

CalACE! California Advanced Community Energy Coalition

May 23, 2023

Ms. Patty Monahan and Members of the California Energy Commission
California Energy Commission
1516 9th Street
Sacramento, CA 95814

Dear Commissioners, Mr. Bohan, and Commission Staff:

We are writing to express our appreciation to the California Energy Commission and staff for the outstanding workshop on *Accelerating Distribution Grid Connection*, and to provide these formal comments into the accompanying Docket #23-IEPR-05. In this letter we:

- Provide background on the California Advanced Community Energy Coalition, led by CEC awardees and partners, notably from the Advanced Energy Community (AEC) initiative
- Describe our increasingly problematic experience with interconnect and service upgrades, which threaten critical project completion timelines
- Voice our support for existing and new initiatives to streamline and accelerate DER interconnection
- Urge the CEC to include in the next Integrated Energy Policy Report (IEPR) a policy analysis of the impact of the current dysfunctional interconnection regime on California's economy as a whole, state policy goals for equity and climate protection, and electric utility ratepayers
- Request support from Commissioner representatives to join our planned meeting with the Governor's Office to enlist support for the urgently needed interconnect policy and process improvements essential to meeting our shared goals for energy resilience and decarbonization.

Background on Cal-ACE: The California Advanced Community Energy Coalition (CalACE) is a developing alliance of community energy system builders, advocates, and operators. Our shared vision is that all Californians will have access to Advanced Community Energy networks that are Reliable, Renewable, Resilient, Affordable, Democratized, Decentralized, and Digitized (RRRADDD). Accordingly, we support the accelerated deployment of clean Distributed Energy Resources managed by Virtual Power Plants, innovative tariffs and incentives to promote efficient load management, EV-to-grid integration, and climate-beneficial electrification. We work primarily (though not exclusively) with Community Choice Aggregations (CCAs), and seek to ensure long-term equity and affordability for ratepayers and the communities we serve.

Interconnect and Service Challenges: The organizations represented in this letter – including The Energy Coalition (TEC), Zero Net Energy Alliance (ZNEA), The Climate Center, GridScape, Eco-Shift Consulting, and the Microgrid Resources Coalition (MRC) – collectively have planned, developed, and consulted on over 100 microgrid projects in California. We are currently working on microgrids and/or VPPs in all

three major IOU territories, and in partnerships with six Community Choice Aggregations, including MCE Clean Energy, Lancaster Energy, East Bay Community Energy, and Clean Power Alliance.

We have observed in the last two to three years that interconnect queues have grown substantially, with estimates growing from a typical range of ~9-12+ months to ~18-24+ months) As an example, the Lancaster Advanced Energy Community (AEC) project initially included a large affordable ZNE housing development (known as HNR-1) in its scope of work, with the City of Lancaster and BRIDGE Housing partnering on the development. An innovative CEC-supported community microgrid was slated to be installed by the AEC Project team led by ZNE Alliance in partnership with GridScape and others. A leading interconnect consultant with extensive SCE experience indicated that the service line extension to the development might require a wait of more than a year, and the microgrid would be exposed to significant additional delays. These timelines and associated construction delays could not be accommodated within the original CEC project schedule, and have required the project team to shift to new sites that serve existing buildings. These kinds of project delays are endemic throughout the CEC project world and in the DER and microgrid marketplace generally.

Recommended Mitigations: There are many promising strategies to address interconnection and service delays that have been recently proposed. We strongly urge further CEC engagement in advancing the efforts identified below.

