

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to
Modernize the Electric Grid for a High
Distributed Energy Resources Future.

Rulemaking 21-06-017
(Filed June 24, 2021)

**COMMENTS OF THE VEHICLE-GRID INTEGRATION COUNCIL ON THE ORDER
INSTITUTING RULEMAKING TO MODERNIZE THE ELECTRIC GRID FOR A
HIGH DISTRIBUTED ENERGY RESOURCES FUTURE**

Edward Burgess
Senior Policy Director

Zach Woogen
Policy Specialist

VEHICLE-GRID INTEGRATION COUNCIL
2150 Allston Way, Suite 400
Berkeley, California 94704
Telephone: (510) 665-7811
Email: vgicregulatory@vgicouncil.org

August 16, 2021

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to
Modernize the Electric Grid for a High
Distributed Energy Resources Future.

Rulemaking 21-06-017
(Filed June 24, 2021)

**COMMENTS OF THE VEHICLE-GRID INTEGRATION COUNCIL ON THE ORDER
INSTITUTING RULEMAKING TO MODERNIZE THE ELECTRIC GRID FOR A
HIGH DISTRIBUTED ENERGY RESOURCES FUTURE**

In accordance with the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), the Vehicle-Grid Integration Council (“VGIC”) hereby submits these comments on the *Order Instituting Rulemaking to Modernize the Electric Grid for a High Distributed Energy Resources Future* (“OIR”), adopted by the Joint Commissioners on June 24, 2021.

I. INTRODUCTION.

VGIC commends the Commission for issuing the OIR and appreciates the attention given to grid modernization, distribution resource planning, and the integration of distributed energy resources (“DERs”), including electric vehicles (“EVs”). As VGIC understands, the Distribution Resources Planning (“DRP”) proceeding (Rulemaking [“R.”] 14-08-013) has supported the development of new tools like the generation integration capacity analysis (“generation ICA”), as well as the in-development load integration capacity analysis (“load ICA”). Meanwhile, the DRP proceeding and the Integrated Distributed Energy Resources (“IDER”) proceeding (R.14-10-003) have established the distribution investment deferral framework (“DIDF”) to identify distribution deferral opportunities and lead to solicitations for non-wires solutions. VGIC appreciates the

progress that has been made through each of these efforts to promote DER deployment in support of a more affordable, more reliable, and cleaner grid. VGIC also agrees with the following statement from the OIR:

“In California, DER growth will continue to increase, especially due to policies and programs driving transportation electrification (TE) and associated DERs (i.e., EVs and EV supply equipment [EVSE]).”¹

VGIC generally supports the Commission’s renewed focus on DERs and the holistic approach to distribution system planning, grid modernization, grid architecture, and DER integration outlined in the OIR. Specifically, VGIC agrees with the inclusion of TE issues within the OIR, and offers these comments and recommendations related to TE within the preliminary scope and schedule of this proceeding.

II. BACKGROUND & INTEREST IN PROCEEDING.

VGIC is a 501(c)6 membership-based advocacy group committed to advancing the role of EVs and VGI through policy development, education, outreach, and research. VGIC supports the transition to a decarbonized transportation and electric sector by ensuring the value from EV deployments and flexible EV charging and discharging is recognized and compensated in support of achieving a more reliable, affordable, and efficient electric grid. VGIC currently has 12 members, including automotive original equipment manufacturers (“OEMs”) and EV service providers (“EVSPs”), and has a direct interest in shaping the policies, procedures, and rules needed to modernize the electric grid for a high DER future. VGIC has been an active participant in related rulemaking such as the Transportation Electrification or “DRIVE” (R.18-12-006), Self-Generation

¹ OIR at 8.

Incentive Program (R.20-05-012), Microgrids and Resiliency (R.19-09-009), Streamlining Interconnection of DERs (R.17-07-007), and Emergency Summer Reliability (R.20-11-003).

III. COMMENTS ON THE PROPOSED SCOPE.

In recognition of the anticipated growth of DERs, including VGI-capable EVs, VGIC appreciates the magnitude of the challenge facing California's electric grid. The ongoing transition from one-way control of hundreds of generation resources to coordination of thousands and, eventually, millions of DERs is a significant paradigm shift for grid operators, utilities, and the Commission alike. However, VGIC believes the Commission is taking the correct steps to tackle important policy questions in three distinct tracks. Below VGIC addresses scoping items within the proposed tracks.

