

Resiliency & Microgrids Working Group Standby Service Charges Discussion

Resiliency and Microgrids Team, Energy Division
February 19, 2021



California Public
Utilities Commission

WebEx and Call-In Information

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- Please register using WebEx link to view phone number.
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Notes:

- Today's presentations are available in the meeting invite (follow link above) and will be available shortly after the meeting on <https://www.cpuc.ca.gov/resiliencyandmicrogrids>.
- This meeting will not be recorded and there will not be meeting minutes.

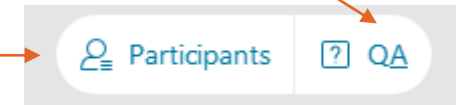
WebEx Logistics

- All attendees are muted on entry by default.
- Questions can be asked verbally during Q&A segments using the “raise hand” function.
 - The host will unmute you during Q&A portions and you will have a maximum of 2 minutes to ask your question.
 - Please lower your hand after you’ve asked your question.
 - If you have another question, please “re-raise your hand” by clicking on the “raise hand” button twice.
- Questions can also be written in the Q&A box and will be answered verbally during Q&A

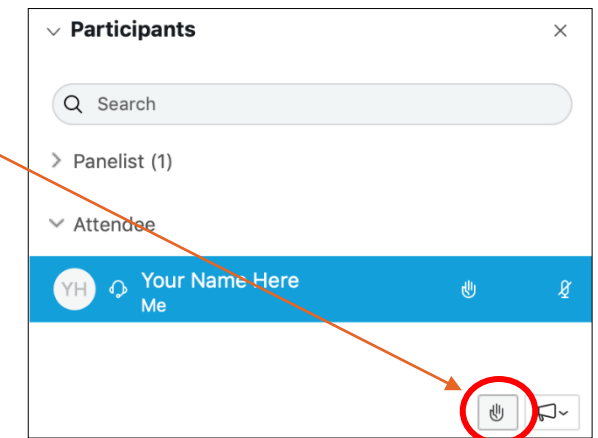
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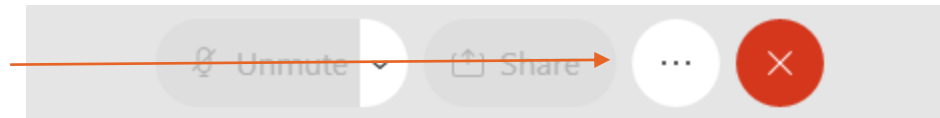


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Agenda

I. Introduction	10:00 – 10:05
<ul style="list-style-type: none">• WebEx Logistics• Review agenda	
II. Informational Presentation on Standby Charges	10:05 – 10:25
<ul style="list-style-type: none">• Level-setting on standby charges: background, components, public purpose, utility cost recovery	
III. Overview of February 9, 2021 Ruling Questions	10:25 – 11:35
<ul style="list-style-type: none">• Overview February 9, 2021 Ruling questions• Identify key areas of focus within the set of questions• Q&A and Discussion	
IV. Discussion	11:35 – 11:35
V. Closing Remarks, Adjourn	11:55 – 12:00

Preliminary Resiliency & Microgrids Working Group Schedule

Month	Resiliency and Microgrids Working Group Topics			
February	Standby Charges	Multi-Property Microgrid Tariff		
March				
April				
May			Value of Resiliency	
June				
July				
August				Microgrid Interconnection
September				
October				
November	Customer-Facing Microgrid Tariff Revisit			
December				
January				
February				

Standby Charges: Working group participants to consider whether and how potential grid benefits from customer-facing microgrids, regardless of fuel source, may justify modifying standby charges. Note that this discussion represents one part of a larger reconsideration of the customer-facing microgrid tariff.

