CESA recommends that the fourth design principle above be modified to focus on reducing overall energy system costs relative to other available options, as opposed to minimizing overall energy system costs. Using an across-the-board cost minimization standard (or a net benefit optimization standard) for DERs could make it difficult to achieve the other objectives around reasonably reducing GHG emissions and other air pollutants and to 'stack' value in multiple-use applications ("MUAs") in other non-distribution-related domains. CESA finds this to be an unreasonable standard for DERs. Instead, DERs should merely improve upon the net benefits relative to traditional infrastructure investments. Moreover, CESA also adds operations and maintenance costs to the list of costs being deferred in the above guiding principle for cases where such costs may be avoidable. CESA understands that the above list is not meant to be exhaustive, but it may be worthwhile to highlight how there are ongoing variable costs, not just fixed capital costs, that should be considered in the overall net benefit calculation. Finally, CESA suggests adding some language to provide flexibility to DERs to align with this principle in cases where rates or other signals may *temporarily* indicate a response is uneconomical yet other signals or information, e.g. approved rates expected to implement in the coming year or the creation of a GHG signal, allow developers to anticipate and show how DERs will deliver services in aligned and cost-optimal ways across time.

> *Enables utilities to recover all Commission-approved revenue requirements equitably from both participating and non-participating customers.*

CESA supports the fifth guiding principle above around mitigating any cost-shifting issues and does not propose any modifications.

> *Is reasonably expected to improve the deployment or utilization of cost-effective distributed energy resources relative to the other mechanisms currently available consistent with MUA principles.*

CESA supports the sixth guiding principle above relating to improving the deployment of cost-effective DERs. In particular, the advantage of a tariff is that there is a pre-determined price for a specific distribution grid service. Furthermore, a tariff that is available to act on when a customer is interested reduces customer acquisition costs by allowing for more streamlined DER deployment for a distribution grid service at the point of initial sale, rather than having to re-engage customers for multiple 'sales' and/or facing contract risk from having to quickly acquire customers to deploy DERs upon winning a solicitation. While supportive of the above guiding principle, CESA also recommends that the principle be appended to also include consideration of how to improve the utilization of existing DERs in line with MUA principles and rules adopted in D.18-01-003.[4] Some existing DERs could potentially be re-purposed to address a specified distribution grid service with the appropriate incentives and compensation. Incrementality issues are still unresolved by the Commission, so there may be some barriers to increasing the utilization of existing, already-deployed DERs, but the consideration of improving utilization still warrants inclusion as part of the guiding principles. Similar to how the DER Action Plan Vision Element 3.B. aims to enable to DERs to appropriately deliver multiple services,[5] the guiding principle here should also do the same in encouraging value stacking by existing DERs to provide tariff-based distribution grid services.

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[4] *Decision on Multiple-Use Application Issues*, R.15-03-011, issued on January 17, 2018. http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M206/K462/206462341.pdf

[5] *California's Distributed Energy Resources Action Plan: Aligning Vision and Action*, published May 3, 2017, p. 6. http://www.cpuc.ca.gov/uploadedFiles/CPUC_Public_Website/Content/About_Us/Organization/Commissioners/Michael_J._Picker/DER%20Action%20Plan%20(5-3-17)%20CLEAN.pdf

III. <u>DISTRIBUTION AND HOSTING CAPACITY TARIFF PROPOSAL</u>.

Tariffs that focus on hosting capacity could provide clear signals for where DERs can be added to the grid either because of i) available hosting room or ii) to address hosting limitations, can be helpful. Hosting in this context refers to the capability of a distribution system feeder, substation, and or equipment to accommodate DERs, or to defer upgrades and maintenance through the siting and operations of DERs.

