**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<br>(Filed November 8, 2012) |
|---|---|

# REPLY COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE TO THE PROPOSED DECISION REGARDING SELF-GENERATION INCENTIVE PROGRAM REVISIONS PURSUANT TO SENATE BILL 700 AND OTHER PROGRAM CHANGES


Alex J. Morris
Executive Director

Jin Noh
Senior Policy Manager

CALIFORNIA ENERGY STORAGE ALLIANCE
2150 Allston Way, Suite 400
Berkeley, California 94704
Telephone: (510) 665-7811
Email: cesa_regulatory@storagealliance.org


January 8, 2020

**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 TO THE PROPOSED DECISION REGARDING SELF-GENERATION INCENTIVE PROGRAM REVISIONS PURSUANT TO SENATE BILL 700 AND OTHER PROGRAM CHANGES**

In accordance with the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission"), the California Energy Storage Alliance ("CESA") hereby submits these reply comments to the *Proposed Decision Regarding Self-Generation Incentive Program Revisions Pursuant to Senate Bill 700 and Other Program Changes* ("PD"), issued by Commissioner Clifford Rechtschaffen in Rulemaking ("R.") 12-11-005 on December 11, 2019. Pursuant to the *Email Ruling Granting Extension of Time to Comment on Commissioner Rechtschaffen's Proposed Decision Re Self-Generation Incentive Program Revisions Pursuant to SB 700 and Other Program Changes* ("Email Ruling"), issued by Administrative Law Judge ("ALJ") Cathleen A. Fogel, CESA is timely submitting these reply comments on January 8, 2020.

## I. INTRODUCTION.

CESA reiterates our general support for the PD in fully funding the Self-Generation Incentive Program ("SGIP") and in making key modifications to the energy storage budget categories that will facilitate deployment of energy storage projects, which will reduce greenhouse gas ("GHG") emissions, provide grid services, transform the market, and deliver customer resiliency in light of the recent Public Safety Power Shutoff ("PSPS") events. In our reply comments herein, CESA responds to parties' comments on funding allocation across budget categories, customer eligibility criteria, and performance guarantees for backup power.

## II. <u>THE PROPOSED FUNDING ALLOCATION BETWEEN GENERATION AND STORAGE BUDGET CATEGORIES IS REASONABLE, BUT FLEXIBILITY SHOULD BE ALLOWED THROUGH A GENERAL CATEGORY FOR ALL TYPES OF STORAGE PROJECTS TO ACCOMMODATE MARKET DEMAND</u>.

CESA understands that funding allocation decisions require the Commission to weigh a number of factors, including market demand, performance across key program goals, and emerging policy objectives (*e.g.*, resiliency). Given the importance of resiliency and significant market demand for energy storage technologies, CESA agrees with the PD and the Center for Sustainable Energy ("CSE") that the 85% allocation for energy storage budget categories is reasonable.[1] However, National Fuel Cell Research Center ("NFCRC") advocates for an increased budget allocation from 15% to 25% for the Renewable Generation Budget category, while Southern California Gas Company ("SoCalGas") and California Clean DG Coalition ("CCDGC") recommend an additional $100 million allocation.[2]

While recognizing the resiliency potential of renewable generators, CESA respectfully disagrees and recommends that the Commission maintain the proposed allocation for the Renewable Generation Budget. Energy storage technologies have the potential to provide greater number of customers with resiliency at the current and proposed incentive rates, which will increase over time for non-Equity projects given the incentive rate step-down structure. Instead of increasing the Renewable Generation Budget funding allocation, the Commission should consider an incentive rate step-down structure for generation projects in order to support a greater number of projects as well as to encourage market transformation (*i.e.*, cost reductions in biomethane procurement and project development), similar to what is in place for non-Equity energy storage projects. The aforementioned parties argue that the proposed allocation is "too low" given their expectations of increased participation of renewable generation projects with incentive rates increased to historical levels, but instead of adding more funding or increasing incentive rates further as SoCalGas recommends,[3] the Commission should encourage market transformation from these projects and more efficiently use SGIP funds to support as many renewable generation and energy storage projects, especially given the scope and urgency of customer resiliency needs.

---

[1] CSE comments at 4-5.

[2] NFCRC comments at 3-4, SoCalGas comments at 6, and CCDGC comments at 4.

[3] SoCalGas comments at 12.

Importantly, CESA observes many parties raised concerns with the PD's lack of authority to transfer funds before December 31, 2023 given that market demand may play out differently than what was allocated across the budget categories and considering the risk of stranded incentive dollars – for close to four years – that would otherwise be put to good use to deploy projects.[4] CESA agrees with these concerns, particularly with the comments made by CSE, who notes that it is hard to predict market demand and that flexibility is needed in the energy storage sub-allocations since it may be hard to predict how much Equity Resiliency Budget funds are required.[5] Instead, as noted in our opening comments and considering the recent experiences with the funding transfers into the Small Residential Storage Budget, CESA believes that a general energy storage funding allocation for all project types to be eligible more efficiently ensures funds continue to support deployments without "stagnating demand" in a more active budget category.[6] By only allowing access to these general energy storage funds to project types that have exhausted the funding in their applicable budget category, it ensures that "floors" are maintained for certain project types while allowing for funds to be made available in line with market demand. Alternatively, if the Commission opts to use the Program Administrators' ("PAs") authority to move funds to meet market demand, CESA supports CSE's proposal to allow such transfers to occur by December 31, 2021 via Advice Letter, which strikes the right balance of providing market certainty for developers of different market segments for about two years (considering some projects may require such lead time) while not holding up funds for long periods of time.