A. The ambitious nature of this proceeding should not detract from opportunities to implement near-term reforms for EVs that can benefit a high DER future under existing policies and programs, including demand response.

VGIC is generally supportive of the ambitious nature of this proceeding and believes the three-track approach proposed in the OIR is an appropriate framework for tackling each scoping issue. However, VGIC is concerned that the ambitious and inclusive nature of the scope may delay or detract from opportunities to advance a high-DER future in other proceedings. Significant near-term policy reforms related to integrating DERs, including EVs, should remain a key focus area for the Commission and stakeholders.

As highlighted by Governor Newsom's July 30th emergency proclamation, California faces pressing reliability concerns due to extreme heat, drought, and wildfire risk. To mitigate these reliability concerns without compromising its climate goals, California needs an all-of-the-above approach that includes near-term reforms to unlock the latent load reduction and

export capacity in already deployed EVs. VGIC believes California must make significant progress in its ability to leverage EVs as a grid resource and encourages the Commission to take bold and decisive action in the near term to do so. For example, the May 10, 2021 VGI DR Workshop Report highlights several near-term reforms to existing utility demand response program to increase participation of EVs.² VGIC strongly recommends that the ambitious nature of the High-DER OIR scope not detract from opportunities to implement near-term reforms to demand response programs, in addition to other policy forums with the potential to unlock EVs as a grid resource.

B. The Scope should more clearly establish how this effort will be coordinated with the recent UNIDE framework proposal.

On May 25, 2021, Energy Division staff held an Advanced DER and Flexible Load Management Workshop to present their high-level concept for a unified, universal, dynamic, economic signal or “UNIDE” framework to consolidate existing rates, supply-side DR, and distribution level DR. The staff presented a six-step roadmap to (1) standardized, universal access to electricity prices, (2) introduce dynamic price per CAISO wholesale energy cost, (3) modify prices per real-time, localized grid conditions, (4) transition to bi-directional prices, (5) offer subscription option (average load shape & energy quantity), and (6) introduce transactive features (ability to lock in price in advance). Staff expressed their intent to recommend the Commission open a rulemaking to consider proposal in stages. VGIC believes the proposed UNIDE framework, much like the proposed high-DER OIR scope, is ambitious in nature. VGIC appreciates the CPUC’s attention to structural reform, however, is concerned over the

² *EVs and DR: VGI-DR Workshop Report*. May 10, 2021.
<https://static1.squarespace.com/static/5dcde7af8ed96b403d8aeb70/t/60a452d8c996a914d3c60f1d/1621381853358/VGI+DR+Workshop+Report.pdf>

ability for stakeholders to engage in multiple comprehensive DER proceedings at once, in addition to ongoing proceedings focused on near-term action items. As written, it is unclear how the proposed high-DER OIR scope will interact with a potential UNIDE framework proceeding. VGIC respectfully requests the CPUC revise the proposed scope of the high-DER OIR to more clearly establish how this effort will be coordinated with the recent UNIDE framework proposal.

C. VGIC supports the consideration of performance-based regulation as a tool to better understand and implement a high DER future.

VGIC is encouraged by Track 1's focus on the potential for a DSO model to accommodate a high-DER future grid and unlock the potential of third-party aggregators to reduce costs. VGIC's experiences in proposing strategies to advance VGI has revealed that the existing set of incentives offered to investor-owned utilities ("IOUs") may not always be aligned with a high-DER future grid. In response to this barrier, California examined PBR concepts in the 2016 DER incentive pilot proposals.³ Meanwhile, the OIR notes that the Hawaii Public Utilities Commission ("HPUC") recently adopted a performance-based ratemaking ("PBR") framework that is designed to incentivize the utility to prepare for DER deployment.⁴

VGIC believes that certain PBR concepts that incentivize streamlined adoption and integration of DERs, including EVs, can complement a DSO model. VGIC recognizes that the development of a broader PBR framework would likely be a long and lengthy undertaking,

