

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

Order Instituting Rulemaking
Regarding Policies, Procedures and
Rules for the Self-Generation Incentive
Program and Related Issues.

Rulemaking 20-05-012
(Filed May 28, 2020)

**COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE ON THE
ASSIGNED COMMISSIONER'S RULING SEEKING COMMENTS ON IMPROVING
SELF-GENERATION INCENTIVE PROGRAM EQUITY OUTCOMES AND
ASSEMBLY BILL 209 IMPLEMENTATION**

Jin Noh
Policy Director

Grace Pratt
Policy Analyst

CALIFORNIA ENERGY STORAGE ALLIANCE
10265 Rockingham Dr.
Suite #100-4061
Sacramento, CA 95827
Telephone: (510) 665-7811
Email: cesa_regulatory@storagealliance.org

December 2, 2022

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

Order Instituting Rulemaking
Regarding Policies, Procedures and
Rules for the Self-Generation Incentive
Program and Related Issues.

Rulemaking 20-05-012
(Filed May 28, 2020)

**COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE ON THE
ASSIGNED COMMISSIONER’S RULING SEEKING COMMENTS ON IMPROVING
SELF-GENERATION INCENTIVE PROGRAM EQUITY OUTCOMES AND
ASSEMBLY BILL 209 IMPLEMENTATION**

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 comments on the *Assigned Commissioner’s Ruling Seeking Comments on Improving Self-Generation Incentive Program Equity Outcomes and Assembly Bill 209 Implementation* (“Ruling”), issued by Commissioner Clifford Rechtschaffen on October 26, 2022.

I. INTRODUCTION.

CESA is pleased to see the Commission begin planning for the potential addition of funding to the Self-Generation Incentive Program (“SGIP”). As outlined in the Ruling, there is currently a budget proposal to appropriate \$900 million from the California General Fund and allocate it to SGIP. CESA strongly supports this funding being allocated to SGIP and encourages the Commission and other parties to continue to highlight the importance of this funding to the Legislature. While funding has not yet been appropriated, Assembly Bill (“AB”) 209 does place parameters on how the Commission will distribute funding that is allocated – all additional funding would be for residential incentives, with 70% of funding for low-income solar + storage and storage incentives and 30% of funding for other residential storage incentives.

This funding is crucially important to the growth of the behind-the-meter (“BTM”) storage market, especially for low-income customers and as lithium-ion battery prices have stagnated or increased in the near-term due to inflation and COVID-19 pandemic-induced supply chain challenges and will likely increase in the long-term due to competition for battery supplies from the electric vehicle (“EV”) and in-front of the meter (“IFOM”) stationary energy storage sectors. Additionally, barriers still exist that prevent BTM storage from providing its full value to the grid. For example, there is no mechanism for BTM storage to receive qualifying capacity (“QC”) values inclusive of their export capabilities, customer rate structures can be misaligned with maximizing the value of BTM resources for the grid, and the resiliency value these resources provide remain unquantified. While work is being done at the Commission to remove these barriers and support the proper valuation of BTM energy storage, SGIP funding can provide an important bridge to help support customer deployment in the near term. This support is especially important to help low-income customers and other vulnerable communities install storage.

With this in mind, CESA makes the following recommendations for funding allocations and incentive levels for the \$900 million in additional funding:

- All of the low-income restricted funding should be allocated to one budget category, Residential Equity, with the remaining \$270 million split 30% to a new budget category, General Market Residential Resiliency, and 70% to General Market Residential.
- There should be no sizing restrictions or separating storage systems based on whether the system is larger or smaller than 10 kW.
- Low-income incentive levels should be set at \$1.30/Wh, with per-project adders to cover certain excess cost categories.

- Incentives should be set at \$1/Wh for General Market Residential Resiliency projects and \$0.15/Wh for General Market Residential projects.

