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Microgrid Resources Comments on BTM RFI

Additional submitted attachment is included below.

October 30, 2022

California Energy Commission
Docket Unit, MS-4
715 P Street
Sacramento, CA 95814

RE: Docket 19-ERDD-01 Microgrid Resources Coalition Response to the Request for Information on Behind-the-Meter Zero-Emission Backup Technologies

Introduction

The Microgrid Resources Coalition ("MRC") is a consortium of leading microgrid owners, operators, developers, suppliers, and investors formed to advance microgrids through advocacy for laws, regulations and tariffs that support their access to markets, compensate them for their services, and provide a level playing field for their deployment and operations. The mission of the MRC is to promote microgrids as energy resources by advocating for policy and regulatory reforms that recognize and appropriately value the services that microgrids offer, while assuring non-discriminatory access to the grid for various microgrid configurations and business models. We generally support disaggregated, fair pricing for well-defined services both from the grid to microgrids as well as from microgrids to the grid. We promote community-based resilience standards and support utilities that are working toward new business models that value resilient distributed resources. We work for the empowerment of energy customers and communities.

Comments on RFI

The MRC appreciates the opportunity to provide comments on this RFI and applauds the Commission for deeply considering the values and benefits that behind-the-meter (BTM) distributed energy resources (DERs) can provide to California's energy system. The MRC has provided responses to the following questions:

13. What are the most significant barriers (technical, cost, design, permitting, etc.) to integrating BTM backup power in the various sectors (e.g., residential, rural) and use cases mentioned above? What unknowns can be illuminated through research? Please be as specific and concise as possible in your response.

Some of the most significant barriers to BTM backup power integration are a lack of priority given to BTM resources in traditional procurement processes, archaic regulatory policy that disproportionately favors utility-scale resources, and *the absence of a workable tariff and clear price signals to support microgrids and more sophisticated BTM solutions deployment.*

The California Public Utilities Commission ("CPUC") continues to tout its progress on microgrid policy by referencing the Microgrid Incentive Program created under the ongoing rulemaking R.19-09-009 in January 2021 has earmarked $200 Million for front of the meter microgrid solutions managed by IOUs to serve DACs, low-income, and high risk rural communities. These communities are subject to some of the worst impacts of wildfires, PSPS, and lack of infrastructure investment. Besides the fact that this program is still not finalized and still has not funded any projects in the years since it was approved, it will not fund any BTM microgrids that could be deployed much more quickly in DACs and vulnerable communities to support resiliency and grid needs. Opening this program to the funding of BTM resources

would create a large stream of funding to support BTM resources for disadvantaged and rural communities that otherwise may lack the resources to deploy these solutions.

There is no clear compensation mechanism for microgrids that treats them as a sum of their parts, rather than multiple, separate components. Microgrids are a system. The CPUC has not yet developed a workable tariff and clear price signals that microgrids could respond to and provide value to the grid and bulk power system. A value stacking tariff would allow microgrids to provide a multitude of benefits while also tapping into stable revenue streams that allow customers and developers to monetize these resources in the market, instead of relying on grants and incentives. Developers of BTM microgrid solutions need a level of assurance that a project will be financially feasible. A clear regulatory pathway would provide the market signals necessary to foster the growth of BTM microgrids that can provide clean, firm capacity, backup power, and other benefits.

"Zero emissions" is misleading… all resources that are created have some emissions that are generated as part of their lifecycle. 100% renewable resources that emit no criteria pollutants at the point source *and* that can provide firm capacity and long duration resilience are very expensive. There is a correlation between performance (reliability and carbon reduction) and cost that must be addressed when assessing various BTM solutions for viability in commercial deployments.

The most significant barrier to integrating these high performing BTM solutions that are both renewable and provide long duration resiliency is the difficulty non-utility entities face in obtaining incentives to defray the costs necessary to drive their development. The Commission should ensure that funding is available to drive project deployment, including funding specifically for local governments and communities. The Commission should give priority to BTM solutions that serve critical facilities, vulnerable populations, and areas that are especially prone to grid outages or wildfire risk. The Commission should incentivize eligible activities under the program that include planning, feasibility assessments, and other pre-development activities so that local governments and communities have the proper resources and capacity to develop comprehensive microgrid and resilience projects that meet local needs. Finally, the Commission should maximize the value of any state funds invested by incentivizing BTM assets that can provide multiple value streams that include backup power, but also primary power, load reduction, and other grid benefits.

15. What are the most significant barriers to integrating BTM zero-emission backup power in under-resourced communities (low-income, disadvantaged, tribal)? What technology solutions or research areas could overcome these barriers?

A significant challenge facing low-income communities, DACs, and tribal communities is a lack of resources necessary to integrate clean BTM backup power solutions. This includes financial resources, but also the technical and regulatory expertise to develop projects that meet local needs. Under resourced local governments and community organizations may not have enough staff or members that have the ability or resources to navigate a complex regulatory approval process.

Funding for education, training, and administrative support for the local governments and community organizations would foster a better environment for development. Additionally, creating more enticing incentives for investment in BTM backup power and resiliency solutions in these underserved communities is of the utmost importance to drive the market towards these communities and prioritize investment where it is most needed and would provide the greatest impact.

Conclusion

The MRC appreciates the opportunity to provide comments on the Commission's RFI and looks forward to continued collaboration to deploy clean BTM resources in a cost-effective and expeditious manner. Incentives are important to jumpstart markets, but ultimately stable revenue streams – via clear price signals and tariffs – for BTM DERs that incentivize carbon reduction, grid benefits, equity, and long duration resiliency is what is necessary to deploy these projects at scale and maximize impact to the state.

Respectfully submitted,

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