

**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 ASSIGNED COMMISSIONER'S RULING SEEKING ADDITIONAL
INFORMATION REGARDING THE POTENTIAL ELIGIBILITY REQUIREMENTS
FOR THE SELF-GENERATION INCENTIVE PROGRAM**

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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 *Assigned Commissioner’s Ruling Seeking Additional Information Regarding the Potential Eligibility Requirements for the Self-Generation Incentive Program*, issued by Assigned Commissioner Michael Picker on February 25, 2016 (“Ruling”).

¹ 1 Energy Systems Inc., Advanced Microgrid Solutions, AES Energy Storage, Aquion Energy, Brookfield, CODA Energy, Consolidated Edison Development, Inc., Cumulus Energy Storage, Customized Energy Solutions, Demand Energy, Dynapower Company, LLC, Eagle Crest Energy Company, East Penn Manufacturing Company, Ecoult, ELSYS Inc., Energy Storage Systems, Inc., Enersys, Enphase Energy, EV Grid, GE Energy Storage, Gordon & Rees, Green Charge Networks, Greensmith Energy, Gridtential Energy, Inc., Hitachi Chemical Co., Ice Energy, IMERGY Power Systems, Innovation Core SEI, Inc. (A Sumitomo Electric Company), Invenergy LLC, K&L Gates, LG Chem Power, Inc., LightSail Energy, Lockheed Martin Advanced Energy Storage LLC, LS Power Development, LLC, Mitsubishi Corporation (Americas), NEC Energy Solutions, Inc., NextEra Energy Resources, NRG Solar LLC, OutBack Power Technologies, Panasonic, Parker Hannifin Corporation, Pathfinder, Powertree Services Inc., Primus Power Corporation, Princeton Power Systems, Recurrent Energy, RES Americas Inc., S&C Electric Company, Saft America Inc., Sharp Electronics Corporation, Skylar Capital Management, SolarCity, Sovereign Energy, Stem, SunEdison, SunPower, Toshiba International Corporation, Trimark Associates, Inc., Trina Energy Storage, Tri-Technic, UniEnergy Technologies, Wellhead Electric, 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.

CESA appreciates the Commission's work to date to reform Self-Generation Incentive Program ("SGIP") rules to ensure program goals are met, as required by Public Utilities Code Section 379.6(a)(1) as well as Senate Bill ("SB") 861 and Assembly Bill ("AB") 1478. CESA especially supports SGIP reform efforts to ensure that technologies receiving SGIP incentives directly or indirectly reduce greenhouse gas ("GHG") emissions by operationally emitting fewer GHGs or by facilitating the integration of renewable generation. The Ruling poses six questions regarding whether the SGIP should establish a requirement that gas-based generation technologies use a minimum percentage of zero GHG fuel as a condition for receiving SGIP incentives. CESA is concerned that the consideration of hybrid biogas/natural-gas projects would invite the consideration of technologies that might not otherwise be able to meet and maintain the newly adopted 350 kg-CO₂/MWh threshold.

There are several problems with this hybrid "blending" approach. First, the SGIP program is intended to support clean distributed technologies. Biogas should not be used as a "get-out-of-jail-free" card enabling fundamentally inefficient technologies to receive ratepayer subsidies.

Second, implementing and enforcing compliance with the minimum 75% biogas blend ratio specified for the biogas adder is already a source of administrative complexity. Adding large numbers of projects with blended biogas requirements over the 10-year term required to ensure GHG emission compliance would greatly increase administrative costs and complexity in a program already administratively overburdened.

Third, it is not clear that a blending requirement would reduce aggregate California GHG emissions at all or is necessary. Directed biogas is a scarce resource, and it is possible that the SGIP program will simply siphon off credits from existing projects without creating new biogas

projects. Assuring that this is not occurring will add yet more complexity to SGIP administration and reporting.