In these comments, CESA also responds to other questions in the Ruling and makes the following recommendations to spur greater participation from low-income customers and ensure that AB 209 funding is quickly released:

- For low-income or Equity budget categories, income requirements should be confirmed via self-attestation.
- Requirements to reside in a deed restricted or resale restricted residence within the Residential Equity Budget should be removed.
- 60% of an eligible low-income customer's SGIP funding claim should be provided upfront.
- Non-residential equity resiliency budget eligibility should be expanded to schools and facilities facing outages beyond Public Safety Power Shutoffs ("PSPS").
- Demand Response ("DR") participation or other operational requirements should not be mandated for SGIP if already on an eligible Time-of-Use ("TOU") rate, and the requirement for a 1.69 peak-to-off-peak differential should not apply to low-income customers.
- The current SGIP program administrators ("PA") should retain their roles, with a new statewide PA for newly eligible customers from publicly owned utilities ("POU").

II. ALL OF THE LOW-INCOME RESTRICTED FUNDING SHOULD BE ALLOCATED TO ONE BUDGET CATEGORY, RESIDENTIAL EQUITY, WITH THE REMAINING \$270 MILLION SPLIT 30% TO A NEW BUDGET CATEGORY, GENERAL MARKET RESIDENTIAL RESILIENCY, AND 70% TO GENERAL MARKET RESIDENTIAL.

CESA is an organization focused on the deployment of energy storage systems in California. Therefore, the budget proposals below will be focused on energy storage incentives. CESA has no proposal for incentive levels for solar systems at this time, and we recommend that a single budget category be used for both residential low-income solar + storage and storage systems. Overall, CESA recommends the following distribution of the AB 209 Funding and the following storage incentive levels for each category, outlined in Table 1.

Table 1: CESA’s Proposed Allocation of AB 209 Funding and Incentive Levels

Budget Category	Budget Eligibility	AB 209 Funding Allocation (\$)	SGIP Incentive (\$/Wh)
Residential Equity Solar + Storage and Storage	Low-income residential customer (eligibility further specified below)	630,000,000	1.30
General Market Residential Resiliency	Current Equity Resiliency Budget (“ERB”) Requirements, removing low-income requirements ¹	81,000,000	1.00
General Market Residential	All residential customers	189,000,000	0.15

¹ Residential customers must meet one of the following requirements:

- Live in a Tier 2 or 3 High Fire Threat District
- Have had their electricity turned off during two or more discrete PSPS events, or customers who have experienced one Public Safety Power Shutoff (“PSPS”) event and one de-energization or power outage from an actual wildfire that occurred on or after January 1, 2017

Additionally, customers must qualify by being one of the following:

- Medical Baseline customer.
- A customer that has notified their utility of serious illness or condition that could become life-threatening if electricity is disconnected
- Rely on electric pump wells at their primary residence for water supplies. Customers must also meet all of the following criteria:
 - Demonstrate the residential household income is 80% of the area median income or less
 - The storage installation site is a primary residence occupied by either a homeowner or tenant
 - The residence is not provided water by a municipal or private utility

This proposal allocates all the low-income restricted funding to one budget category that will be focused on Residential Equity. CESA then recommends splitting the remaining \$270 million, with 30% of this funding going to a new budget category that CESA has named “General Market Residential Resiliency” and the remaining 70% going to General Market Residential.

Among all these budget categories, there should be no sizing restrictions or separating storage systems based on whether the system is larger or smaller than 10 kW. Traditionally, SGIP has split the General Market budget categories, with a Small Residential Storage budget for residential systems smaller than 10 kW and a Large-Scale Storage budget for both residential and non-residential systems larger than 10 kW. Previously, this cutoff was reasonable, as most residential customers were installing systems smaller than 10 kW. However, system sizes have begun to increase, especially for customers looking to have whole-home backup systems and to accommodate future electrification loads (*e.g.*, heat pumps, EV charging loads). Within SGIP, the average size for residential energy storage installed has increased from 6.5 kW in 2017 to 8.2 kW in 2021.² In the ERB, where all customers are explicitly installing systems for backup power needs, average residential system sizes are almost 11 kW.³ Additionally, residential electric load expected to grow due to electrification of vehicles and other gas end-uses and appliance in homes and buildings. Removing restrictions on system sizing for budget categories will allow customers to size their systems appropriately to their needs and will also allow multi-family residential buildings to receive funding in any eligible budget category.

