



MICROGRID INCENTIVE PROGRAM TOPIC FRAMING DOCUMENT

## Workshop #2 Incentives

### Background

Track 2 of the Microgrid OIR Decision establishes a pilot program where the IOUs are to develop an incentive program to fund clean energy community microgrids that support the critical needs of vulnerable populations most likely to be impacted by grid outages. Regarding incentive structure, the decision sets the following parameters: (i) an incentive cap of \$15 million per project, and (ii) customers within SCE and SDG&E territory have access to a one-time matching funds payment to offset a portion of the utility infrastructure upgrade costs associated with implementing the islanding function of the microgrid project.

### Critical Questions

<b>From Decision</b>	<i>Guiding Considerations</i>	<ul style="list-style-type: none"> <li>• How should project proposals justify requested incentive funds?</li> <li>• What supporting documentation should be submitted to support requested incentive funds?</li> <li>• Should incentive disbursement be proportional to project eligibility score?</li> </ul>
<b>Additional Questions</b>	<i>Incentive Amount</i>	<ul style="list-style-type: none"> <li>• Should awarded incentive amounts be based on specific applicant request estimates or determined independently by the program administrator?</li> <li>• What are the categories of costs for which incentive funds may be requested? (For example, costs that are eligible to be offset with incentive funds could include the cost of new generators, costs to install new load management technology, costs of new energy storage devices, costs of associated software and communication equipment, costs of necessary Behind-The-Meter electrical upgrades. Costs that are not eligible to be offset with incentive funds are customer-funded upgrades of utility infrastructure.)</li> <li>• How should incentives be awarded (i.e., based on line-items or distributed as a lump sum)? In addition to the \$15 million incentive cap, should incentives be further limited by the estimated value of revenue streams from services expected to be provided by generators/load management technologies located within the perimeter of the microgrid? Should there be a funding minimum)?</li> <li>•</li> </ul>



**MICROGRID INCENTIVE PROGRAM TOPIC FRAMING DOCUMENT**

	<i>Disbursement</i>	<ul style="list-style-type: none"> <li>• Would utilities only make incentive disbursements to incentive applicants, or are there circumstances in which the utility would make incentive disbursements to other entities; e.g., to individual customers within the microgrid? If the utility’s incentive disbursements are only to incentive applicants, should there be a contractual vehicle to ensure fair and timely redistribution of the incentive funds by the incentive applicant to customers within the microgrid? If so, which customers and how would individual customer disbursement amounts be determined?</li> <li>•</li> </ul>
	<i>Incentive Structure</i>	<ul style="list-style-type: none"> <li>• Should incentives be tiered based on parameter thresholds (e.g., total capacity of generation and/or load management technologies within the microgrid perimeter, number of customers served, islanding duration, # of medical baseline customers, a percentage of the eligible microgrid project costs)?</li> <li>• Should incentives be tied to specific ratepayer benefits?</li> <li>• Should incentives be structured as loan subsidies?</li> </ul>
	<i>Program Timing</i>	<ul style="list-style-type: none"> <li>• Should there be an incentive application window like other grant programs, where applications must be submitted by a deadline, or should it be a rolling application period until the funding is exhausted?</li> <li>• When would incentive funding be paid to applicants (e.g., a one-time upfront payment after the utility determines the incentive applicants that will receive incentive disbursements, a one-time payment after those incentive applicants’ microgrid projects are completed, multiple payments over a specified time period)?</li> </ul>
	<i>Cost-Effectiveness</i>	<ul style="list-style-type: none"> <li>• Should local matching funds be considered for project cost-effectiveness assessment?</li> <li>• Should incentive funding be available for applicants to hire the resources and expertise needed to develop a program proposal prior to and/or after applying for incentive funds?</li> <li>• Should incentive funds used for proposal preparation affect cost-effectiveness assessment?</li> </ul>

***Program Guardrails***

1. Microgrid project funding is capped at \$15 million per project – this does not necessarily mean projects will be awarded the full amount. (p.68) The overall MIP program cost is capped at \$200 million across the three IOUs. (p.66)
2. Project must satisfy cost-effectiveness criterion (p.67)
3. Incentive funding will be rate-recoverable from all distribution customers, but projects can seek other sources of local funding to help increase cost-effectiveness. (p.63)



## MICROGRID INCENTIVE PROGRAM TOPIC FRAMING DOCUMENT

4. Line items/technology that are subject to existing incentive programs are not eligible for compensation in the MIP.
5. Single-customer projects are not eligible (p.66)
6. Utility infrastructure costs are outside of scope for incentive program (p.62). However, SCE and SDG&E will provide access to a one-time matching funds payment to offset some portion of the utility infrastructure upgrade costs associated with implementing the islanding function of the microgrid (p. 58)