

DOCKETED

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Microgrids in the Context of Community Choice

Additional submitted attachment is included below.



July 30, 2020

Honorable Janea Scott, Vice Chair
California Energy Commission
1516 9th Street
Sacramento, CA 95814

RE: Docket 20-IEPR-04 Comments on IEPR Commissioner Workshop on Assessing the Future Role for Microgrids in California

Dear Vice Chair Scott,

The California Alliance for Community Energy (“the Alliance”) appreciates the leadership shown by the California Energy Commission in acknowledging and planning for the vital role microgrids will play in the state’s cleaner, more decentralized, and more resilient energy future. We applaud the Commission’s action in focusing on microgrids in the next Integrated Energy Policy Report (IEPR) and thank you for the opportunity to provide our comments.

The Alliance has worked tirelessly to support and defend the state’s Community Choice energy programs, chiefly to ensure that these programs deliver the social justice and economic development benefits as well as the environmental benefits often promised at program inception and launch. In 2020, we identified the need for Community Choice programs to prioritize and dedicate resources to promoting community-driven energy resilience—the ability of our communities to withstand the ravages of climate change through development of resilient energy systems.

In keeping with this programmatic priority, we are pleased to offer the following comments for the Commission’s consideration in shaping its own microgrid recommendations and priorities. We place these comments in the context of the following “givens” that underpin our work:

- The escalating pace of climate disruption is the backdrop for an “all hands on deck” effort to transition the state to a decentralized energy model, one that protects communities from the impacts of power loss, both climate- and utility-caused.
- A core imperative of this transition must be to empower local communities, especially the most vulnerable, frontline communities, to engage and guide this transition to locally-owned and locally-accountable renewable energy resources.
- We define this as “Community-driven energy resilience” -- a concept that goes beyond microgrids. In addition to clean, resilient technologies, it also requires robust community engagement and decision-making in the processes that bring these technologies into our communities. These microgrids must be developed with the direct leadership and participation of community members who are expert in their own needs.

The balance of our comments cover several topics we trust are relevant to the Commission's investigation: the barriers that currently obstruct community-driven energy resilience; the potential role of Community Choice agencies in speeding this transition, and recommended actions for Commission consideration.

Barriers to Community-Driven Energy Resilience

Barriers to deployment differ depending on whether the microgrid is located on the customer side of the meter or in front of the meter, what we term "grid-side". Many of these obstacles are created by the state's three investor-owned utilities (IOUs) through their ownership and operation of the distribution grids to which microgrids must be connected. As attested by many parties, the IOUs continue to use their control of the distribution grid to block development of distributed energy resources including microgrids. In our view, the CPUC has colluded with the IOUs' efforts to maintain control over the distribution system, to the detriment of all sizes of microgrids. Not coincidentally, these same IOU barriers also undermine and constrain Community Choice programs as vehicles for community development and control of those local energy resources.

Barriers to Behind-the-Meter Microgrids -- These fall into buckets well-known to IEPR workshop participants: fair compensation for local distributed generation, and interconnection costs and burdensome procedures. The outcry against the historic barriers of compensation and interconnection resulted in passage of SB 1339, yet the resulting proceeding R.19-09-009 has been hijacked by the CPUC's approval of PG&E's plans to install diesel generators at grid substations as backups for utility power shutoffs.

Not only does this proposal fail to address the mandate of SB 1339. It also utilizes the proceeding to advance another long-standing IOU objective, the handicapping of Community Choice energy programs. Many of these diesel generators are located in areas where Community Choice programs have the sole authority to serve their customers' power needs. In effect, by greenlighting PG&E's installation of diesel generators over cleaner technologies, the CPUC has both undermined the intent of SB 1339 and violated the intent of the Community Choice law (AB 117).

Barriers to Grid-side Microgrids -- Grid-side resources, those that feed their electricity directly into the distribution grid, have encountered similar IOU-maintained barriers. IOUs' uneconomic tariffs remain a barrier to locally-sited wholesale generating facilities. IOU opposition has also proven a barrier to state programs common elsewhere—like feed-in tariff programs (popular in Europe) and virtual net-metering / "solar garden" and other shared solar laws¹ that override IOU control to encourage the development of grid-side generating resources.