² “SGIP Real-Time Public Report” (Accessed on Nov. 12, 2022) Available at: <https://www.selfgenca.com/home/resources/>

³ Average ERB system size is 10.85kW. Data from “SGIP Real-Time Public Report” (Accessed on Nov. 12, 2022).

CESA does not recommend adding any funding to the existing ERB for residential customers as the budget category exists currently. As highlighted in the Ruling, few of the residential customers in the ERB have qualified via low-income eligibility criteria.⁴ For reasons explained below, CESA also recommends increasing the incentive level for low-income customers to be greater than customers that qualify for the ERB at this time. Therefore, CESA recommends not adding incremental funding to the ERB for residential customers and instead to have one budget category dedicated to Residential Equity or low-income customers and another to General Market Residential Resiliency, or those residential customers that currently qualify for the ERB but are not low-income customers. The ERB can continue as a budget category focused on non-residential customers serving equity communities in outage-prone areas.

III. LOW-INCOME INCENTIVE LEVELS SHOULD BE SET AT \$1.30/WH, WITH PER-PROJECT ADDERS TO COVER CERTAIN EXCESS COST CATEGORIES.

As highlighted in the Ruling, SGIP has not been very successful in increasing BTM storage adoption in low-income households.⁵ Some of the major barriers to energy storage adoption in these communities are a lack of upfront payment mechanisms and eligibility and documentation requirements, which are extremely stringent and burdensome. CESA discusses recommendations on how to reduce these barriers below. Another barrier remains the cost of energy storage in general, which was reported as \$29,060 for ERB projects and \$16,333 for Small Residential projects in 2021.⁶ This makes energy storage a sizable investment, and to truly spur adoption in these communities, SGIP incentives will have to cover nearly all energy storage system costs,

⁴ Ruling at 8.

⁵ Ibid. at 6-7.

⁶ Verdant Associates, “2021 SGIP Energy Storage Market Assessment Study” (Nov. 2022) at 134.

which were \$1.06/Wh on average in 2021.⁷ At the same time, energy storage costs are increasing and are projected to increase further in the coming years, with 2022 SGIP storage systems in the ERB already reporting average eligible costs of \$1.28/Wh and Small Residential projects reporting costs of \$1.21/Wh.⁸ These high costs mean that the current Residential Equity incentive level of \$0.85/Wh now only covers two thirds of project cost and customers would have to pay between \$5,400 and \$9,600 out of pocket for their storage system. These amounts are higher than the average willingness to pay of customers with no BTM systems, which Verdant reported to be \$4,741 for a partial home backup system and \$6,520 for a whole-home backup system.⁹ This willingness to pay survey also included customers of all income levels,¹⁰ with lower-income customers more likely to have lower willingness to pay.

In order to truly enable deployment of energy storage systems in low-income communities, CESA recommends that the Commission design an energy storage incentive level designed to cover the full cost of the energy storage system and that \$1.30/Wh be used as the initial incentive level. Some customers face additional barriers and costs due to significant upgrades that need to be made to the home to accommodate a solar and/or energy storage system. Meanwhile, non-NEM standalone storage systems face relatively higher interconnection costs. For those customers, additional adders will be needed to cover excess costs. Flat, per-project incentive adders are appropriate as the cost of these upgrades once triggered are less likely to vary significantly based on system size.

⁷ Ibid. at 29.

⁸ “SGIP Real-Time Public Report” (Accessed on Nov. 12, 2022) Available at: <https://www.selfgenca.com/home/resources/>

⁹ Verdant Associates, “2021 SGIP Energy Storage Market Assessment Study” (Nov. 2022) at 133.

¹⁰ See Ibid. at Figure 5-2.

