State Microgrid Policy, Programmatic, and Regulatory Framework

Draft Outline – March 2022

Introduction: How to use this framework

- Two tracks: one for PUCs and one for State Energy Offices

<u>Section 1: Relevant Background Information</u>

- Introduction (brief, mostly a reference to NASEO/NARUC reports)
    - Definition, components, types, and use cases for microgrids
    - Importance of microgrids for resilience and decarbonization purposes
    - Purpose of framework
    - Emphasis on benefits of SEO/PUC collaboration when developing a state microgrid program
    - NASEO-NARUC Microgrids State Working Group
- Understanding options to funding and financing microgrids
    - Cost share
    - Cost benefit analysis
    - Joint investment opportunities
    - <u>NASEO/NARUC Paper:</u> Private, State, and Federal Funding and Financing Options to Enable Resilient, Affordable, and Clean Microgrids
    - Utility owned (rate-based) vs third party owned microgrids
        - Role State Energy Offices play in funding third party owned projects

<u>Section 2: State Microgrid Landscape</u>

- State-specific considerations:
    - Market and Utility Structure
        - Is it vertically integrated?
    - PUC/State Energy Office
        - Who leads the program development and deployment
        - Policy vs regulation
    - Identify existing programs in the state
    - Existing microgrids and ownership model
    - Climate risks
- State Microgrid Legislative Action
    - What legislative actions underpin microgrid programs?
        - Standards
        - Appropriations
    - Legislative action examples (e.g., California SB 1339) and resulting responsibilities for PUCs and State Energy Offices
    - Brief overview of other state microgrid programs / regulatory initiatives (i.e., NY & CT)
    - Potential legislative changes needed
        - State specific microgrid definition
        - Properly valuing the resilience benefits of microgrids
        - Equity considerations
- State Microgrid Policies and Programs

    - Governor and State Energy Office Policy Actions
    - Executive branch and legislative branch
        - Roadmaps
        - Goals
        - Executive orders
        - Studies/publications
        - Data collection
    - Overview of proposed actions/policies that led regulatory actions
- State Microgrid Regulations
    - Example regulations across the country
    - Why PUCs have a role in removing barriers to microgrids in the public interest
    - Proposals from the private sector, including developers and utilities
- Timelines for Program Development
    - From both the regulatory and legislative sides
- Information Gathering on Landscape for Microgrids within the state
    - Solicit input from relevant stakeholders
    - Gather feedback from community members
    - What data is needed/available/not available?
    - Review State Energy Plans/Climate/Resilience Plans and role microgrids can play in achieving state decarbonization goals
- Stakeholder Outreach and Engagement (from both the policy and regulatory perspective)
    - RFI (https://microgridknowledge.com/rhode-island-municipal-microgrids-rfi/)
    - Public Comment
    - Agency Coordination
        - Including: State Energy Office, PUC, economic development agency, emergency management agency, etc
    - Community engagement
        - Both community members themselves and relevant environmental justice organizations
    - Participation in formal dockets
- Technical Assistance Opportunities
    - State, federal, or private funding to do so within the state
    - Contracting to outside organization
- Working Group/Task Force
    - Developing a new one or coordinating with an existing group

Section 3: Choose Your Path: Track 1- PUCs and Track 2- State Energy Offices

Track 1: PUCs: Steps to Assess and Remove Regulatory Barriers to Microgrids

- Common regulatory barriers to microgrids
    - Developing common standards and tools to recognize the value of microgrids for resilience / lack of standardized tariff structure to connect customers and providers
    - Outdated language in utility rules or state code
    - In some states, conflict with retail choice
- Areas of uncertainty / additional complexities applicable to microgrids

    - Right of way for multi-customer microgrids
    - Ownership structures and responsibilities for operation, maintenance, and control
    - Interconnection timelines and costs
    - Access to markets where microgrids can compete to provide grid services
    - Consideration of microgrids in IRP / DSP processes
- Options available to PUCs
    - Summarizing barriers and uncertainties through a study or stakeholder engagement process
        - Soliciting input from relevant stakeholders / community members
    - Assessing which actions are available to the PUC given current statutory authority
    - Developing microgrid tariffs
        - Summary of Hawaii and California processes
    - Updating rules to reduce uncertainty for microgrids, with examples
        - Streamlining interconnection rules
        - Guidance for inclusion of microgrids in IRP / DSP processes and Electric Security Plans (I.e. AEP example)
        - Improving access to markets for ancillary services
- Where legislative clarity may be needed
    - Providing a statutory definition of a microgrid
    - Granting the PUC authority to develop tariffs and rules for microgrids
    - Incorporating resilience, equity, and other considerations into regulatory decision-making

Track 2: State Energy Offices: Steps for Developing a State Microgrid Policy or Program

- Brief introduction on developing a microgrid program and what tools are needed
- Funding and financing options for program
- Authority of program
- Developing a state microgrid program application
    - Equity considerations
        - Accessibility of application to LMI communities, non-English speakers, etc
    - Goals for microgrid program
        - Enhanced resilience
        - Energy efficiency (preventing energy loss, load management)
        - Support critical infrastructure
        - Integrate distributed energy resources
        - Support municipalities' need
        - Decrease GHG and particulate matter emissions
- Drafting RFP (with sample language included)
    - Eligibility requirements
    - Program parameters
    - Selection criteria
    - Application process
    - Support for disadvantaged communities
- Approaches to selecting recipients

    - Ranking scale
    - Inclusion of relevant criteria
- Funding of feasibility studies
    - Site specific and state-wide
- Demonstration/pilot projects at critical infrastructure
    - Military
    - Hospitals
    - Water/wastewater
    - Communications
    - Transportation
    - Emergency facilities
    - Government facilities
- Cybersecurity Considerations
- Awarding grants
- Metrics for success
- Next steps
    - Support for awardees

Section 4: Conclusion

- Opportunities for PUC/State Energy Office Coordination on program development
- Relevant tools that are available
- Relevant resources that are available
- Annex materials (I.e., draft RFP)