³ See, for example, *Assigned Commissioner's Ruling Introducing A Draft Regulatory Incentives Proposal for Discussion and Comment*. April 4, 2016. R.14-10-003. <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M159/K702/159702148.PDF> and *What If Utilities Got a Better Rate of Return for Distributed Energy Resources?* Jeff St. John. April 8, 2016. <https://www.greentechmedia.com/articles/read/california-to-test-incentive-for-utilities-that-pick-distributed-energy-ove>

⁴ OIR at 17.

however, we recommend the Commission consider a limited number of PBR features that may specifically apply to a high DER future. Additionally, the Commission should draw lessons from the 2016 DER incentive pilot proposal experience to better understand both the opportunities and potential challenges with enacting PBR reforms.⁵

To ensure the PBR themes are sufficiently captured in this OIR, VGIC recommends question 4 in Track 1 be revised as follows:

4. Should the IOUs be incentivized to cost-effectively prepare for widespread DER deployments? **How can performance-based regulation (PBR) and performance-based incentives be used as a tool to prepare for DER deployment? What other modifications to the existing utility incentive structure should be considered to prepare for DER deployment? If so, how?**³⁹

D. VGIC supports question 2 in Track 3 to consider how Grid Modernization Plans should be coordinated with IOU TE plan filings, and recommends it also consider coordination with non-TE-plan EV infrastructure.

In reviewing the OIR, VGIC is concerned with the alignment of preliminary scoping questions with key ongoing and upcoming TE issues. VGIC supports the intent of question 2 in Track 3: “Should TE needs be updated in the IOU Grid Modernization Plans? If so, how, and in what ways should the Grid Modernization Plans be coordinated with IOU TE plan filings?”⁶ VGIC strongly recommends this coordination extend in recognition of a recent notable recent development in the DRIVE proceeding. As VGIC understands, key elements of AB 841 implementation are likely to advance through Draft Resolution E-5167, which would

⁵ See, for example, *Assigned Commissioner’s Ruling Introducing A Draft Regulatory Incentives Proposal for Discussion and Comment*. April 4, 2016. R.14-10-003. <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M159/K702/159702148.PDF> and *What If Utilities Got a Better Rate of Return for Distributed Energy Resources?* Jeff St. John. April 8, 2016. <https://www.greentechmedia.com/articles/read/california-to-test-incentive-for-utilities-that-pick-distributed-energy-ove>

⁶ OIR at 23.

approve the IOUs' requests to establish new EV Infrastructure Rules.⁷ This policy issue highlights the need to consider the OIR's interaction with non-TE-program EV infrastructure as well as the IOUs TE plan filings. As such, VGIC recommends that Track 3, question 2 be modified as follows to consider non-TE-program EV infrastructure in addition to IOU TE plan filings:

2. Should TE needs be updated in the IOU Grid Modernization Plans? If so, how, and in what ways should the Grid Modernization Plans be coordinated with IOU TE plan filings **and the IOUs' proposed EV Infrastructure Rules pursuant to AB 841?**⁵⁷

IV. CATEGORIZATION, HEARINGS, AND SCHEDULE.

VGIC supports the categorization and proposed schedule of this proceeding, and agrees with the preliminary determination to find no need for evidentiary hearings.

V. NOTICES.

Services of all notices and communications in this proceeding should be directed to the following VGIC representative:

Ed Burgess
Senior Policy Director
VEHICLE-GRID INTEGRATION COUNCIL
2150 Allston Way, Suite 400
Berkeley, California, 94704
Telephone: (510) 665-7811
Email: vgicregulatory@vgicouncil.org

⁷ Resolution E-5167 Pacific Gas & Electric, Southern California Edison, and San Diego Gas & Electric request approval to establish new Electric Vehicle (EV) Infrastructure Rules and associated Memorandum Accounts, pursuant to Assembly Bill 841. Draft Resolution issued August 4, 2021.

VI. CONCLUSION.

VGIC appreciates the opportunity to submit these comments on the OIR. We look forward to further collaboration with the Commission and stakeholders on this initiative.

Respectfully submitted,

/s/ Edward Burgess

Edward Burgess

Senior Policy Director

VEHICLE-GRID INTEGRATION COUNCIL

Date: August 16, 2021