

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

Order Instituting Rulemaking Regarding Policies,
Procedures and Rules for the California Solar
Initiative, the Self-Generation Incentive Program
and Other Distributed Generation Issues.

Rulemaking 12-11-005
(Filed November 8, 2012)

**REPLY COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE
ON PROPOSED DECISION REVISING THE SELF-GENERATION INCENTIVE
PROGRAM PURSUANT TO ASSEMBLY BILL 1637 AND GRANTING THE
PETITION FOR MODIFICATION OF DECISION 16-06-055 BY THE
CALIFORNIA SOLAR ENERGY INDUSTRY ASSOCIATION**

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In accordance with Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), the California Energy Storage Alliance (“CESA”)¹ hereby submits these reply comments on the *Proposed Decision Revising the Self-Generation Incentive Program Pursuant to Assembly Bill 1637 and Granting the Petition for Modification of Decision 16-06-055 by the California Solar Energy Industry Association*, issued by Commissioner Clifford Rechtschaffen on March 6, 2017 (“Proposed Decision”).

I. INTRODUCTION.

In these reply comments, CESA responds to comments made by parties on the allocation of Assembly Bill (“AB”) 1637 funds across the five steps of the energy storage budget category,

¹ 8minutenergy Renewables, Adara Power, Advanced Microgrid Solutions, AES Energy Storage, AltaGas Services, Amber Kinetics, Bright Energy Storage Technologies, BrightSource Energy, Brookfield, Consolidated Edison Development, Inc., Customized Energy Solutions, Demand Energy, Doosan GridTech, Eagle Crest Energy Company, East Penn Manufacturing Company, Ecoult, ElectriQ Power, ELSYS Inc., eMotorWerks, Inc., Energport, Energy Storage Systems Inc., Enphase Energy, GE Energy Storage, Geli, Green Charge Networks, Greensmith Energy, Gridscape Solutions, Gridtential Energy, Inc., Hitachi Chemical Co., IE Softworks, Innovation Core SEI, Inc. (A Sumitomo Electric Company), Johnson Controls, LG Chem Power, Inc., Lockheed Martin Advanced Energy Storage LLC, LS Power Development, LLC, Magnum CAES, Mercedes-Benz Energy, National Grid, NEC Energy Solutions, Inc., NextEra Energy Resources, NEXTracker, NGK Insulators, Ltd., NICE America Research, NRG Energy, Inc., OutBack Power Technologies, Parker Hannifin Corporation, Qnovo, Recurrent Energy, RES Americas Inc., Sharp Electronics Corporation, SolarCity, Southwest Generation, Sovereign Energy, Stem, Sunrun, Swell Energy, UniEnergy Technologies, Wellhead Electric, and Younicos. The views expressed in these Comments are those of CESA, and do not necessarily reflect the views of all of the individual CESA member companies. (<http://storagealliance.org>).

the operational requirements tied to AB 1637 funds, and the accessibility of AB 1637 funds to both large and small energy storage systems.

II. PUTTING ASSEMBLY BILL 1637 FUNDS IN A SIXTH STEP IS UNREASONABLE AND WILL STALL THE BEHIND-THE-METER ENERGY STORAGE MARKET.

In its Comments, CESA recommended that the Commission adopt an even distribution of AB 1637 funds across the five steps of the energy storage budget category to ensure sufficient funds for various technologies, businesses, and applications.² However, Pacific Gas and Electric Company (“PG&E”), Southern California Edison Company (“SCE”), and San Diego Gas and Electric Company (“SDG&E”), jointly referred to here as the investor-owned utilities (“IOUs”), propose putting AB 1637 funds in a sixth step to support a greater number of projects, avoid a quick exhaustion of funds, and ensure projects using existing funding demonstrate greenhouse gas (“GHG”) emissions performance before having access to AB 1637 funds.³

The IOUs’ proposal is unreasonable for several reasons and risks a stalling of the market for the behind-the-meter energy storage market in California. First, the IOUs provide no evidence that the incentive rates are too lucrative and do not contemplate whether the predicted quick exhaustion of funds may be due to pent-up market demand. Second, the budget for Steps 1 and 2 in the Proposed Decision would a small number of systems, and even fewer under the IOUs’ proposal. As the California Solar Energy Industries Association (“CALSEIA”) estimated, the total number of systems supported in the first two steps amounts to just 1,000 large energy storage systems and 3,300 small residential energy storage systems, which pales in comparison to the 646,000 rooftop solar systems in the IOU service territories.⁴ The IOUs’ sixth-step proposal would not transform but instead stall the market. Finally, the IOUs prematurely prescribe a sixth step for AB 1637 funds based on the findings of Itron’s *2014-2015 Impact Evaluation Report* that some energy storage projects may have increased GHG emissions for the 2014-2015 program years, even though the report had major data limitations. CESA commented previously that the limited assessment, while valuable and a step in the right direction to ensure alignment with the program goals, could not serve as the basis for policy decisions at this time

² CESA’s Comments at pp. 5-10.

³ PG&E’s Comments at p. 9; SCE’s comments at pp. 3-4; and SDG&E’s comments at p. 4.

⁴ CALSEIA’s Comments at pp. 5-6.

until greater data for these projects are collected and a consensus GHG emissions methodology for energy storage is developed.⁵

CESA also emphasizes that many in the energy storage industry seek a successful re-opening of the SGIP program. CESA understands the Joint Storage Parties' concerns about a condition where "only one segment of the market captures the highest level of incentives."⁶ CESA reiterates that the likelihood of such an outcome can be reduced by increasing the funds for Steps 1-2 with an even distribution of AB 1637 funds across Steps 1-5. Additionally, the Commission adopted CESA's recommendation for a pause period in between steps⁷ as a good governance mechanism allowing the Program Administrators ("PAs") the time to make adjustments. CESA supports use of the pause period to consider measures to ensure program goals are met so long as the pause is not unreasonably extended and so undue program interruptions are avoided.