A. Rationale and Purpose

A tariff provides a clear and accessible signal for developing DERs in ways that are not as immediately available through RFOs. Soliciting for distribution capacity services through request for offers ("RFOs") can be time and resource intensive for both utility buyers and third-party sellers. With short windows of time between RFO issuance and contract execution, many third-party sellers may be challenged to respond to solicitation requirements, and in the case of customer-sited DERs, have the certainty with short-run customer acquisition for DERs that can be deployed, interconnected, and installed in time of the distribution grid need. Moreover, a number of deferral opportunities are often deemed not worthwhile due to forecast uncertainty beyond a three- to five-year planning window.

A distribution and hosting capacity tariff would support grid operations in ways that may not be as available through RFOs. A hosting capacity tariff is less time and resource intensive and could allow DERs to 'subscribe' or take service on a tariff to provide a defined set of performance requirements to reduce load (or inversely not increase or reduce reverse power flows) with a pre-determined price and set of distribution grid conditions. A tariff with defined operating parameters (*e.g.*, time periods, triggers, MW response) could allow third-party sellers to commit to providing general provisions for distribution and/or hosting capacity without the time pressure of meeting solicitation deadlines and deployment milestones.

A tariff of this nature could allow for broader competition from developers that may not have time and resources for responding to RFOs (*e.g.*, deposits, short timelines) and may also reduce the burden of conducting performance tests in certain cases (*e.g.*, for the provision of non-RA services). Additionally, a tariff can allow for potentially longer-term needs (*i.e.*, 5+ years) to be reduced in a way that supplements a shorter-term focus more suitable for RFOs (*i.e.*, 3-5 years). Furthermore, such a tariff would make a larger range of distribution investment projects eligible for deferral or avoidance in the DIDF process. Specifically, rather than eliminating projected needs that are beyond the five-year planning period due to forecast uncertainty, some of that forecast uncertainty risk can be hedged with a tariff, with an RFO conducted in T+3 years to address the rest of the forecasted distribution capacity need. For example, a 40 MW need in 2025 as identified in 2019 could have a tariff be deployed at that specific location for 15 MW through 2022, reducing the 'burden' and risk of having the full need met through an RFO in 2022. In this example, assuming the tariff is fully subscribed for 15 MW, an RFO in 2022 would only be needed for 25 MW to fully defer or avoid the distribution investment. In the 2025 DIDF cycle, there is the potential for this deferral opportunity to be eliminated altogether as a candidate project for an IDER RFO in the following year, as the utilities have generally screened out projects with overly large MW needs over a short 3-5 year timeframe. Under this tariff-plus-RFO approach, this opportunity would still remain viable in 2022 if the need materializes and becomes more certain, while concerns about overpaying or overcommitting money to a need that never fully materializes are mitigated to a reasonable degree by using the tariff for only a portion of the projected long-term need.

This tariff can be targeted in different ways. It could target feeders or outcomes that work with policy goals. For instance, the tariff could be targeted to offset electric vehicle ("EV") loading so that, if current Rule 15 and Rule 16 upgrade cost exemptions expire in June 2019 as suggested in the recently-issued transportation electrification rulemaking (R.18-12-006)[6], DERs can be used to mitigate system upgrade needs. By targeting and compensating DERs in the appropriate locations to operate in certain ways (*e.g.*, smart EV charging), the cost for transformer upgrades could be mitigated. CESA also believes that this tariff can be adapted to focus not only on load growth but also on how it can increase hosting capacity on the circuit for more solar generating resources that support the state's renewables and clean energy objectives. In its Demo C RFO, for example, Pacific Gas and Electric Company ("PG&E") had a planned investment to potentially defer upgrades by changing the load profile on a distribution system feeder and related equipment, thereby increasing hosting capacity (e.g. for solar). This type of tariff-directed targeting in order to support CA goals seems prudent and useful insofar as it directs helpful, guaranteed, and or incremental DER operations and deployments...