Table 2: CESA’s Proposed Project Incentive Adders for Low-income Customers

Adder	Description	Incentive Amount per Project
Difficult equipment location adder	Some municipalities require equipment to be installed in locations distant from the customer electric meter, increasing wiring and other installation costs.	\$1,000
Main panel relocations due to existing gas meter proximity	Safety concerns around placing batteries close to natural gas equipment and meters in homes mean that some customers have to move their main electrical pattern to create minimum separation between the energy storage device and natural gas meter.	\$6,000
Main panel upgrade	Customers with older main electric panels need upgrades or augmentation to handle the electric capacity from BTM solar and/or storage systems.	\$3,500
Standalone non-export interconnection fee	Customers installing standalone energy storage do not qualify for NEM, and non-NEM interconnection fees for projects under Rule 21 are currently \$800.	\$800

IV. INCENTIVES SHOULD BE SET AT \$1/WH FOR GENERAL MARKET RESIDENTIAL RESILIENCY PROJECTS AND \$0.15/WH FOR GENERAL MARKET RESIDENTIAL PROJECTS.

CESA recommends that the Commission split the General Market funds between General Market Residential Resiliency and all other General Residential customers. The General Market Residential Resiliency would be available to customers who previously qualified for the ERB, without the low-income Equity qualifications. Previous ERB customers have stated that without the SGIP incentive they received, they would have been unlikely to adopt energy storage, with 57% reporting that they would be “not at all likely” to adopt storage.¹¹ Given that deploying electric resiliency solutions is a Commission priority, the current ERB incentive of \$1.00/Wh, or slightly

¹¹ See Ibid. at Figure 5-48.

increasing the incentive to \$1.05/Wh to accommodate energy storage cost increases, will provide incentives to cover approximately 80% of project costs.

On the other hand, the General Market residential customers that have received SGIP incentives need a smaller subsidy to encourage storage adoption. Compared to customers that have received ERB incentives, 51% of Small Residential customers stated that they were “somewhat likely” to adopt storage without the SGIP incentive, showing less need for large incentives.¹² Instead, the modest incentive for General Residential customers helps to make systems more affordable and will help more customers adopt storage in the face of price increases in the near term. Therefore, CESA recommends extending the current Step 7 Small Residential incentive of \$0.15/Wh. This incentive should also be the same for all General Market residential systems regardless of size of the system, as explained above. The funding described in this section could be added to the Small Residential Storage Budget with the sizing restrictions removed. The Large-Scale Storage budget can then focus on non-residential customers.

V. FOR LOW-INCOME OR EQUITY BUDGET CATEGORIES, INCOME REQUIREMENTS SHOULD BE CONFIRMED VIA SELF-ATTESTATION.

As stated in the Ruling, “low-income households account for about 1% of all paid residential Equity Resiliency projects”.¹³ Additionally, the Ruling states that “low-income customer projects have a cancellation rate across all budget categories of almost 50%.”¹⁴ These two analyses represent a clear indication that the eligibility requirements for SGIP low-income customers are too stringent and warrant modifications. While CESA believes that it is important to require certain criteria for SGIP budget categories to ensure the appropriate customers are

¹² Ibid.

¹³ Ruling at 8.

¹⁴ Ibid. at 13.

targeted, it is also critical to ensure that the criteria and requirements do not discourage participation from low-income customers. Therefore, SGIP should use self-attestation to verify that the host customer's household income is 80% or less of the Area Median Income ("AMI") as opposed to providing their previous federal income tax documentation.

To encourage more participation from low-income customers, SGIP should follow the same income verification process that the California Alternate Rates for Energy ("CARE") Program uses for the initial enrollment process. The CARE Program does not require that a customer submit documented proof of eligibility which streamlines the process to apply and participate in the program.¹⁵ However, anytime during a customer's enrollment, they may be selected to participate in the CARE Verification process, which would require providing proof of income eligibility.¹⁶

SGIP should adopt this process and allow customers to submit a self-attestation to verify that the host customer's household income is 80% or less of the AMI as opposed to providing their previous federal income tax documentation. Replacing the federal income tax documents with a self-attestation would ease the documentation burden that host customers and developers undergo during the application process. Additionally, the concern of circulating sensitive tax information would be eliminated and would help streamline the application process. While easing the documentation requirements can raise concerns over gaming of the program, random income verification audits will discourage both customers and developers from attempting to game the system. If a project is selected for income verification, then the host customer would be obligated

