

**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
PROPOSED DECISION ADOPTING MICROGRID AND RESILIENCY SOLUTIONS
TO ENHANCE SUMMER 2022 AND SUMMER 2023 RELIABILITY**

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

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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 Adopting Microgrid and Resiliency Solutions to Enhance Summer 2022 and Summer 2023 Reliability* (“PD”), issued by Administrative Law Judge (“ALJ”) Collin Rizzo on October 29, 2021.

I. INTRODUCTION.

In the aftermath of the 2020 rolling outages and the grid-stressed conditions faced in Summer 2021 due to extended drought, extreme heat, and wildfires, CESA appreciates and understands the challenging situation that the Commission is facing to take all actions necessary to mitigate similar emergency reliability events and outage risks for Summers 2022 and 2023. The impact of climate change and associated risks have only increased in frequency and magnitude each successive year, with the pace of change exceeding the expectations of many and leading to urgent and emergency actions to be considered and pursued even if normal processes are bypassed, expedited, or deviated from. In these times, it is appropriate for the Commission to balance these tradeoffs and adopt least-regrets strategies and investments while at the same time eventually getting to a place where we arrive to a place with our planning frameworks and policies that helps us get out of this perpetual cycle of just-in-time procurement and emergency action.

CESA thus welcomed the expedited track within Phase 4 of this proceeding to identify whether and what actions or solutions could be taken to support emergency capacity needs for Summers 2022 and 2023. Throughout this expedited track, parties submitted a wide and innovative

range of proposals, but it was also evident that there were differences in perspectives of parties in proposing various solutions that address system reliability versus resiliency. Yet, without duplicating efforts in other and more appropriate proceedings, CESA was hopeful that the Commission would truly “turn over every rock” and seek capacity through new and innovative means, many of which were proposed by CESA and a number of other stakeholders.

In reviewing the PD, however, CESA was disappointed with the lack of meaningful consideration of any of the Track 4 proposals *not* submitted by the investor-owned utilities (“IOUs”). Despite the time, resources, and thoughtfulness invested in proposals by many parties, the lack of discussion on the issues related to non-IOU party proposals, or even a detailed discussion of the merits of the IOU proposals, raises a number of questions about whether the Commission sufficiently considered the full range of microgrid solutions to address emergency reliability needs in Summers 2022 and 2023. Alarming, the Commission would potentially create offsetting harms with an expansion of the Temporary Generation Program of Pacific Gas and Electric Company (“PG&E”).

With that said, CESA is supportive, with caveats, of the utility-owned storage (“UOS”) microgrid projects proposed by San Diego Gas and Electric Company (“SDG&E”) and approved in the PD, but additional information is needed to demonstrate how microgrids will support capacity shortfalls in the peak and net load peak period for the relevant summer months and whether and how SDG&E plans to count these resources toward procurement authorizations pursuant to the Emergency Reliability and Mid-Term Reliability (“MTR”) procurement obligations. To these ends, our comments to the PD can be summarized as follows:

- The Commission inconsistently assesses the merits of proposals and does not clarify how approved resiliency strategies support system reliability.
- Additional information and demonstrations must be provided before approving SDG&E microgrid projects for emergency and/or mid-term capacity needs.
- Broader solicitations for third-party microgrid solutions should be pursued to meet the Governor’s mandate to address emergency reliability needs from all available resources.

- PG&E’s temporary generators should be used as a last-resort measure and limited to Summer 2022 at this time if approved for deployment and use.

II. THE COMMISSION INCONSISTENTLY ASSESSES THE MERITS OF PROPOSALS AND DOES NOT CLARIFY HOW APPROVED RESILIENCY STRATEGIES SUPPORT SYSTEM RELIABILITY.

