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)

COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE ON THE PROPOSED DECISION ESTABLISHING EQUITY BUDGET FOR SELF-GENERATION INCENTIVE PROGRAM

Donald C. Liddell
DOUGLASS & LIDDELL
2928 2nd Avenue
San Diego, California 92103
Telephone: (619) 993-9096
Facsimile: (619) 296-4662
Email: liddell@energyattorney.com

Counsel for the
CALIFORNIA ENERGY STORAGE ALLIANCE

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TABLE OF CONTENTS

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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 comments on the *Proposed Decision Establishing Equity Budget for Self-Generation Incentive Program*, issued by Acting Chief Administrative Law Judge Anne E. Simon on August 25, 2017 ("Proposed Decision").

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[1] 8minutenergy Renewables, Able Grid Energy Solutions, Adara Power, Advanced Microgrid Solutions, AES Energy Storage, AltaGas Services, Amber Kinetics, American Honda Motor Company, Inc., Bright Energy Storage Technologies, BrightSource Energy, Brookfield, California Environmental Associates, Consolidated Edison Development, Inc., Customized Energy Solutions, Demand Energy, Doosan GridTech, Eagle Crest Energy Company, East Penn Manufacturing Company, Ecoult, EDF Renewable Energy, ElectrIQ Power, eMotorWerks, Inc., Energport, Energy Storage Systems Inc., GAF, 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., Ormat Technologies, OutBack Power Technologies, Parker Hannifin Corporation, Qnovo, Recurrent Energy, RES Americas Inc., Sempra Renewables, Sharp Electronics Corporation, SolarCity, Southwest Generation, Sovereign Energy, Stem, STOREME, Inc., Sunrun, Swell Energy, Viridity Energy, 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).

I. INTRODUCTION.

Continuing from CESA's comments to the Assigned Commissioner's Ruling on June 2, 2017 ("Ruling"), CESA supports the Commission's intent to promote or ensure access to the Self-Generation Incentive Program ("SGIP") to disadvantaged communities ("DACs"). Based on comments in the matter, CESA observed that most parties also support a DAC 'carve-out', though many also agreed that the eligibility of projects for this carve-out should be expanded to include low-income customers and communities given the potential gaps of the CalEnviroScreen 2.0. CESA therefore supports the Proposed Decision for expanding the eligibility criteria in developing the 20% 'carve-out' from SGIP Steps 3-5.

However, there are several areas of the newly proposed "Equity Budget" that require further clarification or additional improvements to ensure that this new budget category: does not unduly limit projects that could provide material economic or environmental benefits to disadvantaged or low-income communities; does not overly complicate or burden Program Administrators ("PAs") in managing and validating applications; and does not introduce too much complexity and uncertainty for SGIP applicants. CESA addresses these potential issues in implementing the new Equity Budget in our comments by recommending the following:

- Eligibility criteria for commercial customers should be expanded to include all commercial customers located in the eligible DAC and low-income census tracts and communities.
- The Equity Budget should only reserve 20% of SGIP funds from Steps 3-5, as broadly supported by parties in the June 2, 2017 Ruling.
- Existing rules, such as the lottery priority rules, for the small residential and large energy storage budget categories should apply to the Equity Budget as well.
- Automatic adjustments to the Equity Budget incentive rate should be made using the built-in incentive step-up schedule if reservations do not occur.

- The Equity Budget should be decoupled from the other budget categories to ensure continued market transformation.
- The PAs should be directed to provide zip codes of qualifying disadvantaged and low-income locations.

In addition to our comments and recommendations on the proposed Equity Budget, CESA also offers comments in support of the Proposed Decision's determination not to adopt a grid services eligibility requirement at this time.

II. ELIGIBILITY CRITERIA FOR COMMERCIAL CUSTOMERS SHOULD BE EXPANDED TO INCLUDE ALL COMMERCIAL CUSTOMERS LOCATED IN THE ELIGIBLE DISADVANTAGED AND LOW-INCOME CENSUS TRACTS AND COMMUNITIES.

CESA strongly supports the broadened eligibility criteria to ensure low-income communities have access to energy storage technologies and are not overlooked due to the gaps in the CalEnviroScreen. In particular, the Proposed Decision wisely leverages the eligibility criteria from other clean energy programs focused on low-income communities, which should ensure consistency across programs to make it simpler for developers to leverage both SGIP and other programs. This alignment in eligibility criteria also potentially allows data and information to be shared across programs, which can reduce reporting burdens for developers and ease the administrative load for the PAs.