B. Valuation and Cost-Effectiveness

The benefit of the proposed tariff is that it can leverage existing valuation and payment structures established in the DIDF process. The cost of the deferred or avoided capital investment (*e.g.*, transformer, circuit upgrade) can be used to assess the cost-

[6] *Order Instituting Rulemaking to Continue the Development of Rates and Infrastructure for Vehicle Electrification and Closing Rulemaking 13-11-007*, issued December 19, 2018, at 15-16.

effectiveness of the DERs taking service on the tariff, potentially serving as the reference \$/kW-month payment price for resources that meet the minimum performance requirements and other standards. Unlike RFOs where the lowest cost or highest net market value wins the solicitation under strict performance requirements, the tariff could adopt multiple price points or tiers where the lowest-priced or lowest-paid tier of resources in the tariff could have, where appropriate, more general service provisions and more 'lax' or reduced performance requirements (*e.g.*, 20 hours of distribution capacity delivery over the summer months) while the highest-priced or highest-paid tier of resources in the tariff could have more specific service provisions and stricter performance requirements (*e.g.*, year-round and immediate dispatchability). Such a tiered structure would invite broader third-party participation in the tariff and would better adhere to the Commission's technology neutrality objectives.

Since the tariff mechanism may not fully offset a forecasted distribution investment over the longer term, the cost-effectiveness threshold that sets the pre-determined price(s) for the tariff could be determined by assessing a partial value of the distribution capital investment that is being met by the DER solution. CESA understands that some distribution capital investments can be binary in nature (and so valued just through the time value of deferred investment), yet CESA believes that, in some instances and with an increasing ability to focus DER operations, 'chipping away' at a planned investment may reduce the scale of a distribution capital investment need. A DER solution sourced through a tariff reduces the burden of an RFO in future years to meet the residual need as forecast uncertainty decreases.

C. Compensation and Performance

Performance and compensation can be pursued in different ways. First, this tariff can come in the form of day-ahead or day-of notification and dispatch similar to the IDER RFO contracts for DERs to provide dispatchability during defined distribution and hosting capacity times, days, and/or months. Fixed monthly payments could be based on the partial avoidance or deferral cost plus a service payment when dispatched, mirroring some payment terms of RFO contracts. CESA imagines that these service payments could even be structured as performance-based incentives ("PBI") similar to the PBI structures of the Self-Generation Incentive Program ("SGIP") which provides a combination of upfront payments to offset installation and up-front capital costs as well as ongoing performance (PBI) payments over a pre-determined period based on program rules. A similar 'rebate-like' structure could be adapted for distribution grid services, where payments for distribution grid services are reasonably balanced and allocated between upfront and ongoing payments that are calculated based on actual performance.

To be paid at avoided costs, it is reasonable to expect that DERs under this tariff could commit to certain performance requirements over the a set period (*i.e.*, a 'deferral period' which would extend from the start of the tariff service to the end of the period at which point a new needs assessment is binding and used for directing solutions), which should also enable the utilities to make firmer needs determinations in future years. These performance requirements should be published, made transparent, and have a reasonable process for changing any requirements without placing undue risk on developers, even as grid conditions change.

What CESA has described in the above paragraph and in above sections relates more to adapting the RFO structure to a tariff-based structure, with more general service provisions and the ability to meet the need over time by subscribing under the tariff. However, there may also be 'passive' or more traditional load-modifying approaches to achieve the same ends, such as incenting the desired performance from DERs through opt-in custom rates or riders/adders to the applicable rate schedule. Specifically, customers and DER developers could be transitioned to a different rate that includes various rate elements (*e.g.*, seasonality, hour-by-hour differentiation, reduced demand charges) that more closely aligns with a distribution grid need. Alternatively, customers may subscribe to tariff riders/adders similar to the Critical Peak Pricing ("CPP") tariff, which provides energy-based incentives to reduce load during high-priced periods and avoid high costs.

