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February 9, 2015

**VIA EMAIL**

California Public Utilities Commission
Energy Division
Attention: ED Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102

Re: **Pacific Gas and Electric Company Advice No. 3552-G/4563-E; Center for Sustainable Energy Advice No. 55; Southern California Edison Company Advice No. 3165-E; and Southern California Gas Company Advice No. 4741: Proposed Revisions to the Self-Generation Incentive Program Handbook and Forms to Clarify Requirements for Residential Advanced Energy Storage Applications**

Dear Sir or Madam:

Pursuant to the provisions of General Order 96-B, the California Energy Storage Alliance ("CESA") hereby protests Advice No. 3552-G/4563-E of Pacific Gas and Electric Company; Advice 55 of the California Center for Sustainable Energy; Advice No 3165-E of Southern California Edison Company; and Advice No. 4741 of Southern California Gas Company filed on October 10, 2011 (together, the "Advice Letters"). The Advice Letters propose revisions to the Self-Generation Incentive Program ("SGIP") Handbook to implement eligibility requirements for residential Advanced Energy Storage ("AES").

## I. Background.

In D.01-03-073, the California Public Utilities Commission ("Commission") established the SGIP to encourage the development and commercialization of new distributed generation technologies. The SGIP provides funding to qualifying technologies, and the incentives offered under the SGIP vary based on the technology and whether the facility uses renewable fuel. In 2008, D.08-11-044 incorporated Residential AES systems to qualify and receive SGIP incentives if Residential AES systems were coupled with an eligible SGIP technology. With the subsequent passage of Senate Bill (SB) 412, the Commission issued D.11-09-015, which extended the eligibility of AES systems to qualify for SGIP incentives as a stand-alone technology or paired with a renewable technology along with additional eligibility requirements.

## II. <u>CESA Supports Adoption of a Strong Methodology for Confirming That Residential AES Systems Meet The Stated Intention Of The SGIP.</u>

CESA supports the SGIP Program Administrator's ("PA's") request to clarify the eligibility requirements for residential AES systems seeking SGIP funding. The SGIP program is intended to support the development and commercialization of distributed technologies that reduce peak load and enable a variety of grid benefits. Providing back emergency or back-up services, by definition, does not serve the intended purpose of the SGIP and therefore should not be eligible for funding.

CESA welcomes resolution of any question concerning eligibility of residential AES, and is generally supportive of the requested provisions included in the Advice Letters; however, we are concerned that the application of these new requirements could be retroactive in nature and request modifications to address this concern. We also propose three additional clarifications to the Advice Letters that would provide greater flexibility in complying with their provisions while staying consistent with their underlying intent.

As rate treatment changes and new market mechanisms become available as a result of ongoing California Independent System Operator ("CAISO") and Commission proceedings (e.g., supply-side demand response), it should be easier for residential AES systems to demonstrate usefulness beyond providing back-up services. Once these new mechanisms are in place, CESA hopes the PAs will revisit and simplify eligibility requirements for residential AES systems

## III. <u>Residential Applications Received Prior To Submission of The Advice Letters Should Not Be Subject to Their Provisions.</u>

All residential AES applicants that have submitted their Reservation Request Forms prior to the filing date of the Advice Letters (assuming compliance with all SGIP Handbook requirements) should not be subject to any new requirements proscribed in the Advice Letters. This extends to projects with existing reservations, those having received a Conditional Reservation Letter, and those for which the PAs have acknowledged receipt but have "placed on hold." Assuming such applications were compliant with existing SGIP Handbook requirements, they should be subject to the rules in place at the time they were submitted. CESA does not oppose reasonable changes to SGIP rules midstream, so long as any changes are only prospective, not retroactive, in nature.

## IV. Discharge Options Under Compliance Option B Should Be Expanded to Expressly Recognize Opportunities to Provide Services To CAISO Wholesale Markets.

Although yet to be fully enabled, the ability to sell services into the CAISO's wholesale market represents a potentially significant opportunity for distributed energy storage systems to the benefit of the overall grid system. This application and current barriers were identified in the recently issued Storage Roadmap jointly developed by the CAISO, the California Energy Commission, and the Commission.[1] The current discharge options under Compliance Option B ("occurring during peak hours, demand reduction hours, or in a manner that provides benefits as defined by the Host Customer's Electric Utility") do not recognize this application. CESA urges the Commission to modify Compliance Option B to expressly recognize this emerging application by including it in addition to the discharge options currently identified.

As a broader point, if an energy storage system can meet the 52-discharge requirement (a requirement that CESA supports), and operates in a manner that provides grid benefits as defined by the SGIP (GHG reduction, demand reduction, improved transmission and distribution system utilization), it should be considered compliant with eligibility rules. CESA encourages the Commission to ensure that these grid benefits are included in "benefits as defined by the Host Customer's Electric Utility."

## V. Third Parties Should be Able to Exercise Control Over Energy Storage Operations.

As mentioned above, market mechanisms are being developed to allow distributed aggregated energy storage to participate in wholesale energy markets and demand response programs. When these opportunities arise, residential energy storage system owners may opt to enter into a contractual services arrangement that entrusts a 3rd party with managing their storage device. CESA therefore recommends adding "Third Parties" in addition to the "System Owner" and "Host Customer" that, "agree(s), for a minimum period of five (5) years, to discharge the Residential AES system in an amount equivalent to 52 complete cycles per year…"

## VI. A Verification Methodology Should Be Standardized For Energy Storage System Discharges.

As stated in the Advice Letters, obtaining system discharge information from customers will be important to confirm eligibility compliance. To minimize the burden on end-use

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[1] *Advancing and Maximizing the Value of Energy Storage Technology*, December 2014; pgs. 5,15 http://www.caiso.com/Documents/Advancing-MaximizingValueofEnergyStorageTechnology_CaliforniaRoadmap.pdf

customers, CESA supports the PAs in developing and adopting a straightforward, standardized verification process.

**VII. <u>Conclusion.</u>**

For the reasons stated in this protest, CESA respectfully urges the Energy Division and the Commission to approve the Advice Letters subject to revision to address the points discussed herein.

Very truly yours,

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COUNSEL FOR
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DCL/md
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