

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Consider
Streamlining Interconnection of Distributed
Energy Resources and Improvements to
Rule 21.

Rulemaking 17-07-007
(Filed July 13, 2017)

**COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE ON THE
PROPOSED DECISION ADDRESSING REMAINING PHASE I ISSUES**

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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 *Proposed Decision Addressing Remaining Phase I Issues* (“PD”), issued by Commissioner Martha Guzman-Aceves on April 7, 2021.

I. INTRODUCTION.

CESA appreciates the Commission’s consideration of the various Rule 21 proposals included in the Working Group 4 Report in addition to outstanding issues from previous Working Group proposals, including the notification-only process (Issue 11) and the distribution upgrade cost-sharing concepts (Issue 13). Together, these adopted and modified proposals represent improvements and refinements to the interconnection process and framework to streamline and improve the interconnection of distributed energy resources (“DERs”) and to accommodate the changing and dynamic nature of the grid. Overall, CESA strongly supports the Commission’s leadership and determinations made in regards to many of the proposals and offers the following comments in support, with modifications in some cases:

- The Issue 11 notification-only proposal should be approved with four key modifications: (1) interconnection fees should be waived since study costs are avoided; (2) the auditing requirement should be reduced to 10%, or, in the

alternative, start at 20% but be reduced over time to 5%; (3) the notification-only process should be available to all non-exporting systems, not just non-exporting storage systems; and (4) the timeline for completing the notification-only process should be clarified.

- Specific and detailed proposals related to distribution upgrade cost sharing should be solicited and considered as part of Phase II of this proceeding.
- Rule 21 issues and proposals should be solicited on an annual basis given observed regulatory lag and timelines for resolving interconnection issues.
- The adoption of the two Issue 19 proposals will improve efficiencies for interconnecting DERs at zero-net-energy (“ZNE”) homes and buildings.

II. THE ISSUE 11 NOTIFICATION-ONLY PROPOSAL SHOULD BE APPROVED WITH FOUR KEY MODIFICATIONS.

CESA lauds the Commission’s adoption of the notification-only process proposal (Issue 11) – a major reform that will go a long way toward scaling the efficient and lower-cost interconnection of smaller DERs while reasonably ensuring the need for safety and reliability. The PD appropriately determines that the notification-only proposal is prudent and will expedite the interconnection process for smaller systems that are likely to grow in demand, especially in response to growing customer resiliency needs, and sets the appropriate parameters that align well with the traditional interconnection application process.¹ CESA generally supports the modifications proposed in the PD and the requirement for the investor-owned utilities (“IOUs”) to provide information on secondary network locations.² Despite taking a more incremental step toward a more streamlined approach for smaller DER interconnections as done through a two-year

¹ PD at 6 and 11.

² *Ibid* at 13-14.

trial period due to potential unknown risks related to aggregate impacts,³ CESA believes that the Commission's decision on this proposal represents a major step toward a plug-and-play distribution system that reasonably accounts for safety and reliability risks and considerations. While largely in support, CESA offers the following recommendations to modify the proposal to better meet the streamlining intent and provide additional clarifications.

A. Interconnection fees should be waived since study costs are avoided.

The PD does not specifically address the issue of interconnection study fees. Since the notification-only process was initially proposed by Tesla as eliminating the need for study altogether, CESA recommends that the PD be modified to explicitly clarify that projects eligible for and proceed through the notification-only process should have any interconnection study fees waived (*e.g.*, non-refundable \$800 interconnection request fee). As no study is being conducted and no "interconnection request" is being made, this specific modification is reasonable and aligns with the intent of the notification-only proposal.

B. The auditing requirement should start at 20% but be reduced over time to 5%.

CESA understands the Commission's desire to take a more conservative approach to the auditing requirement, and thus the PD's adoption of a higher percentage of projects that may be audited, relative to Tesla's proposal.⁴ However, allowing as much as one in five projects to be audited appears excessive and could result in additional costs on customers, utilities, and developers that will neutralize many of the benefits that a

³ *Ibid* at 12.

⁴ *Ibid* at 16.

notification-only process is intended to provide. CESA believes that 10% strikes a reasonable middle ground.

Alternatively, similar to how the PD creates a process for non-compliant developers who are found to be in violation of the eligibility requirements or other established processes and parameters (as identified in IOU auditing) to become eligible for the notification-only process again, CESA the Commission could here create a process for good performers to be subject to reduced auditing over time.