However, CESA finds some challenges to rates and riders or adders that warrant consideration. Since the deferred or avoided costs would take the form of 20- to 30-year fixed assets in this case, CESA imagines that deferral alternatives might suggest rates and/or riders/adders over an equivalent period. Unlike for CPP, CESA does not expect that customer could be allowed to opt in and out of the tariff on a year-by-year basis if payments are to be made at avoided distribution costs for specific investments. A solution to address the continuity of the DER solution (directed by the tariff) is needed for a utility to plan for future needs. CESA also finds that some consideration is needed to determine how to appropriately incorporate penalties and ensure firm response from DERs under a rate design structure. Finally, CESA believes that rates and riders/adders are limited in the sense that a customer's bill cannot be reduced below a minimum bill amount, which limits the value that could be earned by the customer under a rates or riders/adders approach, especially when the avoided capital investment is large and expensive, as well as their incentive to participate. In such cases, it may be preferable to establish a tariff that directs more dispatchable and reliable response.

While CESA sees a need to address these areas, CESA also recognizes that there may be 'option value' in DER solutions which can 'buy time' for planners before making major investment decisions which can face large uncertainties, e.g. estimating loads across a thirty-year period.

IV. VOLTAGE SUPPORT TARIFF PROPOSAL.

With higher DER penetrations on the distribution grid, CESA understands that the utilities are increasingly facing voltage support needs and may address some of these distribution grid needs through a tariff mechanism structured around predetermined voltage ranges to prevent the local voltage from rising/dropping outside of allowable levels. This may be especially helpful when utilities have not planned for a voltage rise from rapidly interconnecting PV systems producing active power in the area.

However, CESA understands that there are currently some active issues (*i.e.*, Issues #27 and #28) under consideration in the Rule 21 proceeding (R.17-07-007) that will inform this proceeding. For instance, the Commission will need to resolve how much voltage support should be done for 'free' as a default setting versus how much should be compensated for, especially when voltage support service is provided beyond own impacts. CESA believes that the default setting approach should be to support competitive provisions of services and to minimize obligatory services, given the benefits of economic-driven behavior for resources to 'compete' or have the most willing resource provide the service.

While awaiting resolution from the Rule 21 proceeding, CESA recommends that the Commission continue to consider proposals and ideas on voltage support tariffs. CESA recommends a voltage support tariff similar to the options tariff in the Base Interruptible Program ("BIP") that allows the utilities to call on DERs to provide support. In BIP, demand response ("DR") resources receive payments to be available to dispatch during events triggered by the California Independent System Operator ("CAISO") or by local system emergencies. Specifically, BIP customers receive a monthly capacity credit in exchange for a commitment to reduce energy consumption to their firm service level ("FSL"), which represents the customer's minimal operational requirements, with 30-minute notice provided for events. Failure to reduce load to the FSL can result in excess energy charges, an increase in the FSL, and a commensurate reduction in capacity credits, re-test events, or de-enrollment from the program. BIP thus directs performance via a payment with consequences for underperformance. A similar type of tariff could be adapted for voltage support services, where resources could be paid the lost opportunity cost of energy for operating outside of the normal power factor range or for limiting active power output as well as the incremental cost of deferred/avoided capital investments.

V. RESILIENCY TARIFF PROPOSAL.

Resiliency is becoming an important grid service in today's era of extreme weather events. Many resiliency projects may be location-specific, so a focused resiliency tariff targeted to key areas of the distribution grid could be acted upon by developers to deliver solutions. Relatedly, resiliency tariffs could focus on public-interest or public-sector customers. A tariff could be developed focused on public or critical facilities (*e.g.*, hospitals, police stations), or feeders that serve multiple customers that are in the public interest, or that target safety, de-energization, or lighting needs.

VI. THE COMMISSION SHOULD CLARIFY NEXT STEPS AND A PROCEDURAL PATH FOR IMPLEMENTATION OF THESE IDER IDEAS

CESA notes that the developers remain unclear on the timing and procedural steps by which IDER distribution deferral tariffs will be approved and implemented. CESA recommends the Commission clarify this in the IDER proceeding and allow for input.

VII. CONCLUSION.

CESA appreciates the opportunity to submit this proposal in response to the Ruling and looks forward to working with the Commission, SDG&E, and other stakeholders in this proceeding.

Respectfully submitted,

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