III. ADDITIONAL OPERATIONAL REQUIREMENTS ARE NOT JUSTIFIED AT THIS TIME BASED ON THE CURRENTLY AVAILABLE DATA AND DOES NOT NEED TO BE IMPLEMENTED PRIOR TO MAKING ASSEMBLY BILL 1637 FUNDS AVAILABLE.

CESA agrees with Robert Bosch and the Center for Sustainable Energy ("CSE") that it is premature to set operational requirements at this time.⁸ However, the IOUs each supported operational provisions and data requirements to be tied to AB 1637 funds, or to be developed prior to making AB 1637 funds available. CESA strongly disagrees. As noted above, there is insufficient data to support new operational requirements, recently-adopted operational requirements pursuant to D.16-06-055 have yet to take effect. Similarly, CESA has yet to evaluate the impact of the operational requirements on residential systems pursuant to Resolution E-4717 to understand their efficacy in driving operational behavior and impacts. Furthermore, operational requirements do not need to be implemented prior to making AB 1637 funds available as SGIP-funded energy storage systems will adjust their operations once the appropriate rate designs are implemented.

⁵ *Comments of the California Energy Storage Alliance on Assigned Commissioner's Ruling on Implementation of Assembly Bill 1637*, filed on January 31, 2017, pp. 8-12.

⁶ Joint Storage Parties' Comments at p. 7.

⁷ D.16-06-055, p. 51.

⁸ Robert Bosch's Comments at p. 5 and CSE's comments at p. 4.

Rate designs that send the appropriate signals to reduce system costs and GHG emissions are the more effective and efficient solutions to ensuring the meeting of the program's goals. However, rather than addressing this issue in rate design proceedings, the IOUs propose restrictive charge-discharge schedules that are codified in the SGIP and thereby relatively inflexible to change when robust data is made available to make smarter determinations on tariffs and rate schedules that reduce system costs and GHG emissions. PG&E, for example, proposes to have all new SGIP-funded energy storage projects be placed on existing time-of-use ("TOU") rates.⁹ CESA believes that many of the existing TOU rates do not provide sufficient rate differentials to incentivize specific energy storage operations, and do not guarantee GHG emissions reduction, because TOU rates and periods are determined based on marginal generation analysis, rather than marginal emissions analysis. Moreover, PG&E endorsed specific operational requirements as recommended in Itron's report.¹⁰ CESA believes that such rigorous charge-discharge schedules limit the applications of energy storage, when in fact these systems would be more efficiently guided by economic signals from retail rates and wholesale market prices. SDG&E commented that only utility-dispatched energy storage can be assured of grid benefit and GHG emissions reduction. At least in terms of GHG reductions, CESA believes that there is no evidence to support this claim.

PG&E does, however, raise an important point about the grandfathering of TOU rates and how D.17-01-006 does not apply to non-solar technologies.¹¹ CESA notes that energy storage systems have been reaffirmed to be "additions or enhancements" to Net Energy Metering ("NEM") generators¹² and therefore subject to the same grandfathering periods. At the same time, energy storage systems are long-lived assets with 10 to 15-year manufacturer's warranties that can respond to changes in signals once the grandfathering period ends, thereby balancing financial certainty with having SGIP-funded systems support grid needs at the time.

IV. THE ISSUES OF COST-EFFECTIVENESS AND AVOIDED COSTS ARE OUT OF SCOPE OF THIS PROGRAM.

SDG&E raised a number of points that CESA believes are out of scope of this program. SDG&E commented that AB 1637 funds should not be made available for any energy storage

⁹ PG&E's Comments at pp. 5-6.

¹⁰ PG&E's Comments at pp. 7-8.

¹¹ PG&E's Comments at p. 6.

¹² See, D.16-01-044 and D.14-05-033.

that is not cost-effective using the Avoided Cost Calculator, citing D.16-06-007 in support of these arguments. CESA responds that the cost-effectiveness metric is irrelevant to this program, which is funded by the Public Purpose Programs charge that is intended to fund various programs that support innovation, technology deployment, climate change mitigation, low-income communities, and other ‘public purposes’. Cost effectiveness is not a criterion for this *technology deployment* program, and is more appropriate for IOU sourcing mechanisms to ensure the lowest-cost resources are procured in a competitive solicitation to meet identified distribution grid needs. With respect, SDG&E’s comments on cost-effectiveness are irrelevant and should be disregarded by the Commission as out of the scope of the SGIP.

V. MAKING ASSEMBLY BILL 1637 FUNDS ACCESSIBLE TO ALL ENERGY STORAGE DEVELOPERS AS A GENERAL POOL IS MOST EFFICIENT.

CSE and SCE recommended that the Commission allow for mid-program flexibility to move funds between the large and small energy storage budget categories.¹³ CESA believes that having a general pool of AB 1637 funds that is accessible to all developers is more efficient than having the PAs determine whether and when to shift funds among budget categories. CSE’s and SCE’s proposal risks creating business uncertainty as developers wait for one budget category to “stall” before money is shifted around and for the regulatory process to play out, *i.e.*, the 20-day pause combined with an Advice Letter filing.

VI. CONCLUSION.

CESA appreciates the opportunity to submit these reply comments on the Proposed Decision and looks forward to working with the Commission and stakeholders to ensure a timely opening of the SGIP and to support the goals of the program.

Respectfully submitted,



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¹³ CSE’s Comments at p. 3 and SCE’s Comments at p. 5.