Standby Charges - Spring 2021

FEBRUARY

2/9 Commissioner's Amended Scoping Ruling Issued

2/19 RMWG Meeting

MARCH

3/3 Opening Comments Due

3/10 Reply Comments Due

Placeholder for Opening Briefs

APRIL

Placeholder for Reply Briefs

Meeting Frequency

- This is the only working group meeting planned regarding Standby Charges.
- Separate tracks of the Resiliency and Microgrids Working Group have other meetings scheduled (e.g. Multi Property Microgrid Tariff meets every other week on Mondays)

Informational Presentation

Jenell McKay, San Diego Gas and Electric Company
Advanced Clean Technology Policy & Strategy Manager



Background on Standby Charges

Resiliency & Microgrids Working Group

February 19, 2021



Agenda



- **Background of Standby Charges**
- **Drivers for Exemptions**
- **Standby Tariff Components**
- **Standby Service for Generators**
- **Standby Charges & Microgrids**



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Standby Rate:

A standby rate is paid by an electric utility customer who has on-site generation and receives utility services.

Background



- Standby charges are a long-established tool for utilities to support customer generation.
- The federal Public Utility Regulatory Policy Act (PURPA, 18 CFR § 292.305) requires utilities to provide certain services, including standby service, to customers with Qualifying Facilities.
- In 2001, the Commission adopted interim standby rate design policies for onsite generation facilities (D.01-07-027)
 - Apply to any non-exempt onsite generation facility requiring some level of standby service, whether for supplemental, backup, or maintenance purposes.
 - *“Standby rates should be designed to appropriately reflect costs imposed on the utility system by all customers, including those employing onsite generation.” (p.64)*
 - The costs associated with many components of the transmission and distribution system do not vary with different levels of usage delivered through the system and such costs are not avoided when a customer installs distributed generation
 - *“We find that most of the distribution costs to serve standby customers appear to be fixed in nature.” (p.57)*
- Because utilities are the provider-of-last-resort, they must plan to serve standby load if needed and thus incur infrastructure costs to serve the standby load – even if distributed generation is installed. [PUC §216(a)(2)]
- Many of the creations and/or changes to the standby charges for the utilities are a result of Commission decisions in general rate cases or other applications where rate issues are reviewed and evaluated.

Drivers for Exemptions



Net Energy Metering (NEM)

NEM customer-generators are specifically exempted for policy reasons under AB 327 (2013) PU Code § 2827(g) to support private investment in renewable energy.



Customers Selling power to Utility

Customers selling 100% power to the utility on a simultaneous purchase and sale basis are exempt. Under these circumstances, a customer's bill does not change.



Customers with Solar Systems ≤ 1 MW to Serve Load

Customers using a solar system with a capacity of less than 1 MW to serve load. Commission in D.01-07-027 agreed that these customers are similar to NEM customers and extended the exemption for policy reasons.



Microgrids Customers

SB 1339: "shall ensure the microgrid rates and charges **do not shift costs** to, or from, a microgrid customer or non-microgrid customer, and shall ensure each microgrid and its components comply with the local publicly owned electric utility's applicable regulatory requirements."



Standby Tariff Components



SDG&E : Standby Service Tariff is a “rider” tariff in addition to the otherwise applicable tariff. Billing adjustments are incorporated to ensure customers with demand charges are not billed twice when generation declines with a corresponding increase in metered demand.

SCE: Standby Service Tariff is a “rider” tariff for customers demand of 500 kW and below and a standalone tariff for customers with demand above 500 kW.

PG&E: Standby Service is a standalone tariff. For customers whose load exceeds their generation, the otherwise applicable tariff is used in addition to Standby Service to calculate usage and customer charges.

Standby Tariff Components	PG&E	SCE	SDG&E
Transmission Capacity/Demand	Yes	Yes	Yes
Distribution Capacity/Demand	Yes	Yes	Yes
Generation Capacity/Demand	Yes	Yes	No
Customer Charge	Yes – Schedule S	Yes – OAT or Schedule S	Yes – OAT
Energy Charge	Yes – Schedule S	Yes – OAT or Schedule S	Yes – OAT

OAT – Otherwise Applicable Tariff

*Billing Adjustment – each IOU’s Standby Charges are designed to ensure a customer is not billed twice for the same charges, whether through the rate design or a billing adjustment (e.g., ratchet).