For example, if no violations are found when the IOU has the ability to audit up to 20% of a developer's first 100 projects, the auditing level should decrease to 15% going forward, thus dropping the auditing percentages over time with more project deployments and with a developer's demonstrated successful track record of compliance and safe/reliable interconnection. Then, if there are no violations found when the IOU audits 15% of a developer's 200 projects under this notification-only process, the percentage of projects potentially subject to auditing could drop further to 10%, and so on, with the 5% auditing level representing the "steady state" after 300 projects have been completed without issue. In this way, the Commission would support the goal of reducing process requirements, particularly for those who have demonstrated that they can ensure safe and reliable interconnection under a streamlined process.

In addition, for developers who expect to have a large portfolio of projects, a 20% auditing requirement could become unwieldy and an administrative burden for the IOUs over time while yielding little benefit for those who have a strong track record. Their time and resources could be more efficiently allocated to audit new developers and target poor

performers, as well as to free them up further for traditional interconnection application review and processing for projects that are not eligible for notification-only processes.

Regardless of the level of auditing that the IOUs are ultimately given the discretion to perform, CESA asks that the IOUs be directed, via an advice letter, to detail what they envision an audit to consist of and allow stakeholders and opportunity to weigh in on the reasonableness of those requirements. As noted above, CESA is concerned that an audit could subvert the intent of the notification-only process to streamline the process to the extent that it results in significant customer, utility, or project developer resources to complete.

C. The notification-only process should be available to all non-exporting systems, not just non-exporting storage systems.

In setting the parameters of this notification-only process, the PD allows non-exporting energy storage systems less than or equal to 30 kVA to be eligible, among other criteria.⁵ CESA strongly supports the eligibility criteria but recommend that it be expanded to apply to all non-exporting systems, not just non-exporting energy storage systems. As currently written, the PD would limit this notification-only process to non-exporting energy storage additions or retrofits to existing solar systems as well as new non-exporting standalone energy storage. However, such criteria would, whether intentional or not, preclude new non-exporting solar-plus-storage projects from being able to take advantage of this streamlined process, even as they meet all other criteria around system size, UL-certified Power Control Systems and open loop response time, operational modes, secondary network connection, and customer's monthly peak load impact. If new solar-

⁵ *Ibid* at 12-13.

plus-storage projects are configured as non-exporting and thus entirely for self-consumption, they are no different from non-exporting energy storage systems.

D. The timeline for completing the notification-only process should be clarified.

The PD should clarify the timeline for completing the notification-only process because, as currently written, CESA is unclear on when to send the “notification package” involving the required documentation. This clarification is requested to provide developers with greater certainty as to process and to further clarify that the notification package can be sent after a project has been deployed, provided that notification occurs in a sufficiently timely manner. For example, the PD could be modified to require the timely submission of the notification package within 30 days of final permit approval by an Authority Having Jurisdiction.

III. SPECIFIC AND DETAILED PROPOSALS RELATED TO DISTRIBUTION UPGRADE COST SHARING SHOULD BE SOLICITED AND CONSIDERED AS PART OF PHASE II OF THIS PROCEEDING.

CESA understands the PD’s decision to defer on changes to the current cost-sharing process (Issue 13), citing the lack of specific and detailed proposals and the need to further assess upgrade cost data for the potential for any cost shifts.⁶ We agree that full proposals need to be developed prior to deeper consideration by the Commission, and to this end, CESA recommends that the Commission solicit such proposals as part of Phase II of this proceeding. The Commission is currently developing the potential scope and schedule of Phase II of this proceeding, with a preliminary proposal prepared in a separate Ruling by Administrative Law Judge (“ALJ”) Kelly

⁶ PD at 22.

Hymes,⁷ where CESA submitted comments in response advocating for the same recommendation. With the Commission directing the utilities to further study this cost data, such proposals could be solicited in a subsequent track of Phase II to allow these reports to inform the development of these proposals.

CESA urges the Commission to consider new distribution upgrade cost sharing and allocation proposals to support the overall goal of this proceeding, which is to further streamline interconnection processes, maintain reliability and safety, and ensure equitable allocation of upgrade costs. In lieu of the status quo process, CESA believes that efficiencies could be achieved by proactively evaluating the need for distribution upgrades that can be pursued by the utilities and then to have benefiting developers pay for their *pro rata* share when utilizing the upgraded distribution capacity and investments, upon assessing DER forecasts and/or commercial interest in the interconnection queue. There is tremendous potential for such proposals in more efficiently managing work schedules, avoiding interconnection delays due to distribution upgrade construction, fairly allocation distribution upgrade costs, and signaling economic locations for DER interconnection. Other state jurisdictions such as Massachusetts have actively developed similar frameworks and proposals that could be leveraged for similar adoption in California.