¹⁵ See details on the CARE Program at:

<https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/electric-costs/care-fera-program>

¹⁶ Ibid at 15.

to provide documented proof of income. This methodology for income verification has been successful for the CARE Program and could be easily adopted for SGIP.¹⁷

VI. REQUIREMENTS TO RESIDE IN A DEED RESTRICTED OR RESALE RESTRICTED RESIDENCE WITHIN THE RESIDENTIAL EQUITY BUDGET SHOULD BE REMOVED.

It is crucial that SGIP funding is used appropriately, and that the system is not gamed for someone's financial benefit. At the same time, requirement that customers live in resale or deed restricted housing to qualify for the Residential Equity Budget, as highlighted by the Ruling, is "especially onerous"¹⁸ and has led to the unintentional filtering out many low-income customers that would otherwise qualify for the budget. Furthermore, even for those customers that do live in resale or deed restricted housing, the burden associated with finding the required documentation to show eligibility can discourage customers from completing the SGIP process or even applying in the first place.

VII. 60% OF AN ELIGIBLE LOW-INCOME CUSTOMER'S SGIP FUNDING CLAIM SHOULD BE PROVIDED UPFRONT.

A significant barrier for low-income customers is securing the upfront payment to get an energy storage project started. While there are financial institutions and some pilot programs (*e.g.*, Pacific Gas and Electric's ("PG&E") SGIP Financial Assistance Pilot)¹⁹ that provide services or upfront financing for project development prior to receiving the SGIP rebate, many low-income customers are not willing to take on the monetary responsibility and administrative burden associated with these types of programs. Furthermore, many low-income customers are living

¹⁷ Ibid at 15-16.

¹⁸ Ruling at 8.

¹⁹ PG&E Advice Letter 4226-G/5778-E: Request for Self-Generation Incentive Program Financial Assistance Pilot to Support Customer Resiliency (March 6, 2020). (PG&E AL 4226- G/5778-E)

paycheck-to-paycheck and are understandably hesitant to use third-party financing for their SGIP system due to the fear of being stuck with a considerable amount of debt if SGIP funding does not get approved. Therefore, CESA recommends a partial upfront payment when the Reservation Request Form (“RRF”) is confirmed and a final payment when the Incentive Claim Form (“ICF”) has been confirmed. Implementing a partial upfront payment structure avoids having the low-income customer take on any financial responsibilities and would attract more low-income customers to participate in the program.

Additionally, smaller developers have trouble funding the project’s cost prior to receiving the SGIP funding, contributing to their lower levels of participation in SGIP’s low-income budget categories. Few developers want to risk a large amount of money installing these systems without knowing whether they will even be able to recover those expenses through the rebate program. Furthermore, the considerable amount of administrative work and processing times associated with securing and receiving incentives for low-income customers under the Equity Budget acts as a deterrent for developers to take on such projects. To that end, an upfront payment structure would encourage developers to market these programs to low-income customers, further stimulating participation in the SGIP program and targeting the low-income communities.

All things considered, CESA recommends that the Commission allow an upfront payment structure similar to that of the Solar on Multifamily Affordable Housing (“SOMAH”) Program, where the developer is paid 60% of the incentive amount upfront once the RRF has been confirmed. Once the installation has been completed, Permission to Operate (“PTO”) has been issued, and the ICF has been confirmed, the remaining 40% of the incentive funds would be

disbursed.²⁰ However, if the developer cannot complete the project due to unforeseen circumstances after 60% of the funds have been issued, the developer would be obligated to return the full incentive amount along with a detailed explanation as to why the project could not be completed at all or in a timely manner. Finally, the current methods used to determine if an SGIP project will be selected for inspection should be used to discourage any gaming of the program.

