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**Comments on the June 1 Lead Commissioner Workshop to Launch Distributed Energy Resources in CA's Energy Future Proceeding**

*Additional submitted attachment is included below.*



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California Energy Commission  
Docket Unit, MS-4  
Docket No. 22-OII-01  
715 P Street  
Sacramento, CA 95814-5512

**Subject: SDG&E Comments on the CEC's June 1 Lead Commissioner Workshop to Launch Distributed Energy Resources in California's Energy Future Proceeding (Docket No 22-OII-01)**

San Diego Gas & Electric Company (SDG&E) appreciates the opportunity to provide comments in response to the California Energy Commission's (CEC) March 9, 2022 Order Instituting Informational Proceeding (OIIP) and subsequent June 1, 2022 Lead Commissioner Workshop to launch a new proceeding on Distributed Energy Resources (DERs) and their role in the state's energy future.

The CEC's March 9, 2022 OIIP states as follows:

In its role in gathering and analyzing critical energy system data to support energy policy development, the California Energy Commission (CEC) is launching this informational proceeding to further explore, collect information, conduct assessments, and support recommendations for the role of DERs in California's energy future. Where appropriate, the CEC will use this informational proceeding as an opportunity to collaborate and coordinate with DER-related research and proceedings of the Public Utilities Commission.

The June 1, 2022 presentation by the CEC's Energy Assessments Division outlined a proposed structure for the proceeding and invited stakeholder comments. Several stakeholders presented at the June 1, 2022 workshop.

SDG&E appreciates the CEC's interest in actively participating in planning discussions to ensure that the state is appropriately analyzing the increasing impact that DERs are having on the state's electrical grid. Close coordination between the state agencies and California Independent System Operator (CAISO) is imperative given the number of ongoing discussions related to this matter. With this in mind, SDG&E respectfully submits the comments below for the CEC's consideration.

### **Clarification is Needed to Delineate the CEC's Role, as Compared to the Roles of Other Agencies and the CAISO, in Accommodating DER Growth**

The CEC's proposed scope for this proceeding appears to overlap with ongoing efforts at the California Air Resources Board (CARB), the CPUC and the CAISO to accommodate anticipated growth in DERs. To complement these ongoing and robust efforts, SDG&E suggests that the scope of the CEC's proceeding should focus on the methods for forecasting the types, quantities, and metered consumption impacts of Behind-The-Meter (BTM) DERs. These forecasts are especially important in the latter years (e.g., fifteen years out) since significant increases in load could drive the need for long lead-time investments in substations and transmission lines. Other areas of potentially useful focus could be DER technology assessment and DER funding incentives (e.g., Electric Program Investment Charge (EPIC)).

The CEC's June 1, 2022 presentation suggests the proposed scope would include an assessment of DER values "not reflected in existing state policies," identification of "statutory/regulatory barriers," and defining grid services in a way that would make DERs "more commercially viable."<sup>1</sup> However, SDG&E notes that barriers to entry and grid services have already been extensively investigated and ruled on by the CPUC in its Distributed Resources Plan (DRP) proceeding and in the Microgrid Ordering Instituting Rulemaking (OIR 19-09-009). In addition, an examination of DER value propositions is already being extensively considered in various CPUC proceedings or programs, for example, the Integrated Distributed Energy Resources (IDER) proceeding (through the Avoided Cost Calculator [ACC]), the net energy metering (NEM) reform proceeding, the Microgrid Incentive Program (MIP), and the Distribution Investment Deferral Framework (DIDF). Rather than duplicate these efforts at the CEC in the instant proceeding, SDG&E encourages the CEC to participate in the other agencies' proceedings as a valuable stakeholder. If the CEC does undertake a quantitative study to value the benefits of DERs, SDG&E recommends it include any costs that DERs impose on the system, such as cost shifting to nonparticipants and potential grid upgrades. This will allow for a more holistic view of the "net benefits" of DERs.

SDG&E cautions that any qualitative value of the benefits of DERs the CEC develops may be of limited value. As stated previously, the CPUC already has a robust process for determining the value DERs provide to the grid (the ACC). Additionally, "maximizing DER value" can lead to increasing the compensation DERs receive. SDG&E has concerns about increasing DER compensation to the extent that any additional

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<sup>1</sup> CEC presentation at slide 4.

compensation is not clearly offset by additional benefits received by all customers, and, as well, that any increased compensation is paid by nonparticipating ratepayers (*i.e.*, a cost shift). High electric rates are a barrier to electrification; keeping rates at a reasonable level is essential to meeting the state's electrification goals. SDG&E recommends that if the CEC does undertake quantitative analysis of DER costs and benefits, the CEC also consider including cost-benefit analyses for *all* customers (not just participating customers).