- **CPUC Interconnect Proceeding and Draft Resolution (R17.07.007):** This important CPUC proceeding was initiated in 2020 with Decision [20-09-035](#). After more than two years of work, staff presented Draft Resolution [E-5172](#) in June 2020, which lays out the issues and proposes appropriate, common sense remedies. The stated intent of the Draft Resolution was to expand the streamlined Rule 21 Fast Track interconnection pathway to include a substantially greater number of projects that meet standard criteria, and to leverage the public Integrated Capacity Analysis (ICA) data to improve transparency, consistency, and fairness in the interconnection process. Unfortunately, the CPUC was not able to advance these recommendations to the implementation stage, and the proceeding has stalled. We believe that more attention needs to be given to revive this proposal in the context of a renewed commitment to Performance Based Regulation (PBR). Specifically, the current “no consequences” policy for predatory IOU delay and pricing of interconnect and service drops is untenable from an economic and policy perspective. If regulators cannot effectively compel the IOUs to substantially accelerate and streamline the interconnect process, then the responsibility for these functions needs to be shifted to an entirely new, publicly accountable agency.
- **Support increased interconnect resourcing and robust performance standards:** The IOUs have referenced the labor intensity of interconnect and service planning as a primary reason for interconnect delays, given the increased demand for DER integration. Adding resources to reduce interconnect backlogs (along with other measures addressed here) may be required. However, any increase in ratepayer funding for interconnect support should be directly linked to robust performance standards for timely application processing. Bringing in more qualified third parties to help with interconnection review and processing is another expedient that should be explored once these standards are established.
- **Advance legislative support for interconnect reform and standards:** Many bills were introduced this session to advance interconnect reform. These are likely to be consolidated in the coming weeks. We strongly urge CEC and other stakeholder support for any bills that introduce firm

standards for interconnect acceleration and serious consequences for utilities that fail to meet standards. [AB 643](#) (Berman), endorsed by CalSSA, is a leading bill with these key provisions.

- **Accelerate support for strategic decentralization:** The Governor’s May/June budget cuts funding for decentralized clean energy solutions, while expanding funding for natural gas generation and transmission (G&T) infrastructure. Ongoing expansion of centralized and fossil fueled generation contributes to the growing wildfire threat, and extends fossil fuel dependence far beyond the tipping points for runaway climate change. According to the CPUC’s own affordability report, “doubling down” on gas and transmission infrastructure is also a key driver in California’s acute affordability crisis. By contrast, a balanced DER strategy – including solar, storage, and flexible loads optimized with Virtual Power Plants – will reduce T&D costs and enhance safety, reliability, and resilience. With VPPs, market actors can locate needed capacity where it will reduce grid congestion -- and deploy assets strategically to manage the duck curve. But this strategy depends crucially on timely and predictable interconnection.
- **Enable onsite generation:** If interconnection queues are not addressed immediately, the CEC and CPUC should consider developing new rules to enable onsite power generation on a transitional basis so that important new housing and commercial projects can move forward, and DERs that can operate in grid-isolated mode can be put to good use. The development of new onsite generation protocols will also pressure the IOUs to address the interconnect challenge more aggressively, since many customers who experience grid “cord cutting” may increasingly choose this option on a permanent basis. A more liberal approach to onsite generation would also unlock optimization benefits at the local level, maintain local reliability and resilience, and reduce costs for all ratepayers. Unfortunately, onsite generation options will not likely be available on an equitable basis for all customers, so it remains crucial for policy barriers to effectively address the broader interconnect challenge as soon as possible.
- **Advance Rule 18 / PUC 218 Reform:** An additional regulatory constraint applied by the IOUs and CPUC is the limitation on master metering for residential, commercial, and industrial multi-meter scenarios. Structural reform of the Rule 18/ 218 prohibition on “over the fence” wheeling of electrons would reduce pressure on the interconnect process by reducing the number of individual grid connections needed, while enabling the proliferation of local microgrids and VPPs. We note that the European Union liberalization of regulations to promote VPPs in general have led to their rapid growth, with positive impacts on resilience, grid balancing, and cost reduction. Our coalition will be further articulating these approaches in the coming months -- and look forward to partnering with the CEC in advancing these important “pro VPP” strategies.

Invitation to Join in Meeting with the Governor’s Office: Further engagement by the Governor and his senior staff is urgently needed to promote expedited CPUC action and potential legislative remedies to the interconnection crisis. To this end, we are in the process of setting an appointment at the Governor’s Office, and would appreciate participation by appropriate Commission representatives. We will be in touch directly with Commissioners’ staff to advance this effort.

We thank the Commission again for your serious attention to this critical issue, and we look forward to helping in any way we can to advance the proposals above. To further discuss these issues, please do not hesitate to be in touch with our CalACE! team at richards@znealliance.net.

Sincerely,



Richard Schorske
Executive Director
Zero Net Energy Alliance



Craig Perkins
Executive Director
The Energy Coalition

/s/ KURT JOHNSON

Kurt Johnson
Director, Community Energy Resilience
The Climate Center



Chris Sentieri
Senior Consultant
Eco-Shift Consulting



Vipul Gore
Founder/CEO
GridScape



Allie Detrio
Chief Strategist
Reimagine Power