VIII. NON-RESIDENTIAL EQUITY RESILIENCY BUDGET ELIGIBILITY SHOULD BE EXPANDED TO SCHOOLS AND FACILITIES FACING OUTAGES BEYOND PSPS.

CESA recognize that there is little funding remaining in the ERB as of the submission of these comments. However, in recognition of the Commission’s continued interest in advancing the goals of the Equity Resiliency Budget, CESA recommends that the budget category be maintained as a non-residential budget category. To this end, we offer a few modifications to non-residential ERB eligibility for the remaining funding and if funding is ever expanded in the future.

First, the list of eligible facilities for the Equity Resiliency Budget does not include schools²¹ despite the fact that schools often continue to teach and serve students during power outages and also often serve as community hubs during emergencies, providing food, water, and other needs. PG&E has already designated over 45 schools as Community Resource Centers (“CRC”) for PSPS events.²² Given that schools often provide services to students and the community during outages, CESA recommends that schools be added to the list of eligible facilities for the ERB.

²⁰ SOMAH Program “Semiannual Progress Report” (July 2022). Available at:

<https://www.cpuc.ca.gov/somah>

²¹ 2022 SGIP Handbook at 38.

²² PG&E List of Open Community Resource Centers During a PSPS Event. Available at:

https://www.pge.com/pge_global/common/pdfs/outages/public-safety-power-shutoff/Event-Ready-CRC-Site-List-20210804.pdf

Second, one pathway for eligibility is whether a facility was subject to two or more PSPS events prior to the SGIP application date.²³ While PSPS outages are of concern due to their length, other outages, such as those caused by actual wildfire and other extreme weather, including heavy snow and rain, can also pose risks to customers. Commission has already acknowledged the impact of wildfire-caused outages and expanded the ERB eligibility for residential customers to those that have experienced 1 PSPS event and 1 outage due to wildfire. Therefore, CESA recommends that non-residential ERB eligibility be expanded to include facilities that have experienced two or more utility outages longer than 6 hours, regardless of whether the outage is classified as PSPS.

Third, non-residential applicants for the ERB are required to prove that they provide critical infrastructure during a PSPS event. This is difficult for a facility – even one providing valuable services to communities during emergencies – to prove given the large variation in the types of services being provided and variation in the systems of different local government entities or communities. CESA recommends directing the PAs to take feedback on how this requirement and/or verification mechanisms can be modified.

IX. DR PARTICIPATION OR OTHER OPERATIONAL REQUIREMENTS SHOULD NOT BE MANDATED FOR SGIP IF ALREADY ON AN ELIGIBLE TOU RATE.

At its core, SGIP is a technology incentive program designed to increase the deployment of distributed energy resources (“DERs”) that advance SGIP goals specified in statute and outlined in D.16-06-055. Overall, there are three goals: (1) environmental goals of reducing greenhouse gas emissions (“GHGs”) and criteria air pollutants; (2) grid-support goals of reducing or shifting peak demand, improving efficiency and reliability of the distribution and transmission systems, lowering grid infrastructure costs, providing ancillary services, and ensuring customer reliability;

²³ 2022 SGIP Handbook at 37.

and (3) market transformation for eligible DERs in support of the two aforementioned goals. In support of these goals, SGIP includes minimum operational requirements, with customers having the option to enroll in other demand response (“DR”) or grid-service programs. However, as CESA highlighted in our comments on the *Assigned Commissioner’s Ruling Requesting Comment on Heat Pump Water Heater Contractor Training and Workforce Issues and Methods to Increase Self-Generation Incentive Program Technologies’ Contributions to Summer Reliability*, “The Commission has repeatedly made determinations that affirmed that the program is a technology incentive program and that rebates are not payments for grid services”²⁴ and that, “Including an incentive adder for reliability grid services, with requirements to enroll in specific grid service programs, will muddle the clear distinctions the Commission has drawn between SGIP technology incentives and incremental payments SGIP systems are eligible for if those systems enroll in grid-service programs or enter into contracts to provide specified services.”²⁵