However, in defining the customer classes eligible for the Equity Budget, the Proposed Decision limits the commercial customers eligible to those that employ no more than 100 people or those with annual gross revenues of no more than $15 million.[2] The rationale for setting this eligibility criteria for commercial customers is likely intended to support small businesses.

[2] Proposed Decision, pp. 15-16.

Currently, CESA does not see clear evidence that supporting small commercial businesses is the only means by which DACs and low-income communities are supported. There are large commercial businesses that may provide significant economic benefit in terms of the number of jobs generated, with the potential to create additional jobs from retail bill savings. Additionally, environmental and health benefits likely exist from reducing local pollutants such as NOx via customer-sited energy storage or other preferred resources sited to reduce reliance on emissions-intensive resources, which are disproportionately located in disadvantaged communities.[3] These benefits will emanate from any project located in DACs or low-income communities, regardless of the specific nature of the host customer type.

CESA therefore recommends that the eligibility for commercial customers in the Equity Budget be broadened from just small businesses to all commercial customers located in designated DACs and low-income communities. Unless clear evidence is presented that deploying energy storage systems at small commercial businesses is the best, most-effective, and possibly the only means to support DACs and low-income communities, CESA finds it unnecessary and counter-productive to limit the customer eligibility solely to small commercial businesses.

III. THE EQUITY BUDGET SHOULD ONLY RESERVE 20% OF FUNDS FROM STEPS 3-5.

The Ruling proposal to set-aside 20% of SGIP funds from Steps 3-5 was broadly supported by parties in comments filed on June 22, 2017. However, due to the broadened eligibility criteria for the Equity Budget and the goal of setting aside the same absolute level of

[3] Krieger, et al., (2016), *A framework for siting and dispatch of emerging energy resources to realize environmental and health benefits: Case study of peaker power plant displacement*, pp. 303-310.

funding as proposed in the Ruling, the Commission proposed to increase the Equity Budget to 25% of the Steps 3-5 funding.[4] CESA recommends that the Commission maintain the 20% reservation of funds from Steps 3-5 since the original proposal was broadly supported by all parties and because it would ensure that the non-Equity Budget categories do not have their budgets decreased further.

With 25% of funds being reserved only from the energy storage budget category instead of 20% being reserved from both the energy storage and renewable generation budget categories, the non-Equity Budget categories for energy storage projects decrease from $92 million in the original proposal to $86.2 million. The Proposed Decision also does not robustly explain why the budget carve-out for DACs and low-income communities should come from the energy storage budget category alone, as these customers would also benefit environmentally and economically from deploying renewable generation systems as well.

IV. EXISTING RULES FOR THE SMALL RESIDENTIAL LARGE ENERGY STORAGE BUDGET CATEGORIES SHOULD APPLY TO THE EQUITY BUDGET AS WELL.

While the Proposed Decision proposes to establish a separate developer's cap for the Equity Budget, it does not explicitly state how other program rules would apply to this new budget category. Specifically, CESA requests clarity on how lottery priorities would apply to the Equity Budget. The slower pace of reservations in Step 2 for the small residential and large energy storage budget categories suggest that a lottery is highly unlikely to be triggered. It may be prudent to detail rules for the Equity Budget thoroughly and avoid any controversies from ambiguity. This can be done, in part, by explicitly clarifying how lottery priorities would

[4] Proposed Decision, p. 19.

similarly apply to the Equity Budget. A simple clarification that the other program rules would apply for the Equity Budget as well would suffice. At the same time, CESA supports how the Equity Budget is proposed to be made broadly available to projects regardless of project size or whether the customers are residential or commercial.

V. AUTOMATIC ADJUSTMENTS TO THE EQUITY BUDGET INCENTIVE RATE SHOULD BE MADE USING THE BUILT-IN INCENTIVE STEP-UP SCHEDULE IF RESERVATIONS DO NOT OCCUR.

The Proposed Decision proposes to consider a higher incentive level only in the situation where four months pass with no reservations in the Equity Budget but where reservations occur for energy storage projects qualifying in the other budget categories.[5] CESA is concerned that a single or a minimal amount of reservations in the first four months may prevent the Equity Budget from setting an incentive rate that is more appropriate for DACs and low-income communities, which face unique conditions and barriers that may necessitate a higher incentive rate, as supported by multiple parties on the Ruling.[6] Instead, CESA recommends a lower threshold be established as the 'trigger event' for adjusting incentive levels higher. Rather than an adjustment through a Tier 3 advice letter, which only takes time, an automatic adjustment could accelerate the industry's focus on DACs and low-income communities. An alternative trigger event could be the lack of a reservation in the Equity Budget for 60 days at any point in time of a given event, not just in the first four months of Step 3 opening. This approach would better indicate if the market for a certain market segment has stalled or faces barriers related to

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[5] Proposed Decision, p. 22.