Standby Service for Generators

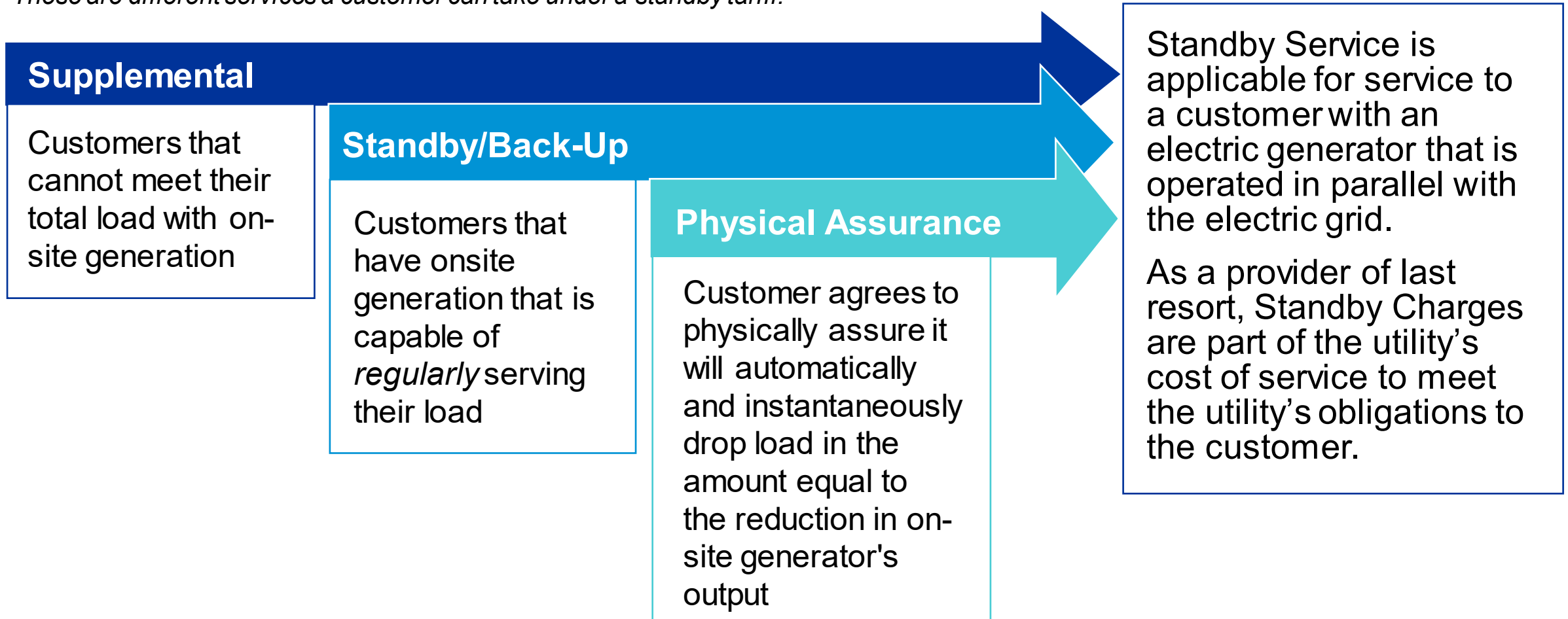


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These are different services a customer can take under a standby tariff:



Standby Charge Applicability for Microgrid Operational Modes



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SB 1339 prohibits shifting costs between customers for microgrids.

