December 11, 2019

Commissioner Clifford Rechtschaffen
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Re: Letter of the California Energy Storage Alliance (CESA) Regarding Fixes in the Self-Generation Incentive Program (SGIP), Rulemaking 12-11-005

Dear Commissioner Rechtschaffen

The California Energy Storage Alliance (CESA) takes this opportunity to: (1) request your expedited assistance in addressing problems with implementation of the Commission's *Decision Approving Greenhouse Gas Emission Reduction Requirements for the Self Generation Incentive Program Storage Budget,* D.19-08-001, issued on August 1, 2019; and (2) highlight areas of clarification needed around the *Decision Establishing a Self-Generation Incentive Program Equity Resiliency Budget, Modifying Existing Equity Budget Incentives, Approving Carry-Over of Accumulated Unspent Funds, and Approving $10 Million to Support the San Joaquin Valley Disadvantaged Community Pilot Projects*, D.19-09-027, issued on September 8, 2019. CESA appreciates your consideration of these two key areas of change and clarification needed for the Self-Generation Incentive Program (SGIP).

I. **<u>A methodology for calculating the cost and benefits of large thermal energy storage (LTES) systems are needed to comply with D.19-08-001 and to deliver long-awaited SGIP reforms to enable LTES participation.</u>**

CESA reads Ordering Paragraph (OP) 2 of D.19-08-001 as requiring the SGIP Program Administrators (PAs) to submit a Joint Tier 2 Advice Letter establishing a methodology for calculating the cost and benefits of large thermal energy storage (LTES) systems.[1] This matter is discussed in detail in the decision,[2] yet CESA observes that the advice letter recently filed by the PAs on November 27, 2019 as not being in compliance with this requirement of the decision. Specifically, no revisions were made to the incentive methodology for LTES by the November 29, 2019 deadline, nor has CESA observed an explanation for why this matter was unaddressed nor when it will be remedied.

[1] D.19-08-001 at 111.
[2] D.19-08-001 at 70.

LTES is well situated to mitigate challenges associated with meeting customer loads, such as air conditioning, and can enable more dynamic and responsive customer demand. Nevertheless, California has not had a working incentive program for LTES since the expiration of the Permanent Load Shifting (PLS) Program in December 2017. Research from University of California, Davis (UCD) in 2017 and 2018 showed that accuracy issues existed with previous 'deemed value' methodologies, and that a good way to move forward is through a dynamic baseline methodology determined from actual data. Trane, a CESA member company, submitted a Program Modification Request (PMR) seeking SGIP Handbook revisions based on the UCD's dynamic, data-driven methodology in February 2018, but CESA has seen no effective rule changes proposed by the PAs) since then. This outcome seems to conflict with D.19-08-001, which directed a workshop and directed them to use a dynamic method and actual data (in line with Trane's PMR from early 2018).

Per D.19-08-001: "*We are persuaded by parties that modifications to our adopted GHG and existing SGIP rules may be necessary to ensure the appropriate application of the GHG requirements to TES systems. As needed, the PAs shall recommend in the Implementation Plan Tier 2 advice letter approved elsewhere in this decision minor modifications to SGIP system, operation, measurement, verification, and performance evaluation requirements to accommodate TES systems' conformance with the GHG rules adopted in this decision*." Further, evaluation "*should assess TES system performance using a dynamic approach and actual data*".

The PAs subsequently held a workshop on September 13, 2019, where CESA, industry, and academia supported the proposed dynamic approach, which uses actual data, in line with the Commissions' direction to file a Joint Tier 2 Advice Letter for implementing modification of the Handbook. Despite these efforts, the November 27, 2019 advice letters do not propose a methodology for LTES.

CESA recommends the Commission resolve this issue by directing the PAs to comply with the direction in the Decision by implementing the PMR for LTES submitted in February 2018. This request has languished for almost two years despite lack of opposition on technical grounds and support from CESA, academia, and industry. This broadly supported approach is based on actual data collected in real time and will enable LTES resources to accurately report and operate against the new 5-minute GHG signal, which previous "deemed" methodologies were unable to do.

II. Language in D.19-09-027 require timely clarification around customer eligibility for the Equity Budget and Equity Resiliency Budget.

CESA has several important and immediate concerns with the decision language in D.19-09-027 that seem at odds with Commission's intent. These matters likewise require some levels of clarification or redress. Urgency is needed on these matters in light of limited program funding and the upcoming Equity Budget and Equity Resiliency Budget openings. These concerns are as follows:

1. **Tribal Government exclusion:** "Indian Country" is defined as a Disadvantaged Community (DAC), but the two-part test that references the California Public Contracting Code definition of "Local Government" by reference excludes "Tribal Governments", rendering their eligibility as unclear or limited.

2. **Critical Resilience:** Eligibility for Equity Resiliency Budget is linked to several qualifying factors, but it is unclear whether the requirement is supposed to be: DAC status *and* High-Fire Threat District (HFTD) Level 2 or 3; or DAC status *or* HFTD 2-3. CESA seeks clarification that D.19-09-027 directs DAC status *or* HFTD 2-3. This clarification seems appropriate considering the following major additional problem with DAC qualification.

    a. Indian Country is excluded due to the Local Government Definition issue.

    b. The pollution-designated DACs are often not in HFTD 2 or 3. For instance, high pollution EnviroScreen Census Tracts have almost no overlap with HFTD areas. Of over 8,000 Census Tracts in California, only 20 HFTD 2 Census Tracts and only four HFTD 3 tracts are also in the 75th percentile or higher, rendering extremely few eligibility areas based on pollution-designated DACs.

    c. Using the "Economic" DACs definition, issues still persist. While numerous economic DAC Census Tracts in California overlap with HFTD 2 or 3, many of these dual Economic and HFTD tracts are in communities where fewer than 50% of the Tracts are DAC, again blocking eligibility, presumably against Commission and program intent.

3. **Split Districts:** Some Minor Subdivisions (Cities, Community Service Districts, School Districts, etc.) qualify as a DAC on economic grounds, have some of their territory in HFTD 2 or 3 zones but also have some of their territory that is not HFTD 2-3. This situation prompts the question of whether or not critical infrastructure in a "Split District" can be eligible for the higher incentive levels. Example graphics of this issue for several different communities (Hidden Valley Lake CSD, Bakersfield Elementary School District, Yolo County, Indian Valley CSD) are included to illustrate. Naturally, this type of regulatory risk can impede developer efforts in target areas.

As the Commission is aware, the revamped SGIP is currently expected to open on April 1, 2020. It typically takes 2-3 months and tens of thousands of dollars to develop a project with all the technical details (such as engineering, equipment selection, etc.) needed to submit an SGIP Reservation Request. With the current uncertainty around all of the issues discussed briefly here, potential applicants are deterred from pursuing SGIP projects, which otherwise fit well with program goals. This means that otherwise qualifying locations and California customers or businesses must wait to start pre-submission development until these issues are sorted out. CESA recognizes that this is not the Commission's intent. Due to the anticipated interest in this program, CESA foresees that program funds may exhaust before those in ambiguous situations get the clarifications or methodologies approved, which are needed to authorize moving forward.

Conclusion

CESA stands ready to work with the Commission's staff and the SGIP PAs to expedite the corrective action needed to address the concerns identified in this letter and greatly appreciates your anticipated support in moving as expeditiously as possible.

Sincerely,

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