The Commission has asserted and affirmed its “policy prerogative” to adopt various strategies to mitigate reliability risks in the face of extreme weather events in Summers 2022 and 2023.¹ While this is understandable and within its broad authority, CESA is concerned with the seemingly arbitrary nature of decision-making in regard to specific proposals considered in this proceeding. Case in point, the Commission directs SDG&E to procure up to its proposed four circuit-level energy storage microgrid projects, albeit the scant detail provided the actual or estimated costs of these proposals and the lack of explanation as to how these microgrids will support net load peak needs in terms of their intended operations, Resource Adequacy (“RA”) deliverability, path to interconnection and coming online, etc. The PD even acknowledges that these projects “may” address both local reliability and grid resiliency.

By contrast, non-IOU proposals were rejected because of “broad policy implications” and/or “conflicts” with an outcome of another ongoing Commission proceeding.² Such reasons include the impact on the existing statutory prohibition against cost shifting, as well as the strategies and solutions that are better addressed in R.20-11-003, R.17-07-007, or others.³ Despite the thoughtfulness of several proposals, the PD provides little or no explanation for their rejection and does not apply the same standard of review for IOU proposals. For example, many of SDG&E’s circuit-level storage microgrid projects were the subject of its 2018 Energy Storage Application (A.18-02-016), where the Commission did *not* make a reasonableness determination for the projects regarding the competitiveness of the solicitation, cost-effectiveness of projects, and sizing and operations of the projects.⁴ Granted, the reasonableness of the projects were assessed pursuant to statutory requirements laid out in Assembly Bill (“AB”) 2868, and the

¹ See, e.g., Phase 2 Proposed Decision issued on October 29, 2021 in R.20-11-003 at 14.

² PD at 30.

³ *Ibid* at 30-32.

⁴ D.19-06-032 at 20-21.

standards and criteria are different under the pretense of the Governor’s July 30, 2021 Emergency Proclamation, but the Commission’s procurement directive in the PD still has broad policy implications in deviating from past Commission guidance⁵ or in risking problematic precedents if sufficient guardrails are not in place.⁶ SDG&E did not have to detail how to address these broad policy implications, nor did the Commission discuss or address these implications in the PD.

To the same end, the Commission adopted the interim approach for reserving temporary generation for safe-to-energize substations for 2021 alone but would expand the scope of the Temporary Generation Program in terms of timeline and use cases than was originally intended, contradicting the Commission’s previous decision without much discussion other than to note that they would “serve as a stop-gap solution” and can be brought online in the near term.⁷ Clearly, there are broader policy implications and impacts that are not addressed to any degree in the PD. In particular, the concerns expressed by Cal Advocates is apt but is left unaddressed:⁸

“The environmental and health burdens associated with diesel generation could outweigh any reliability benefits they may provide...However, investing in and deploying diesel generators to serve short-duration outages merits a reweighing of the costs and benefits.”

As noted above, the Commission can always reverse policies if facts and conditions change and if it is reasonable, in the interest of ratepayers, and aligned with our policy goals to do so. Yet, the Commission does not discuss these merits for the approved IOU proposals. At the same time, the non-IOU proposals are either rejected or deferred for concerns with their broader policy implications. This represents a different standard of review and an arbitrary determination. Further, without details from the IOU proposals until they are submitted via advice letter, it is unclear if they will even address the capacity shortfalls for Summers 2022 and 2023.

⁵ See Appendix A of D.19-06-032 that, among other things, established requirements to ensure competitive procurement of energy storage projects without bias toward ownership model.

⁶ See Southern California Edison Company (“SCE”) Advice 4617-E submitted on October 21, 2021 in R.20-11-003.

⁷ PD at 26.

⁸ *Opening Comments of the Public Advocates Office on Party Reliability Proposals for Track 4* filed on September 24, 2021 in R.19-09-009 at 8-10.

III. ADDITIONAL INFORMATION AND DEMONSTRATIONS MUST BE PROVIDED BEFORE APPROVING SDG&E MICROGRID PROJECTS FOR EMERGENCY AND/OR MID-TERM CAPACITY NEEDS.