- Standby charges recover the costs associated with the infrastructure necessary to deliver energy to customers in the event the customer's on-site generation is less than the customer's load
- Disconnection from utility facilities (microgrid operation) does not change the utility's obligation to provide standby service when a customer with on-site generation reconnects
- Utility facilities must be available to provide service at all times:
 - BTM : upon failure or maintenance of generator to meet customers' load
 - IFOM : Ability to delivery microgrid resource energy to microgrid customers during microgrid operation and upon failure or maintenance of generator to meet customers' load
- Physical assurance is a contractual agreement that the customers load will be completely served by onsite generation or load will be automatically and instantaneously reduced to the level of onsite generation
 - Physical assurance does not waive ALL standby charges.
 - Customers are not charged for utility services that are not rendered on their behalf.



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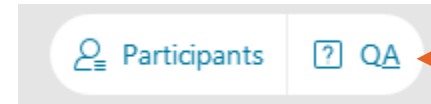
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Questions?

Discussion and Q&A

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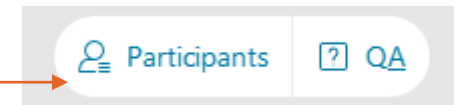
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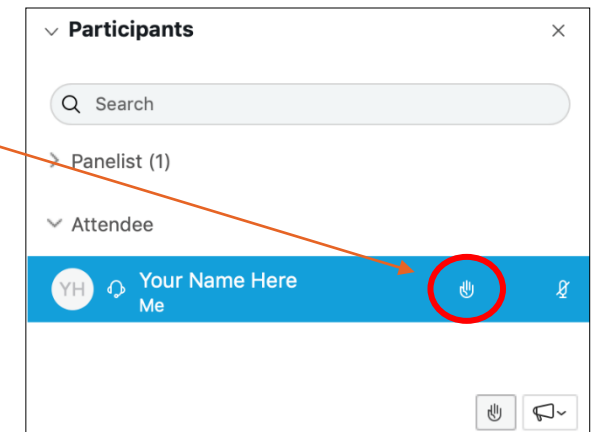
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Overview of February 9, 2021 Ruling Questions

Resiliency and Microgrids Team, Energy Division

Cost Responsibility Surcharges - Recap

July 2020

- Staff Proposal recommended customer-facing microgrid rate schedule with no change in cost responsibility surcharges such as standby charges, departing load charges and non-bypassable charges.

August 2020

- Many parties advocated to exempt microgrids from cost responsibility surcharges, including standby charges.

January 2021

- D.21-01-018 directs the Resiliency and Microgrids Working Group to
 - Examine the costs and value propositions of microgrids as a basis for preventing cost shifting pursuant to Section 8371(b) and (d).
 - Be guided by Section 8371(d) to ensure bundled customers remain indifferent.

February 2021

- Assigned Commissioner's Amended Scoping Memo and Ruling directs Parties to respond to Energy Division staff questions

Standby Service Charges – Issue for Consideration

On February 9, 2021, the Assigned Commissioner's Amended Scoping Memo and Ruling for Track 3 identified the following issue for consideration:

Whether the Commission should require PG&E, SCE, and SDG&E to waive standby charges for a customer operating a microgrid, regardless of fuel source, so long as:

- (1) Waiving a standby charge will enable the microgrid customer to provide an incremental benefit to other customers; that is
- (2) Commensurate with the magnitude of the otherwise applicable standby charges.

Standby Service Charges – Issue for Consideration

On February 9, 2021, the Assigned Commissioner's Amended Scoping Memo and Ruling for Track 3 identified the following issue for consideration:

- a) Should the Commission limit the eligibility of microgrid resources for the standby charge waiver to ensure compliance with the State's air pollution and greenhouse gas emissions reduction requirements?
- b) Under what conditions should standby charges be waived or reduced?

Standby Service Charges – Issue for Consideration

The Scoping Memo and Ruling provides questions attached as an Attachment A.

- Answers to the questions will aid the Commission's ability to resolve and decide the above issues.

