

Senate Bill No. 1339

CHAPTER 566

An act to add Chapter 4.5 (commencing with Section 8370) to Division 4.1 of the Public Utilities Code, relating to electricity.

[Approved by Governor September 19, 2018. Filed with Secretary of State September 19, 2018.]

LEGISLATIVE COUNSEL'S DIGEST

SB 1339, Stern. Electricity: microgrids: tariffs.

(1) Under existing law, the Public Utilities Commission (PUC) has regulatory authority over public utilities, including electrical corporations, while local publicly owned electric utilities, as defined, are under the direction of their governing boards. Existing law authorizes the commission to fix the rates and charges for every public utility and requires that those rates and charges be just and reasonable.

This bill would require the PUC, in consultation with the State Energy Resources Conservation and Development Commission and the Independent System Operator, to take specified actions by December 1, 2020, to facilitate the commercialization of microgrids for distribution customers of large electrical corporations. The bill would require the governing board of a local publicly owned electric utility to develop and make available a standardized process for the interconnection of a customer-supported microgrid, including separate electrical rates and tariffs, as necessary.

Under existing law, a violation of any order, decision, rule, direction, demand, or requirement of the commission is a crime.

Because the provisions of this bill would require an order or other action of the commission to implement, and a violation of that order or action would be a crime, the bill would impose a state-mandated local program.

In addition, by placing requirements upon local publicly owned electric utilities, the bill would impose a state-mandated local program.

(2) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for specified reasons.

The people of the State of California do enact as follows:

SECTION 1. The Legislature finds and declares all of the following:

(a) Many electricity customers are seeing the potential benefits of investing in their own distributed energy resources as part of microgrids,

both to ensure their own level of reliability and to better manage their own usage.

(b) Allowing the electricity customer to manage itself according to its needs, and then to act as an aggregated single entity to the distribution system operator, allows for a number of innovations and custom operations.

(c) Electrical corporations and local publicly owned electric utilities are also seeing and exploring the potential benefits of investments in microgrids.

(d) Key issues facing commercializing microgrids that must be addressed include all the following:

(1) How microgrids operate and their value.

(2) Improving the electrical grid with microgrids.

(3) How microgrids can play a role in implementing policy goals.

(4) How microgrids can support California's policies to integrate a high concentration of distributed energy resources on the electrical grid.

(5) How microgrids operate in the current California regulatory framework.

(6) Microgrid technical challenges.

(e) The Public Utilities Commission, Independent System Operator, and State Energy Resources Conservation and Development Commission must take action to help transition the microgrid from its current status as a promising emerging technology solution to a successful, cost-effective, safe, and reliable commercial product that helps California meet its future energy goals and provides end-use electricity customers new ways to manage their individual energy needs.

SEC. 2. Chapter 4.5 (commencing with Section 8370) is added to Division 4.1 of the Public Utilities Code, to read:

CHAPTER 4.5. MICROGRIDS

8370. For purposes of this chapter, the following definitions shall apply:

(a) "Customer" means a customer of a local publicly owned electric utility or of a large electrical corporation. A person or entity is a customer of a large electrical corporation if the customer is physically located within the service territory of the large electrical corporation and receives bundled service, distribution service, or transmission service from the large electrical corporation.

(b) "Distributed energy resource" means an electric generation or storage technology that complies with the emissions standards adopted by the State Air Resources Board pursuant to the distributed generation certification program requirements of Section 94203 of Title 17 of the California Code of Regulations, or any successor regulation.

(c) "Large electrical corporation" means an electrical corporation with more than 100,000 service connections in California.

(d) "Microgrid" means an interconnected system of loads and energy resources, including, but not limited to, distributed energy resources, energy storage, demand response tools, or other management, forecasting, and

analytical tools, appropriately sized to meet customer needs, within a clearly defined electrical boundary that can act as a single, controllable entity, and can connect to, disconnect from, or run in parallel with, larger portions of the electrical grid, or can be managed and isolated to withstand larger disturbances and maintain electrical supply to connected critical infrastructure.

8371. The commission, in consultation with the Energy Commission and the Independent System Operator, shall take all of the following actions by December 1, 2020, to facilitate the commercialization of microgrids for distribution customers of large electrical corporations:

(a) Develop microgrid service standards necessary to meet state and local permitting requirements.

(b) Without shifting costs between ratepayers, develop methods to reduce barriers for microgrid deployment.

(c) Develop guidelines that determine what impact studies are required for microgrids to connect to the electrical corporation grid.

(d) Without shifting costs between ratepayers, develop separate large electrical corporation rates and tariffs, as necessary, to support microgrids, while ensuring that system, public, and worker safety are given the highest priority. The separate rates and tariffs shall not compensate a customer for the use of diesel backup or natural gas generation, except as either of those sources is used pursuant to Section 41514.1 of the Health and Safety Code, or except for natural gas generation that is a distributed energy resource.

(e) Form a working group to codify standards and protocols needed to meet California electrical corporation and Independent System Operator microgrid requirements.

(f) Develop a standard for direct current metering in Electric Rule 21 to streamline the interconnection process and lower interconnection costs for direct current microgrid applications.

8371.5. Nothing in this chapter shall discourage or prohibit the development or ownership of a microgrid by an electrical corporation.

8372. (a) Within 180 days of the first request from a customer or developer to establish a microgrid, the governing board of a local publicly owned electric utility shall develop and make available a standardized process for the interconnection of a customer-supported microgrid, including separate electrical rates and tariffs, as necessary. The separate rates and tariffs shall not compensate a customer for the use of diesel backup or natural gas generation, except as either of those sources is used pursuant to Section 41514.1 of the Health and Safety Code, or except for natural gas generation that is a distributed energy resource.

(b) The governing board shall ensure the microgrid rates and charges do not shift costs to, or from, a microgrid customer or nonmicrogrid customer, and shall ensure each microgrid and its components comply with the local publicly owned electric utility's applicable regulatory requirements.

SEC. 3. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because a local agency or school district has the authority to levy service charges, fees, or assessments

sufficient to pay for the program or level of service mandated by this act or because costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

O