CESA is not opposed to the PD's determination to direct SDG&E to procure utility-owned storage ("UOS") projects that will provide resiliency for critical facilities and *may* support emergency reliability. We also recognize that procurement approval is conditioned upon meeting a general procurement requirement of providing peak and net peak grid reliability, as well as providing certain categories of information.⁹

However, given the lack of detail provided by SDG&E in their proposals, the PD must be modified to require the submission of additional information and to establish specific guardrails that avoid harmful or problematic precedents and align with past Commission guidance. Aside from the demonstration to the aforementioned general procurement requirement, the information required within the directed Tier 2 advice letter only includes questions about the resiliency capabilities of the four procured projects. This is insufficient for several reasons.

First, the Governor's Emergency Proclamation is focused on a supply-side capacity shortfall if extreme weather events materialize, not an order to procure resources to support a distribution resiliency need. Since microgrids have the primary benefit of providing resiliency to customer(s), the listed information categories are relevant but are not the key factors that determine whether they merit approval. After all, the whole purpose of this expedited phase in Track 4 of the proceeding is to address the immediate problem at hand – a supply-side capacity shortfall. This is particularly relevant if the forthcoming project proposals resemble or are the same as those submitted in A.18-02-016, which mostly involved one-hour duration batteries, thus providing one-fourth of the RA capacity than nameplate capacity. In addition, there are questions about: whether these projects have RA deliverability, and if not, how they would interconnect, be able to deliver energy at the net load peak given grid constraints (*i.e.*, is there sufficient distribution capacity to accommodate exports); whether they would be market integrated; and how and whether they will come online by the needed months and years; among other questions. Depending on these responses, the Commission will be able to better assess the merits of the projects.

⁹ PD at 29-30.

Second, upon addressing some of the supply-side capacity questions, the proposed UOS projects should only be considered for those that can come online by Summer 2023. To be consistent with the needs analysis and proposed procurement authorization in Phase 2 of the Emergency Reliability proceeding, the Commission should only consider UOS microgrid projects that can come online in the same timeframe to meet the effective planning reserve margin (“PRM”) established for 2022-2023.¹⁰ Two of SDG&E’s proposed projects are forecasted to come online in Summer 2024, which falls outside the scope of determinations made in R.20-11-003.¹¹ Only the UOS microgrid projects that can meet the Summer 2022-2023 commercial online dates (“CODs”) should thus be allowed for submission in the Tier 2 advice letter.

Third, even if these projects are procured and approved for Summer 2022-2023 emergency reliability, the Commission should not automatically deem these projects eligible for SDG&E’s 2023-2026 MTR procurement obligations. In addition to the supply-side capacity questions above, the MTR order requires the procurement of deliverable RA capacity and adherence to the procurement guidelines and parameters established by D.19-11-016, which cites D.19-06-032 and thus requires the IOUs to ensure that procurement pursuant to meeting the MTR obligations occurred without bias toward any ownership model.¹² In the same vein, the competitive procurement of these projects for MTR needs should be demonstrated through a full application process, as required.¹³

Overall, the proposed modifications above are driven by the harmful impacts and precedents that can be posed if IOU procurement is too general and unchecked, as evidenced by SCE’s recent UOS project procurement. Flexibility is warranted and innovation should be encouraged given the short lead times, but excessive generalities and similar approaches such as those taken by SCE in their Advice 4617-E should be avoided. CESA supports all forms of energy storage, regardless of ownership model, but a key tenant of this principle is the assurance of a healthy and competitive market. It is wholly unreasonable to completely suspend or deviate from

¹⁰ Phase 2 Proposed Decision issued on October 29, 2021 in R.20-11-003 at 11.

¹¹ *Response of San Diego Gas & Electric Company (U 902 E) to Administrative Law Judge’s Ruling on Potential Microgrid and Resiliency Solutions for Commission Reliability Action to Address Governor Newsom’s July 30, 2021, Proclamation of a State of Emergency* filed on September 10, 2021 in R.20-11-003 at 4.