Similarly, both the CPUC and the CAISO have already developed market structures that enable DERs to compete to provide a variety of wholesale and retail services. These structures include the CAISO's Proxy Demand Response (PDR) and Reliability Demand Response Resource (RDRR) mechanisms for BTM DERs, and energy and ancillary services for In-Front-of-the-Meter (IFM) DERs connecting under utilities' Wholesale Distribution Access Tariffs (WDATs). They include the CPUC's DIDF in which DERs can defer planned distribution upgrades at the retail level via participation in an annual Request for Offer (RFO) solicitation process, Standard Offer Contract (SOC) pilot or Partnership Pilot. DERs can also provide Resource Adequacy (RA) capacity to Load Serving Entities (LSEs) within the CAISO Balancing Authority. Because wholesale and retail market structures are the provinces of the CAISO and CPUC respectively, SDG&E does not believe it will be useful for the CEC to separately consider "market structures."<sup>2</sup> Instead, the CEC's proceeding can be used as a venue for investigating the likely consequences of the CAISO's and CPUC's market mechanisms on BTM DER expansion and the associated long-term impacts on metered consumption.

Rather than using the instant proceeding to formulate "policy recommendations to achieve robust customer adoption"<sup>3</sup> of DERs, SDG&E suggests that the CEC participate in the various CPUC and CAISO proceedings (noted above) that are already engaged in developing policies related to DERs. The CEC's contribution in these proceedings will enhance the legitimacy and significance of the policies which emerge. Additionally, SDG&E notes that "robust customer adoption" of DERs should not be an end in-and-of itself. DER adoption is most efficiently driven by the benefits the DER provides to the customers who pay for their adoption and should not come at the expense of nonparticipating customers, if quantitative cost-benefit analysis does not show a net benefit to all ratepayers.

### **Further Refining the Proceeding Scope Will Help Ensure that the CEC's Efforts Focus on Unresolved Issues with DER Deployment**

Finally, SDG&E notes that one of the stakeholder presentations at the June 1, 2022 presentation covered ground that has already been well trod in another proceeding and introduces issues that may have otherwise been resolved or dispensed with by the

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<sup>2</sup> CEC presentation at slide 4.

<sup>3</sup> CEC presentation at slide 5.

CPUC. In particular, the presentation by a representative of the Reimagine Power/Microgrid Resources Coalition references an “open access” Distribution System Operator (DSO).<sup>4</sup> The presentation does not explain what “open access” means and is unclear as to whether it already exists. Consideration of DSO options is squarely in scope for the CPUC’s High DER proceeding (R.21-06-017).

The presentation recommends a change to Pub. Util. Code section 218 (“over-the-fence” microgrids) to encourage community “owned and controlled” microgrids. The CPUC has already addressed the section 218 matter in its microgrid decision and it would be inappropriate to relitigate this issue outside of the microgrid proceeding.<sup>5</sup> Also, there is no acknowledgement in the presentation of the need for, and the legal requirement to provide, regulatory protection of electric customers that are served from facilities that are “owned and controlled” by a community. To the extent microgrid facilities are currently owned by utilities, the responsibility for safe and reliable operation of those facilities (and the liability for failures thereto) resides with the utilities. The presentation does not explain whether the electric facilities to be “owned and controlled” by a community would somehow be acquired from utilities or whether these would be entirely new facilities. In the latter case, there would be significant costs and duplication of existing utility facilities. As stated above, the CPUC’s microgrid proceeding has addressed these matters at length.

The presentation references “local electron sharing” within a community. This would naturally occur with any multi-customer microgrid and such multi-customer microgrids are already possible. Multi-customer microgrid proposals should be brought to the attention of the local utility for further discussion and feasibility analysis. As such, the CEC’s role in facilitating these types of projects should be focused solely on providing funding or incentives for the technologies within the community microgrid bounds.

The presentation proposes “value-based compensation for consumers to provide grid services and load flexibility.” SDG&E raises two points in response to this proposal: first, until NEM is reformed to bring existing compensation in line with benefits and to eliminate the unfair economic burden placed on Disadvantaged Communities (DACs), it is difficult to justify new compensation mechanisms. The CPUC’s NEM reform proceeding is examining this exact issue. Second, as pointed out above, avenues already exist for DERs to provide grid services – both wholesale at the CAISO and retail at the utilities (e.g., Resource Adequacy and distribution deferral) – and receive value-based compensation. The CEC’s instant proceeding should not be used to develop compensation mechanisms which are plainly the responsibility of the CAISO and CPUC.

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<sup>4</sup> Reimagine Power/Microgrid Resources Coalition presentation at slide 5.

<sup>5</sup> See California Public Utilities Commission “Decision Adopting Rates, Tariffs, and Rules Facilitating the Commercialization of Microgrids Pursuant to Senate Bill 1339 and Resiliency Strategies”, D.21-01-018; issued January 21, 2021.

## **Conclusion**

Thank you for your consideration of these comments. We look forward to continuing to work with the CEC, as well as the CPUC, CARB, and CAISO, as these efforts continue. Please do not hesitate to contact me should you have any questions or wish to discuss SDG&E's comments in greater detail.

Sincerely,

*/s/ Sarah M. Taheri*

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