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## **Remove disincentives for distributed energy resources in front of the meter, and microgrids**

350 Bay Area commends the California Energy Commission for including a resilient energy grid as part of Chapter 10, Climate Adaptation. You have received a number of comments in support of microgrids. While microgrids are valuable components of a resilient grid, 350 Bay Area urges the CEC to include in consideration of adaptability other energy generation and storage resources on the distribution grid, especially those in front of the meter. These may not constitute a microgrid, but can still provide local energy when transmission outages occur for whatever reason.

350 Bay Area urges CEC in the current IEPR to address system-wide incentives which artificially result in undervaluing microgrids and other in front of the meter distributed energy resources. There are two major issues which need to be addressed.

- 1) The CEC should collaborate with its sister agencies such as the CPUC to correct the economic distortion of Transmission Access Charges. Both the investor-owned utilities and CCA's apply a volumetric transmission access charge to the energy consumed at the customer's meter. Therefore there is an additional \$0.03 per kilowatt-hour applied to local energy resources on the distribution grid which do not use the transmission grid. Medium scale (20 KW to 1 MW) installations on the distribution grid would be economically competitive without this distortion.
- 2) The second issue is to separate ownership of transmission assets from ownership and management of the distribution grid. Currently investor-owned utilities such as PG&E own transmission lines. The over 10% return on investment for construction of transmission assets and on the Operation and Maintenance cost for transmission lines is a powerful incentive to purchase energy from the bulk power system. A Distribution System Operator, in contrast, would have incentives to collaborate effectively on accelerating implementation of distributed energy resources on the distribution grid. The current PG&E bankruptcy proceedings provide an excellent opportunity for the IEPR to think strategically about how to align incentives for the resilient grid of the future.