¹² D.21-06-035 at Conclusion of Law (“COL”) 24 and D.19-11-016 at FOF 27 and OP 8.

¹³ D.21-06-035 at Ordering Paragraph (“OP”) 13.

well-established policy determinations, such as those made in D.19-06-032, D.19-11-016, and D.21-06-035.

IV. BROADER SOLICITATIONS FOR THIRD-PARTY MICROGRID SOLUTIONS SHOULD BE PURSUED TO MEET THE GOVERNOR’S MANDATE TO ADDRESS EMERGENCY RELIABILITY NEEDS FROM ALL AVAILABLE RESOURCES.

In addition to the UOS microgrid projects proposed by SDG&E, Los Angeles (“LA”) County proposed several microgrid projects in great detail, along with specific funding amounts, technical specifications, and potential online dates,¹⁴ yet the PD recommended that these projects be submitted as applications to the Microgrid Incentive Program (“MIP”) currently in development. Similarly, CESA shared examples of shovel-ready microgrid projects that could be procured to meet emergency reliability needs by Summer 2023, either through limited modifications to the Rule 18/19 tariff to provide capacity via islanding and aggregated microgrid demand response, or through capacity payments for the microgrid exports that could be provided in the interim until the Full Capacity Deliverability Status (“FCDS”) is allocated and secured.¹⁵ Both of these cases highlight how the Commission did not adequately consider additional solutions and options beyond SDG&E’s proposed UOS microgrid projects in spite of equal if not more details and justification being provided.¹⁶ Though similarly-situated, the LA County projects would face more difficulty in bringing their projects online by Summer 2023 since the MIP may not even launch until Q2 2022 at the earliest based on the schedule of its resolution.¹⁷

If the Commission is directing the procurement of SDG&E’s proposed UOS microgrid projects, it is unclear why a similar determination could not be made for the LA County microgrid projects, or other potential shovel-ready projects in this PD rather than deferring them to the MIP.

¹⁴ *Opening Comments of the County of Los Angeles on Administrative Law Judge’s Ruling on Potential Microgrid and Resiliency Solutions for Commission Reliability Action to Address Governor Newsom’s July 30, 2021, Proclamation of a State of Emergency* filed on September 10, 2021 in R.19-09-009 at 5-7.

¹⁵ *Comments of the California Energy Storage Alliance on Proposals Submitted in Response to the E-Mail Ruling on Potential Microgrid and Resiliency Solutions for Commission Reliability Action to Address Governor Newsom’s July 30, 2021, Proclamation of a State of Emergency* filed on September 24, 2021 in R.19-09-009 at 2-5.

¹⁶ For example, the LA County projects even specify the requested fund amount and estimate the peak demand reduction, as well as providing justification on how the projects can support critical facilities and/or environmental justice objectives.

¹⁷ *Email Ruling Modifying Phase 2 Schedule of Track 4* issued on October 8, 2021 in R.19-09-009 at 6.

Pursuant to the Governor’s Emergency Proclamation and the Commission’s policy prerogative to take any actions necessary to address near-term emergency reliability needs, the Commission would be remiss to not “turn over every rock” for better-defined microgrid projects that can come online for the periods of need. Favoring the IOU proposals for expedited and exceptional processes and approval while ignoring or placing greater undue or discriminatory caution on non-IOU proposals and projects would be falling short of this mandate. Especially when these non-IOU projects leverage preferred and energy storage resources and adhere to the flexibility afforded in R.20-11-003 to not necessarily be RA-deliverable, these non-IOU microgrid projects should minimally be pursued ahead of backup diesel generation, yet the PD would approve the expansion of PG&E’s Temporary Generation Program.