IV. RULE 21 ISSUES AND PROPOSALS SHOULD BE SOLICITED ON AN ANNUAL BASIS GIVEN OBSERVED REGULATORY LAG AND TIMELINES FOR RESOLVING INTERCONNECTION ISSUES.

CESA agrees with the determinations made in the PD regarding Issue 29 to decline to solicit input on safety and environmental risks related to DER interconnection in future working groups or forums.⁸ Existing standards and Rule 21 interconnection processes should be relied

⁷ *E-Mail Ruling Directing Comments on Proposed Scope and Schedule for Phase II* issued on April 8, 2021 in R.17-07-007. <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M376/K054/376054817.PDF>

⁸ PD at 48-49.

upon to address these risks or issues. In the process of resolving Issue 29, the PD determined that a formal rulemaking is the “prudent” process to consider future interconnection issues and to establish a triennial review process to afford sufficient time to evaluate the effectiveness of modifications and processes while addressing concerns about a “changing scope wasting resources and creating uncertainty.” Prior to launching a formal rulemaking, the PD proposes to solicit informal comments on new interconnection issues.⁹

Given the fast-changing nature of technology and grid conditions, CESA respectfully disagrees with the triennial review cadence to address future interconnection issues. The recent history of R.11-09-011 and R.17-07-007 have shown that interconnection issues take many years to understand and resolve given the highly technical nature of the subject matter, the consensus-building working group process required, and the regulatory timelines to review, approve, and adopt various proposal, weighing the technical and cost-effectiveness merits of each. Granted, changes should not be made for its sake and without an evaluation of its effectiveness and utility to a wide range of customers and projects, and stakeholders’ time and resources should be more efficiently used to tackle issues worth their time. But a rulemaking every three years could cause a potential gap of many years if an interconnection issue arises during the window in which the Commission and staff solicit informal comments.¹⁰

In the alternate, CESA recommends that the PD maintain the feature where the Commission would solicit informal comments on potential issues but on an annual basis for a Rule 21 proceeding that is active and open for most, if not all years. Though the Interconnection

⁹ PD at 49 and 52.

¹⁰ With R.11-09-011 and R.17-07-007 lasting between five and six years, an issue that arises in 2025 that warrants attention and resolution in a successor rulemaking in 2024 may have to wait until 2032 or later to get addressed in a formal rulemaking.

Discussion Forum (“IDF”) is an effective means to highlight and explain interconnection issues and arbitrate issues among stakeholders where possible on an ongoing basis, a formal Rule 21 rulemaking is needed to adopt and revise interconnection policies, modify study criteria and processes, and invest in appropriate infrastructure as needed. Moreover, rather than limiting the solicitation of new interconnection issues prior to the launch of a proceeding, CESA believes that the ongoing rulemakings should be malleable and flexible to add to the scope of issues as needed. To manage the scope and avoid constantly making changes without allowing previous reforms to bear fruit, CESA recommends that any potential proposal should be first presented in the IDF, assessed for its appropriateness in a rulemaking, and apply screening and/or prioritization criteria¹¹ to determine whether it is worthwhile to include in the active proceeding’s scope. In this way, the Commission can balance responsiveness to fast-emerging yet important interconnection issues as technologies and grid conditions evolve with managing the scope that avoids uncertainty and respects the Commission’s and other stakeholders’ time and resources.

V. **THE ADOPTION OF TWO ISSUE 19 PROPOSALS WILL IMPROVE EFFICIENCIES FOR INTERCONNECTING DISTRIBUTED ENERGY RESOURCES AT ZERO-NET ENERGY HOMES AND BUILDINGS.**

CESA generally supports the Commission’s proposed adoption of Proposals 19a and 19b to allow interconnection applications to be submitted based on street addresses and allow their submission as “batch” applications instead of on an individual basis.¹² These proposals represent rational, “low-hanging-fruit” proposals that will increase interconnection efficiencies and align

¹¹ For example, this could be based on whether the issue supports an important Commission goal, whether the issue is broadly applicable to multiple projects, and whether the issue is not duplicative of previous proposals and/or being addressed in another proceeding, among other criteria.

¹² PD at 41-43.

these processes with new-home and new-building construction timelines – all made in an effort to advance the state’s ZNE building code requirements and long-term 2030 goals.

VI. CONCLUSION.

CESA appreciates the opportunity to submit these comments on the PD 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

April 27, 2021