[6] Comments by GRID Alternatives at p. 8, Joint Storage Parties at p. 2, Tesla at p. 4 CALSEIA at p. 3 on the *Assigned Commissioner's Ruling on Proposed Refinements to the Self-Generation Incentive Program*, filed on June 22, 2017.

the incentive level, rather than related to the time involved in the project development cycle. There may be other alternatives to consider as well.

Additionally, CESA recommends that the Commission use the existing incentive step-down schedule to determine how to adjust the incentive level if a trigger event occurs. Rather than being a step-down structure, there would be a $0.05/Wh step up of the incentive rate if a trigger event occurs. CESA believes that this structure facilitates program efficiency by avoiding an advice letter process, avoids controversy over PA discretion being used to set the higher incentive rate, and utilizes a Commission-approved incentive rate step-down structure but in reverse.

VI. THE EQUITY BUDGET SHOULD BE DECOUPLED FROM THE OTHER BUDGET CATEGORIES.

It may already be the intent of the Proposed Decision to decouple the Equity Budget from the other budget categories, but CESA requests that this be explicitly clarified. Once the funding set-aside for the Equity Budget and eligibility criteria are finalized with the approval of this Proposed Decision, the small residential and large energy storage budget categories should be allowed to re-open to continue market transformation in these customer segments. In the meantime, the PAs will be able to implement the technical requirements of the SGIP portal for the Equity Budget. Even though the rate of reservation of SGIP funds have slowed in Step 2, SGIP was reformed to minimize program interruptions.[7] The large energy storage budget for Southern California Edison Company ("SCE") and the small residential energy storage budget

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[7] *Assigned Commissioner's Ruling (1) Issuing an Energy Division Proposal on Senate Bill 861 Modifications to the Self-Generation Incentive Program and (2) Entering the Staff Proposal Into the Record*, *Attachment: Energy Division Staff Proposal*, filed on November 23, 2015. p. 20.

for Center for Sustainable Energy ("CSE") are ready for a Step 3 opening with the approval of the Proposed Decision, and implementation details should not delay their opening.

VII. THE PROGRAM ADMINISTRATORS SHOULD BE DIRECTED TO PROVIDE ZIP CODES OF QUALIFYING DISADVANTAGED AND LOW-INCOME LOCATIONS.

Similar to how the Commission directed the PAs to provide a list of zip codes within the localities that qualify for the lottery prioritization for projects located in the Los Angeles Department of Water and Power ("LADWP") service territory or the West Los Angeles Basin, CESA recommends that the Commission also direct the PAs to provide zip codes of qualifying disadvantaged and low-income locations. By providing this information upfront, it will greatly support project siting by developers and reduce uncertainty as to which budget category to apply.

Furthermore, CESA also requests that the Commission clarify how applications can be transferred across the budget categories. If, for example, an applicant is found not to qualify for the Equity Budget, it should not have to re-apply but be seamlessly transferred over to non-Equity Budget categories, at the election of the applicant. While the zip codes provided would limit the instances in which a developer erroneously applies for funding from the Equity Budget, there may be instances in which the applicant's customer does not meet the customer eligibility criteria. In these instances, the PAs should allow for applicants to easily remedy their application and have their application transferred over to the appropriate budget category without having to re-apply – *i.e.*, similar to how most application information is transferred over to the next step for projects that are not selected in the lottery for a given step.

VIII. THE COMMISSION SHOULD NOT ADOPT ANY NEW GRID SERVICES ELIGIBILITY REQUIREMENTS.

CESA supports the Proposed Decision in not adopting any new grid services eligibility requirements at this time, as originally proposed in the Ruling. CESA reiterates that there is currently insufficient data of projects operating under the new cycling requirements as adopted in D.16-06-055. While data from SGIP-funded energy storage projects will be shared through the release of an upcoming 2016 SGIP Energy Storage Impact Evaluation Report, CESA cautions the Commission in taking an inefficient and complicated rules-based approach to ensuring that SGIP-funded energy storage projects reduce greenhouse gas ("GHG") emissions and instead recommends that the Commission consider how rates or sub-metered rates can be implemented that ensure the cycling of energy storage systems for GHG and grid benefit.

IX. CONCLUSION.

CESA appreciates the opportunity to submit these comments on the Proposed Decision and looks forward to working with the Commission and parties going forward in this proceeding.

Respectfully submitted,

Donald C. Liddell
DOUGLASS & LIDDELL

Counsel for the
CALIFORNIA ENERGY STORAGE ALLIANCE

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