Overall, most customers look to BTM DERs as an investment they can make to help save money on electric bills and have a source of backup power in case of outage. Given the current high cost of energy storage, SGIP has helped make storage a viable financial investment for many customers. However, the operational requirements of DR or reliability programs can reduce customer bill savings and make projects financially unviable, especially if programmatic compensation is insufficient. Therefore, CESA does not support mandates requiring DR enrollment or reserving a designated amount of capacity from SGIP systems for DR programs. At minimum, SGIP systems are already required to participate in grid-aligned TOU rates, which

²⁴ CESA’s Comments on the *Assigned Commissioner’s Ruling Requesting Comment on Heat Pump Water Heater Contractor Training and Workforce Issues and Methods to Increase Self-Generation Incentive Program Technologies’ Contributions to Summer Reliability*, submitted on August 23, 2021, at 2.

²⁵ *Ibid.* at 3-4.

already signal times of when energy storage charge and discharge are most beneficial to the grid and have higher/lower costs to serve customer load. CESA does encourage the PAs to coordinate marketing, education, and outreach (“ME&O”) of DR and emergency reliability programs with SGIP. This will allow customers that can participate in these programs to have increased awareness of their options.

A. The requirement for a 1.69 peak-to-off-peak TOU rate differential should not apply to low-income customers.

The AB 209 funding is largely geared towards market transformation for low-income customers who have faced large barriers to adoption of BTM storage. However, the SGIP TOU rate requirements can pose a barrier to Equity customers, who have limited eligible TOU rates that can be used for compliance. Generally, TOU rates are most beneficial for customers that have significant electric loads from appliances or EVs whose electric use can be shifted to off-peak periods or have BTM generation/storage that can provide electricity during peak periods. Given that SGIP-funded storage can be responsive to these price signals, CESA generally supports the requirement for customers to take service on a TOU rate. However, SGIP requires that eligible TOU rates have a peak to off-peak price differential of 1.69, which limits SGIP eligible rates to just a subset of TOU rates, including some that have fixed charges or high peak prices that can increase customer bills. For example, Southern California Edison Company (“SCE”) has two eligible SGIP TOU rates: TOU-D-5-8PM and TOU-D-PRIME. TOU-D-PRIME has generally lower volumetric rates but a higher Daily Basic Charge, which customers are unable to mitigate through lowering usage and can make low-income customers averse to this rate. On the other hand, TOU-D-5-8pm has a lower Daily Basic Charge but higher volumetric rates, which customers may be reluctant to join, especially if there are fears that a

BTM system could be temporarily offline, and customers would be exposed to a potential peak rate of \$0.67/kWh.

Additionally, these high differential TOU requirements lead most customers to only change their rate after their storage is installed, leading to unnecessary administrative burden and longer wait times to receive the final SGIP payment at the ICF stage. Some Investor-Owned Utilities (“IOUs”) can take multiple billing cycles to switch a host customer to the SGIP-approved rate, which can result in an extended wait time for the disbursement of a final incentive payment. This also leads to more SGIP administrative burden since SGIP projects are left waiting for the rate switch to occur, which leads developers to request extensions on those projects until documentation is provided that the rate change has been made.

Therefore, CESA recommends allowing low-income customers to be on any TOU rate, regardless of peak-to-off-peak differential, when claiming the final incentive. This would not only encourage more participation from low-income customers by easing the overall requirements, but it would also encourage participation by removing the barrier of waiting extended periods for the final incentive since some customers would already be on a TOU rate and others may be able to switch to a TOU rate before the SGIP system is installed.

B. Conflicts between current cycling and GHG signal requirements, customer resiliency needs, and DR program requirements must be examined by the Commission before DR participation is mandated by SGIP.