The Scoping Memo and Ruling direct Parties to answer the questions by filing and serving comments according to the Schedule which includes:

- Opening Comments due March 3
- Reply Comments due March 10.

Standby Service Charges – Staff Questions

The Energy Division questions are provided as an Attachment to the Amended Scoping Memo and Ruling of February 9, 2021. The questions are divided into nine sections and are aimed at record development through Parties Opening and Reply Comments.

- A. Background and Question
- B. Overarching Scoping Question
- C. Questions for Utilities
- D. Existing Rate Schedule Features
- E. Questions for Developers
- F. Resource Eligibility Questions
- G. Questions to Identify Details of Proposed Service Provided
- H. Cost Benefits Questions
- I. Questions to Identify Details of Potential Waiver

Standby Service Charges - Staff Questions

A. Background and Question

1. Background – This section provides context related to a utility obligation to serve when a customer’s non-utility generation fails. It summarizes when utility rate schedules apply standby charges to customer generators. While acknowledging each utility has different standby service schedules and rates, each went through comprehensive due process resulting in CPUC- adjudicated authorized tariffed rate schedules.
2. Question: Section A closes by posing one question. It asks whether Parties agree with the standby charge overview and if not, to explain.

Standby Service Charges - Staff Questions

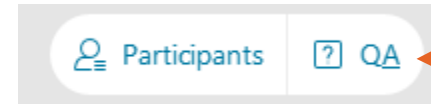
B. Overarching Scoping Questions

1. The two questions in Section B are the foundational issues for consideration scoped in the Amended Scoping Memo and Ruling of February 9, 2021.
2. These questions are high priority for Parties to include in their comments.

Discussion and Q&A

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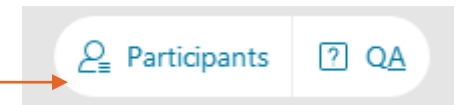
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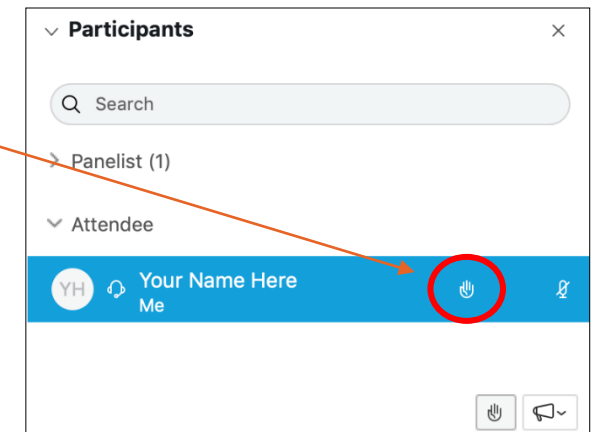
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Standby Service Charges - Staff Questions

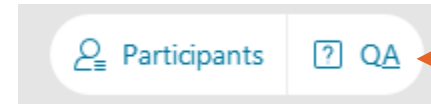
C. Questions for Utilities

1. These questions seek facts about the existing rate schedules, linkages to the authorizing legislation or Commission Decisions, the revenue collected through rates, demographics for the customers taking service, (Are any microgrids? Have customers entered physical assurance agreements?)
2. All five questions are high priority for Utilities to address in comments.
3. We highly recommend Parties provide specific citations to Commission Decisions and references to related rate schedules, wherever possible, to assist in building the record.

