



MICROGRID INCENTIVE PROGRAM TOPIC FRAMING DOCUMENT

Workshop #4 Project Evaluation and Selection

Background

As described in Joint Advice Letter SDG&E 3700-E, Workshop #4 (“Project Evaluation and Selection”) will feature a discussion about Cost Effectiveness evaluation criteria.

D.21-01-018 provides that a cost effectiveness criterion will be used in determining incentive awards. The cost effectiveness criterion will include, but not be limited to, the ability of a microgrid project to reduce ratepayer costs by serving as a substitute for replacing traditional infrastructure. The workshops are intended to discuss both the cost effectiveness criterion, as well as community criteria benefits. (D.21-01-018 p. 67)

Critical Questions for Stakeholders:

To support the development of MIP Cost Effectiveness and Scoring/Prioritization criteria and to facilitate a robust dialogue at the workshop, the following questions/issues are offered for stakeholder consideration:

Cost-Effectiveness

- What are the relevant costs and benefits to be considered in cost-effectiveness evaluation?
- From whose perspectives should cost-effectiveness be evaluated?
- To calculate the cost-effectiveness of an incentive applicant’s proposed microgrid project, a baseline for comparison is needed. What should the baseline be, and how should this be determined?
- Are there any existing cost-effectiveness methods or frameworks that could be applicable or instructive for this program?
- Is there an obligation for the utilities and communities to explore alternative solutions to a microgrid that might be more appropriate such as undergrounding or alternative switching for providing resiliency?
- Should the amount of an incentive and/or the amount of any matching funds (matching funds will offset Rule 2 costs incurred by customers within the microgrid for utility upgrades) be incorporated into the cost-effectiveness analysis? If so, how?
- If generators and load management technologies within the perimeter of the microgrid have the capability of providing services that generate revenue streams, should the value of these revenue streams be estimated and included in the cost-effectiveness evaluation? (Note that except for utility owned or contracted generation, these revenue streams benefit only the customers within the microgrid, not all ratepayers broadly.)



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Scoring/Prioritization

- If a proposed microgrid provides benefits to all ratepayers that are not captured in the cost-effectiveness analysis, how should such benefits be included, along with cost-effectiveness, in prioritizing incentive applications and in determining the amounts of the incentive awards?
- What period of time should the cost-effectiveness analysis cover?
- How should the difference in scale between different microgrid proposals be accounted for in cost-effectiveness comparisons, e.g., a microgrid involving a thousand customers versus a microgrid involving ten customers?
- How should the duration and number of outages, and the amount of energy not served during outages be factored into the scoring of a project?
- How should vulnerable customers be prioritized relative to other customers in microgrids?
- Should projects whose scoring/prioritization is insufficient to justify an incentive be eligible for future consideration? If so, should the applicant be required to submit a new application?
- How should the results of the scoring/prioritization be used to determine the applicants that receive incentives and the amount of such incentives?