To this end, CESA recommends that the Commission rectify this oversight or shortcoming in the PD by directing the IOUs to issue an expedited solicitation or engage in immediate bilateral negotiations to potentially contract for a wider range of projects in order to secure RA capacity, energy deliveries for the net load peak period, or enhance resiliency to critical facilities and/or for low-income and disadvantaged customers. PG&E in particular may be well-positioned to seek such solutions as part of Clean Substation Pilot Request for Proposal (“RFP”) that must be issued no later than November 2021,¹⁸ with additional direction to be more ambitious and not minimally comply by seeking a single pilot location. But this order should not be limited to PG&E but all IOUs, who should seek a wide range of microgrid projects to this end and issue broad solicitations.

Alternatively, a capacity payment via a tariff or program for enrollment by microgrids, such as those proposed by the Microgrid Resources Coalition (“MRC”) and others, could present a quick pathway to “procurement” instead of the usual competitive solicitation or bilateral negotiations, which result in transaction costs. By establishing performance requirements mirroring RA Availability Assessment Hours (“AAHs”) or energy deliveries being defined for the net load peak period, combined with defined and standard capacity payments, microgrid projects could immediately enroll and make themselves available for emergency reliability needs. Any concerns about right-sizing the capacity payments are moot if the Commission is already willing

¹⁸ *Resolution E-5164. Pacific Gas and Electric. Evaluation of Clean Energy Resource Opportunities for Substation Microgrids Pursuant to Decision (D.) 21-01-018* (“Resolution E-5164”) issued on September 10, 2021 at Order 1. *See also* Resolution E-5164 at 12: “Finally, pursuing a permanent clean substation pilot project may make additional energy resources available during potential extreme weather in summer 2022, mitigating the potential need for rotating outages and benefiting the grid at large.”

to authorize and procure certain microgrid projects in this PD, absent similarly relevant details on cost, performance, and operations.

V. **PG&E’S TEMPORARY GENERATORS SHOULD BE USED AS A LAST-RESORT MEASURE AND LIMITED TO SUMMER 2022 AT THIS TIME IF APPROVED FOR DEPLOYMENT AND USE.**

CESA strongly opposes the expansion of PG&E’s Temporary Generation Program since we believe that there is large pool of potential supply and demand resources that could be procured and/or unlocked if a more ambitious and urgent effort was made to expedite interconnection, ensure timely construction of network upgrades, fund shovel-ready microgrids, and leverage the flexible approaches to utilize non-RA-deliverable resources to meet emergency reliability needs. Within this context, CESA questions the need to expand the use of temporary generators, which D.21-01-018 specified as an interim approach for 2021.¹⁹ Expanding to 2022 and beyond without more concrete efforts to transition to cleaner fuels and generation seems to belie the stated intent of the Commission.

Notwithstanding the above concerns, if the Commission finds it reasonable to expand the Temporary Generation Program to “keep the lights on” for near-term emergency reliability, CESA first recommends that the Commission only authorize its expanded use and availability for *Summer 2022 only*. As a mobile and quickly-deployable asset, temporary generation should not be expanded for its use in Summer 2023, where there is sufficient lead time from now until then to assess the status of authorized and directed Phase 2 emergency reliability procurement by each of the IOUs, the status and performance of the Emergency Load Reduction Program (“ELRP”) and other demand response programs, and the status of various supply-side resources that are able to be deployed, interconnect, and come online. In the months or seasons heading into Summer 2023, the Commission can then reassess whether to continue the expanded scope of the Temporary Generation Program for Summer 2023. Such a limitation to the scope is consistent with the Commission’s interim approach adopted for their use to support Public Safety Power Shutoff (“PSPS”) resiliency.

Furthermore, if the Commission finds it reasonable to expand the Temporary Generation Program, the Commission must also ensure that these resources are used as a last-resort measure.

¹⁹ D.21-01-018 Appendix A at 1.

To meet the effective PRM, the Commission has adopted or proposed to adopt a number of strategies, including the ELRP and modifications to increase participation in emergency demand response programs such as the Base Interruptible Program (“BIP”). With a range of alternative preferred and clean resources in place, the Commission should direct PG&E to specify how it will ensure that temporary generators will not be used prior to the dispatch and operationalization of these other resources.

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

November 10, 2021