Discussion and Q&A

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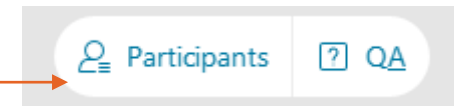
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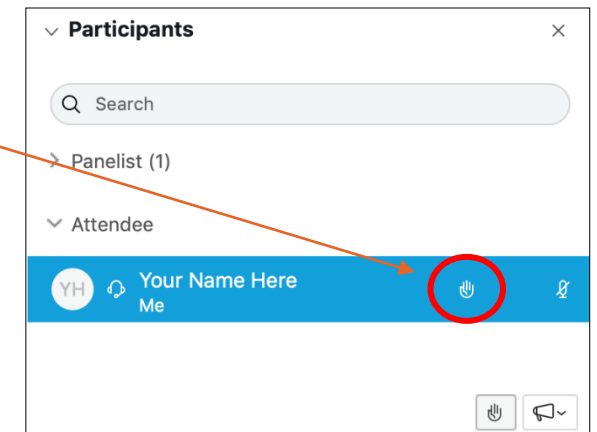
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Standby Service Charges - Staff Questions

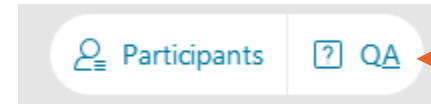
D. Existing Rate Schedule Features (directed to Utilities and Developers)

1. These questions seek information to assist staff in understanding in more specific detail, the nature of barriers or perceived obstacles that inhibit customer generators from taking service under existing schedules:
 - a) Existing ways for customer generators to take service without incurring a standby service charge.
 - b) Obstacles preventing customer generators from entering a physically-assured load reduction agreement.
 - c) Whether physical assurance agreements might limit participation in demand response or emergency load reduction programs.
2. All three questions are high priority for Utilities and Developers to address in their comments.

Discussion and Q&A

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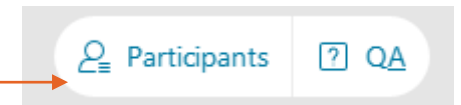
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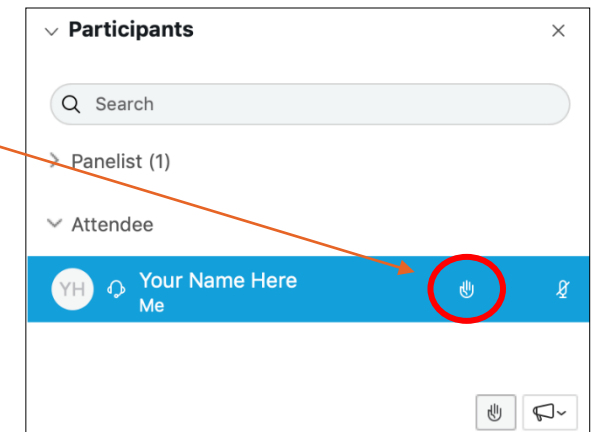
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Standby Service Charges - Staff Questions

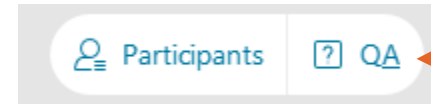
E. Questions for Developers

1. These questions seek specific facts to build the record.
2. Staff recommends developers include specific details to provide sufficient background, basis and justification, for staff to understand project economics & feasibility, actual or realistic situations illustrating barriers or obstacles and an estimated size for the potential market.
3. One question explores the perceived obstacle that inhibits switching to renewable fuels as one strategy for eligibility for other rate schedules that are exempted from standby charges.
4. Staff advises Parties to avoid high-level global responses because those may be disregarded as un-useful. The quality of the responses will be more valuable than the number of questions answered in this section.

Discussion and Q&A

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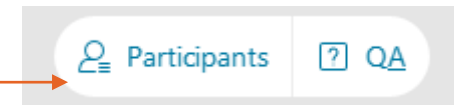
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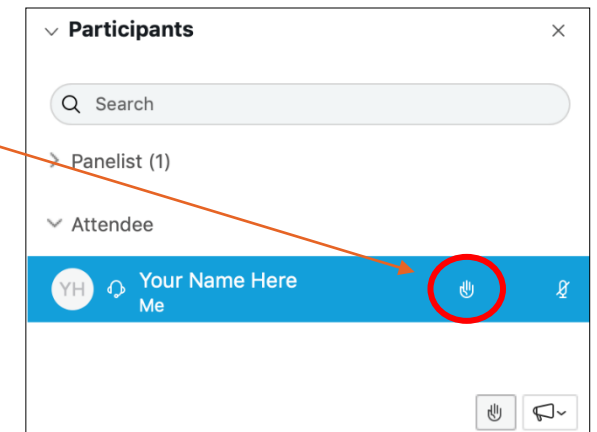
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Standby Service Charges - Staff Questions