For non-residential customers in particular, the current operational requirements can actually pose a barrier to participation in DR programs. Currently, non-residential customers receiving storage SGIP incentives are required to cycle their energy storage 104 times throughout the year and follow a GHG signal to align charge and discharge patterns to the

GHG intensity of the grid. While both of these requirements help align storage operations to achieve GHG emissions reductions, during grid emergencies, these requirements can prevent customer response by reducing the state of charge in the ESS and can leave batteries depleted in conflict with customer backup power needs. Before imposing a requirement to participate in DR or another grid services program, the Commission should consider whether to lower cycling requirements, *e.g.*, lowering to 50 cycles a year, or GHG emission reduction requirements. This could help to enable additional participation and value for system-wide reliability but may come at the cost of increased GHG emissions in the near-term. Given the complexities surrounding these conflicting priorities, CESA urges the Commission to not add additional DR requirements at this time. If the Commission is interested in prioritizing using SGIP systems for reliability, a workshop or working group should be held to allow for deeper stakeholder engagement on this issue.

X. THE CURRENT SGIP PROGRAM ADMINISTRATORS SHOULD RETAIN THEIR ROLES, WITH A NEW STATEWIDE PROGRAM ADMINISTRATOR FOR NEWLY ELIGIBLE CUSTOMERS FROM PUBLICLY-OWNED UTILITIES.

Currently, SGIP is administered by four PAs: PG&E, Southern California Edison (“SCE”), Southern California Gas Company (“SoCalGas”), and Center for Sustainable Energy (“CSE”), which serves San Diego Gas and Electric (“SDG&E”) territory. SGIP has long been funded by ratepayers and the four PAs have been structured to serve their ratepayers. AB 209 is the first time SGIP has been funded by California taxpayers instead of IOU ratepayers, and in order to allow all taxpayers to access SGIP incentives, the legislation explicitly expands the SGIP program to POUs. While this is the first time POUs have been explicitly included in the SGIP program, SGIP has been available to all electric *and* gas IOU ratepayers in the state. This has allowed customers from the largest electric POUs, Los Angeles Department of Water and Power (“LADWP”) and the

Sacramento Municipal Utility District (“SMUD”), to access SGIP funding through their gas utilities, SoCalGas and PG&E respectively. Similarly, SoCalGas serves the customers of many Southern California electric POU, such as Imperial Irrigation District, Pasadena Water and Power, Glendale Water and Power, and Burbank Water and Power, and PG&E provides gas service to the electric customers of Modesto Irrigation District, Turlock Irrigation District, and Merced Irrigation District.

The current four PAs have been administering SGIP for over ten years and have built up teams to process SGIP applications and institutional knowledge. If the Commission would like AB 209 funding to be released as quickly as possible, the Commission should maintain these four PAs and their experienced teams, as these PAs cover most of California. For customers in electric POU territory where customers have no IOU gas service, the Commission should consider establishing a statewide PA. Given that there are fewer customers in these service territories, having a statewide PA for these customers will help reduce the burden of setting up SGIP program administration on these POU. CESA recommends that the Commission maintain the ratio of funds between the existing PAs. For a new PA, funding distribution should be based on the number of customers that PA will serve.

CESA does see the potential benefits of a single, statewide PA, including allowing funding to go to the areas of the state with most demand, regardless of IOU territory. However, we caution that the creation of a new PA will likely delay the release of funds. If the Commission is interested in simplifying program administration within one entity, CESA recommends that CSE be considered for this role because of its experience administering SGIP for SDG&E territory.

Given that SGIP has long served electric POU customers, CESA believes that program rules should be aligned between IOU and POU customers to the greatest extent possible. The

current SGIP rules are largely viable for POU and IOU customers. One modification that may be needed to accommodate all POUs is to remove the requirement for customers to enroll in TOU rates with peak periods starting at 4pm or later and summer peak to off-peak differentials of 1.69 or greater. Not all POUs may offer rate schedules that comply with these parameters. Therefore, the Commission should allow customers in POUs that do not offer compliant rates to take service on other TOU rates. If no TOU rates are available, then tiered rates should be allowed. This will allow all customers to be able to participate in SGIP.

XI. CONCLUSION.

CESA appreciates the opportunity to submit these comments on the Ruling and looks forward to working with the Commission and other stakeholders in this proceeding.

Respectfully submitted,



Jin Noh
Policy Director
CALIFORNIA ENERGY STORAGE ALLIANCE

Date: December 2, 2022