Finally, the SGIP program should support emerging generation and storage technologies, rather than fuel types. Biogas, for example, already has a large market and is an advanced and no longer emerging technology

II. THERE SHOULD BE NO MINIMUM BLENDING REQUIREMENT BECAUSE TECHNOLOGY ELIGIBILITY SHOULD BE LINKED TO GHG EMISSIONS.

CESA does not support any minimum blending requirement of zero-GHG biogas fuels for all natural gas fueled technologies as a condition for receiving SGIP incentives, and instead recommends that the minimum 75% biogas requirement be increased to a 100% contracted new in-state biogas requirement. CESA therefore only supports 100% in state biogas in order to receive the biogas incentive level. SGIP is moving toward linking technology eligibility to GHG emission levels, but a minimum blending requirement would bypass the established eligibility thresholds and likely result in existing biogas resources being “blended” into a larger base of natural gas-only projects. The likely net effect of this would be a reallocation of existing in state biogas resources, increased natural gas fueled distributed generation deployments, and negligible GHG emission reduction benefit to California overall. Allowing any amount of blending of biogas with fossil fuel gas would essentially create an alternative avenue for generation technologies using blended fuel to qualify for SGIP incentives without clearly demonstrating its value in reducing GHG emissions as intended by the program. The minimum blending requirement would also make it administratively difficult if not impossible to compare the environmental benefits and costs of different SGIP-qualifying technologies, whereby one set of technologies would be measured using the amount of kilograms of carbon dioxide per megawatt-hour while another set of technologies would be measured indirectly using a blending ratio.

CESA's recommended 100% biogas requirement would simply establish eligibility for the program and be much easier to administer. CESA recommends eliminating the SGIP's existing biogas incentive adder, which was \$1.46/W for the 2015 program year – the highest rebate level of the program. The biogas adder requires a minimum 75% biogas blend ratio for generators whose plants are fueled by either onsite or directed biogas to qualify. While other technologies must demonstrate GHG emissions levels, natural gas fueled generation technologies using 75% or more of on site biogas would qualify for SGIP incentives regardless of the technology's efficiency. This is inconsistent with the clear statutory and legislative directives to link SGIP eligibility to quantified GHG emission levels. Rather, use of contracted 100% in-state biogas supply should be used as a basis for eligibility for SGIP incentives for the underlying technology.

Furthermore, administration and oversight for compliance to the existing minimum blending ratio of the biogas adder have been shown to be ineffective based on the approximately 30% of onsite and directed biogas plants that were not in compliance with the biogas blend ratio, according to the 2014 Renewable Fuel Use Reports (“RFUR”) #24.² The compliance determination could not be made because of either insufficient data to make such a determination or because the project was verified to be out of compliance. Misalignments between the annual Performance Based Incentive (“PBI”) payments and the annual RFUR compliance determinations have also led to these plants potentially receiving payments despite being out of compliance and thereby creating unintended GHG emissions. Setting additional and more complex minimum blending requirements as considered in the Ruling suggests would likely

² *Staff Proposal to Modify the Self-Generation Incentive Program Pursuant to SB 861 and the Commission's Own Motion*, published on November 23, 2015, p. 17.

exacerbate these oversight issues, which has the potential for increased GHG emissions. This would be a clear violation of the intent of SGIP to reduce GHG emissions.

III. CONCLUSION.

The SGIP program is being reformed to more clearly and stringently support clean distributed technologies, but any sort of minimum blending requirement, including the existing minimum 75% biogas requirement, would weaken the GHG emissions threshold and allow generation technologies to qualify for SGIP incentives without clearly quantifying their GHG emission levels. Therefore, CESA strongly recommends that the Commission eliminate the biogas adder and end consideration of all alternative minimum blending requirements. Distributed generation technologies that contract for 100% new in-state biogas supply should automatically be eligible for SGIP incentives appropriate for this technology.

CESA appreciates the opportunity to submit these comments on the Ruling and looks forward to working with the Commission on this matter.

Respectfully submitted,



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