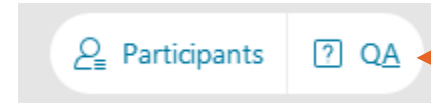
F. Resource Eligibility Questions

1. Some CPUC authorized tariff schedules already exempt certain kinds of resources from standby charges. Many of those existing exemptions are noted in Section F, question 1.
2. This section asks Parties to provide input on whether the CPUC should identify other types of project resources that are included in microgrids for standby charge exemption.

Discussion and Q&A

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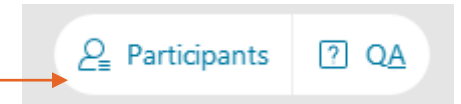
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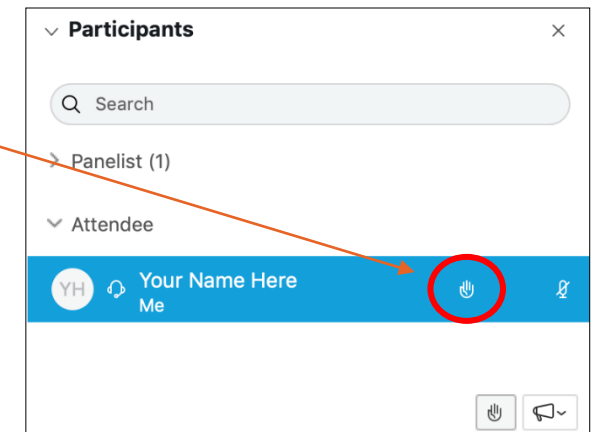
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Standby Service Charges - Staff Questions

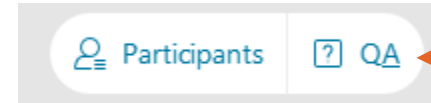
G. Questions to Identify Details of Proposed Service Provided

1. These questions seek specific facts to build the record.
2. Staff recommends Parties include specific details for staff to understand the types of services that a microgrid can provide that might merit a waiver or reduction of standby charges.
3. It's more important to provide high quality responses with basis and justification rather than to respond to every question in this section.
4. Provide enough detail to clearly articulate the details of the proposed service. Avoid high-level global responses that may be disregarded as un-useful.

Discussion and Q&A

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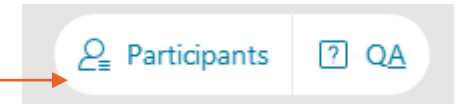
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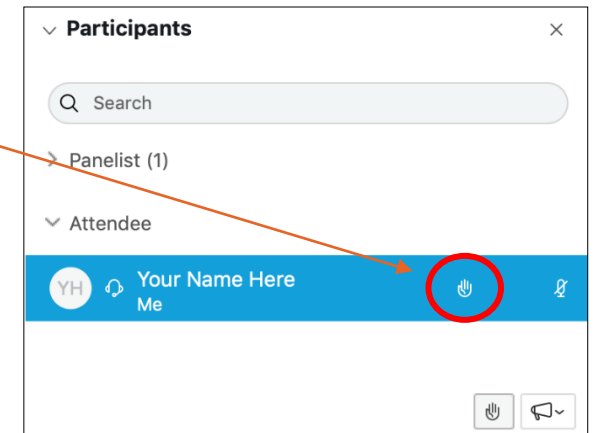
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Standby Service Charges - Staff Questions