One of the greatest barriers to the development of grid-side microgrids lies in California Public Utility Code Section 218. This section grants IOUs the exclusive right to deliver electrical power within a defined geographical region. By doing so, this rule prohibits the delivery of power between multiple metered properties within a microgrid, even if the properties in the microgrid were to string their own wires.

Section 218 puts the IOUs in full control of efforts by Community Choice programs and others to provide creative, flexible distributed supply and storage and resiliency solutions at the heart of grid-side microgrids. As it currently stands, section 218 grants IOUs a monopoly on development of grid-connected microgrids. This monopoly also enables

¹ For example this Massachusetts program <https://www.mass.gov/solar-massachusetts-renewable-target-smart>

them and only them to profit from the sale of the associated electricity services (electricity, storage, resource adequacy, and so forth).

Overcoming the Barriers to Microgrid Deployment

The state's 24 Community Choice programs will be pivotal in the transformation to a safer, more reliable and decentralized energy system. These programs are uniquely positioned to serve their communities with distributed energy solutions that provide safe, sustainable, reliable, and resilient energy through microgrids developed in an array of different sizes, locations and configurations, as would occur rapidly if the barriers identified in the previous section were removed.

Yet the ability of Community Choice programs to play this role is in jeopardy as long as the IOUs and CPUC continue to aggressively challenge Community Choice prerogatives, programs, and solutions. For many of the Community Choice agencies, their ability to serve community needs has already been compromised by recent CPUC decisions: the dramatic increase in PCIA fees, the approval of a public PG&E bailout that puts communities at increased risk of wildfires and power shutoffs, and the granting central buyer of resource adequacy status to the IOUs.

Notwithstanding the scope of the transformation needed, a number of actions would help address the barriers to microgrid deployment described herein. The Alliance calls on the Commission to consider the following actions to speed and support this transition:

- **Develop programs for deploying community-driven microgrids in frontline and vulnerable communities** -- Require close collaboration and direct engagement by the communities most at risk from power shut offs, to empower them to determine the location and emergency services provided by these centers, whether at food pantries, shelters, schools and libraries, as well as more traditional emergency facilities.
- **Implement programs to drive community-based microgrid development to scale** -- Spur microgrid development through low-cost on-bill financing, feed-in tariffs, incentives for microgrids that reduce strain on distribution circuits and meet resource adequacy requirements, and other measures to facilitate community-based microgrid deployment.
- **Create strong microgrid tariffs as directed by SB 1339** -- To provide a platform for customer microgrids, these tariffs must recognize the benefits of behind-the-meter generation in avoiding grid infrastructure costs and achieving state climate targets.
- **Facilitate revision of transmission access charges** -- Ensure that transmission charges on electricity bills reflect customers' actual use of the transmission system. Make sure that the avoided transmission costs of locally generated electricity can be realized as an economic incentive for siting electricity generating facilities close to use.
- **Cap and sunset the Power Charge Indifference Adjustment (PCIA)** -- This "exit fee" handicaps both Community Choice and behind-the-meter microgrids by saddling departing customers with the costs of generation assets that IOUs refuse to mitigate. These fees undermine Community Choice by threatening their financial viability and limiting their ability to reinvest in community-based microgrid project development programs.
- **Require all new microgrid generation to be renewable or "clean"** -- Insist that any diesel generation installed by any IOU for emergency energy resilience be removed and replaced with more appropriate renewable and non-polluting microgrid solutions within 12 months.

- **Facilitate transition to an open access distribution grid** -- Adopt policy that removes the restrictions of Section 218 and expand the list of products and services, such as grid-side microgrids, that can be provided by Community Choice and other load-serving entities. Also advocate for a new Open Access Distribution System Operator entity to operate and manage the distribution grid.

The above actions constitute a policy platform that would enable microgrids to take their rightful place as a near-term tool in the state's climate-driven energy transition. These actions would also ensure that Community Choice agencies can work closely with their local community-based organizations and elected officials to design, develop, expedite and support investment in the clean and resilient, decentralized energy infrastructure that our state and its citizens deserve.

The question remains -- can the mechanisms available to our state agencies --even when coordinated via the IEPR -- work with sufficient alacrity and efficiency to enable this transition at the speed required by the climate transition already starting to engulf us.

We join many in hoping that the IEPR will set high standards and tight timelines, sufficient to create new confidence in a positive path to that clean, decentralized and resilient future.