Finally, CESA respectfully disagrees with GRID Alternatives' proposal to create residential and non-residential tranches in the Equity Resiliency Budget due to potential concerns that non-residential storage projects may oversubscribe to these funds at the expense of residential customers.[7] CESA believes that this concern is overblown because non-residential storage projects face greater hurdles to deployment in terms of interconnection timelines, more complex GHG compliance requirements (*i.e.*, not deemed pathways like for residential projects), less certain payment streams (*i.e.*, performance-based incentive ["PBI"] instead of full upfront payments), and higher eligible project costs on average. Instead of reducing funding flexibility through additional

---

[4] CCDGC comments at 5, CSE comments at 3, SCE comments at 5, CALSSA comments at 8, and SoCalGas comments at 13.

[5] CSE comments at 3-5.

[6] SCE comments at 5.

[7] GRID Alternatives comments at 4-5.

tranches or carve-outs, CESA favors a more flexible, "general pool of funding" approach in the Equity Resiliency Budget to support as many storage projects as possible.

## III. THE COMMISSION SHOULD ERR ON THE SIDE OF INCLUSIVITY IN TERMS OF CUSTOMER ELIGIBILITY FOR THE EQUITY RESILIENCY BUDGET AND LEVERAGE A TARGETED MARKETING, EDUCATION, AND OUTREACH CAMPAIGN.

Given the desire for the Commission to prioritize limited SGIP dollars to customers who are the most vulnerable and in need of resiliency, CESA understands the Commission's intent to balance the need to limit the eligibility criteria while ensuring broad access to all PSPS-affected customers. However, San Diego Gas and Electric Company ("SDG&E") seeks to narrow customer eligibility for the Equity Resiliency Budget since the number of customers impacted exceed the incentives available, recommending instead that the new customer criteria include only customers who have experienced an outage for 24 hours or longer.[8] CESA respectfully disagrees and believes that such a revision to the criteria is ill-advised. Instead of limiting customer eligibility, CESA urges the Commission to err on the side of inclusivity. In order to indirectly encourage the most vulnerable customers to access Equity Resiliency Funds, a better approach would be to customize and target the marketing, education, and outreach ("ME&O") strategy to those customers that the Commission wants SGIP funds to be prioritized. Furthermore, the ME&O strategy could be the means by which the PD's proposed 50% soft target for General Small Residential Storage Budget dollars to go to Tier 2 and 3 High-Fire Threat District ("HFTD") zones or to PSPS-affected customers would be enabled and encouraged.

## IV. PRESCRIPTIVE STATE OF CHARGE REQUIREMENTS SHOULD NOT BE ADOPTED.

In D.19-09-027, the Commission adopted attestation forms and found interconnection review processes to be sufficient to ensure islanding capabilities and delivery of customer resiliency. SDG&E, however, expressed concerns with delivering what is promised and recommended in their comments that batteries be required to be fully charged to guarantee a certain level of performance during an outage.[9] CESA believes that this is overly prescriptive and would

---

[8] SDG&E comments at 4-5.

[9] SDG&E comments at 2-3.

hinder the flexible operation for the energy storage resource given that projects may be configured in different ways such that a full state of charge is not needed to deliver on the promised resiliency benefits, as expressed in the attestation form. At the same time, CESA believes it is reasonable to consider SDG&E's recommendation to explore program metrics and reporting on resiliency services by SGIP-funded storage projects, so long as these administrative requirements are done efficiently and without significant burden to developers and the PAs, considering there are already a number of reporting requirements in place for this program.

## V. A FUNDING CAP IS NOT NEEDED TO PREVENT OVERSIZING SYSTEMS.

The Public Advocates Office ("PAO") recommended a funding cap differentiated by customer class to disincentivize developers from oversizing systems for resiliency needs and to ensure more customers have access to funds.[10] CESA respectfully disagrees with the need for such a funding cap since PBI-based non-residential storage projects would be faced with additional cycling requirements to collect the full PBI and because other interconnection and SGIP controls are in place (*e.g.*, Rule 21 or NEM sizing restrictions). CESA also believes it is challenging for the PAs to determine whether a project is oversized given the size and shape of the load and critical power needs of different customers (*e.g.*, hospitals). Furthermore, a funding cap is already in place ($5 million per project),[11] such that a project could potentially be sized for a larger need but would be limited to this funding cap.

## VI. CONCLUSION.

CESA appreciates the opportunity to submit these reply comments to the PD and looks forward to working with the Commission and stakeholders in this proceeding.

Respectfully submitted,

Alex J. Morris
Executive Director
**CALIFORNIA ENERGY STORAGE ALLIANCE**

Date: January 8, 2020

[10] PAO comments at 3.

[11] Section 3.2.1 of 2019 SGIP Handbook.