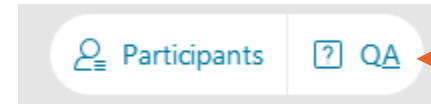
H. Cost Benefits Questions

1. These questions seek specific facts to build the record.
2. Staff recommends Parties include specific details for staff to understand Parties' recommendations for valuing the public benefit, the methods to justify a waiver or reduction, and the implications related to cost shifting.
3. It's more important to provide high quality responses with basis and justification rather than to respond to every question in this section.
4. Provide enough detail to clearly articulate the details of measuring public benefit.

Discussion and Q&A

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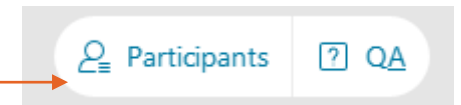
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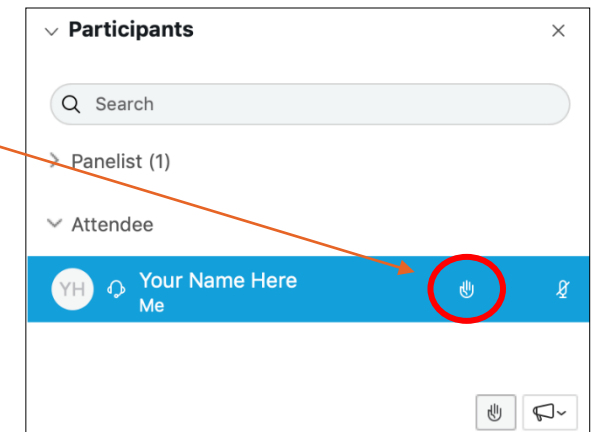
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Standby Service Charges - Staff Questions

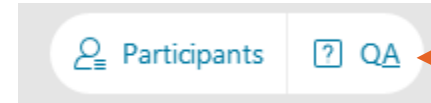
I. Questions to Identify Details of Proposed Waiver

1. These questions focus on your proposed specifications for a reduced or modified standby charge, such as:
 - How to modify or waive the standby charge;
 - Applicability;
 - Duration;
 - Which components;
 - How to value in \$ per MW.
2. Staff recommends Parties support their answers with justifications wherever feasible.

Discussion and Q&A

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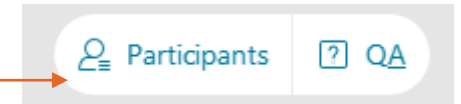
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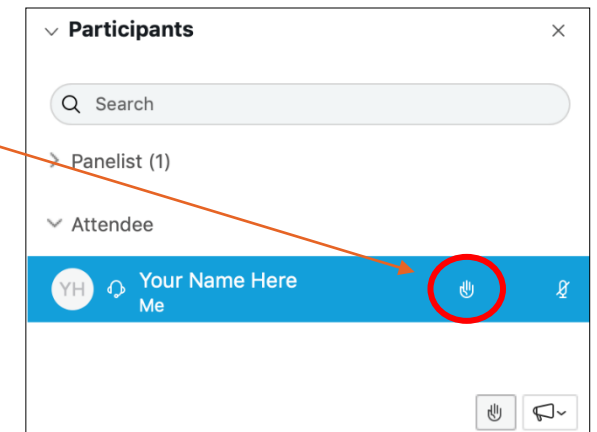
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Closing Remarks

- Parties may respond to the Amended Scoping Ruling dated February 9, 2021 by preparing:
 - Opening Comments due 3/3/21
 - Reply Comments due 3/10/21
- Remember to monitor R.19-09-009 activities underway in separate tracks of the Working Group.
- **Next meeting:** At this time, staff does not plan to conduct additional meetings related to Standby Charges.

For more information:

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Phone: (415) 703-1810

<https://www.cpuc.ca.gov/resiliencyandmicrogrids/>

