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November 10, 2016

VIA EMAIL: EDTariffUnit@cpuc.ca.gov

CPUC Energy Division,
ED Tariff Unit
505 Van Ness Avenue
San Francisco, California 94102

Re: Protest of the California Energy Storage Alliance to Advice Letter 5049 of Southern California Gas Company, Advice Letter 3773-G/4942-E of Pacific Gas and Electric Company, Advice Letter 3491-E of Southern California Edison Company and Advice Letter 71 of Center for Sustainable Energy

Dear Sir or Madam:

Pursuant to the provisions of General Order 96-B, the California Energy Storage Alliance (“CESA”)¹ hereby submits this protest to the above-referenced Advice Letter Filing for Southern California Gas Company, Pacific Gas and Electric Company, Southern Edison Company, and Center for Sustainable Energy on Revisions to the Self-Generation Incentive Program Handbook Pursuant to Decision 16-06-055, submitted on October 21, 2016 (“Joint Advice Letter”).

¹ 8minutenergy Renewables, Adara Power, Advanced Microgrid Solutions, AES Energy Storage, Amber Kinetics, Aquion Energy, Bright Energy Storage Technologies, Brookfield, California Environmental Associates, Consolidated Edison Development, Inc., Cumulus Energy Storage, Customized Energy Solutions, Demand Energy, Doosan GridTech, Eagle Crest Energy Company, East Penn Manufacturing Company, Ecoult, Electric Motor Werks, Inc., ElectrIQ Power, ELSYS Inc., Energy Storage Systems Inc., Enphase Energy, GE Energy Storage, Geli, Gordon & Rees, Green Charge Networks, Greensmith Energy, Gridscape Solutions, Gridtential Energy, Inc., Hitachi Chemical Co., Ice Energy, IE Softworks, Innovation Core SEI, Inc. (A Sumitomo Electric Company), Invenergy LLC, Johnson Controls, K&L Gates, LG Chem Power, Inc., Lockheed Martin Advanced Energy Storage LLC, LS Power Development, LLC, Mercedes-Benz Research & Development North America, Nature & PeopleFirst, NEC Energy Solutions, Inc., NextEra Energy Resources, NEXTracker, NGK Insulators, Ltd., NRG Energy LLC, OutBack Power Technologies, Parker Hannifin Corporation, Powertree Services Inc., Qnovo, Recurrent Energy, RES Americas Inc., Saft America Inc., Samsung SDI, Sharp Electronics Corporation, Skylar Capital Management, SolarCity, Southwest Generation, Sovereign Energy, Stem, SunPower Corporation, Sunrun, Swell Energy, Trina Energy Storage, Tri-Technic, UniEnergy Technologies, Wellhead Electric, Younicos. The views expressed in this Protest are those of CESA, and do not necessarily reflect the views of all of the individual CESA member companies. <http://storagealliance.org>

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I. BACKGROUND AND INTRODUCTION.

Southern California Gas Company (“SoCalGas”), Pacific Gas and Electric Company (“PG&E”), Southern California Edison Company (“SCE”), and Center for Sustainable Energy (“CSE”), collectively the Program Administrators (“PAs”), submitted the Joint Advice Letter to revise the Self-Generation Incentive Program (“SGIP”) Handbook, as required by D.16-06-055. CESA generally supports the Joint Advice Letter as compliant with D.16-06-055 and seeks timely resolution of the Joint Advice Letter to reopen the SGIP, which has been suspended since February 2016. While supportive of the SGIP Handbook revisions overall, there are several areas that can bear improvement and certain processes that require further clarification. CESA appreciates the considerable work the PAs have undertaken to develop the revised handbook in relatively short order. However, many of the revisions reflect discretionary choices made by the PAs that stakeholders are only now seeing for the first time. Thus, there are a number of areas where CESA, has concerns. CESA’s recommendations are intended to provide greater clarity to the market and better ensure the durability of the SGIP.

II. DISCUSSION.

In the sections below, CESA highlights important areas where clarifications or changes are needed to the SGIP program structure and/or process.

A. Incentive Step-Down.

CESA generally supports the incentive level step-down design as being more responsive to the market than previous SGIP program structures. However, there are still areas of concern in terms of how the incentive step-downs will occur. First, the Commission must determine how the PAs will resolve accelerated incentive step-down scenarios. For example, there may be a scenario where SGIP incentives are subscribed within 10 calendar days for each step, causing \$0.10/Wh incentive level declines along the way. This would lead to a \$0.00/Wh incentive level by Step 5 for large-scale energy storage systems receiving the Investment Tax Credit (“ITC”) and \$0.10/Wh incentive by Step 5 for large-scale energy storage without the ITC. CESA does not believe it was the Commission’s intent to lock out a whole category of energy storage projects from receiving any incentives in such a scenario. Similarly, once the minimum 15% of energy storage funds statewide are met, the Joint Advice Letter allows for any unallocated small residential funds to be transferred into the next large-scale energy storage budget, which could be \$0.00/Wh under this accelerated step-down scenario.

Absent changes to the incentive schedule for ITC-supported projects under a fast-adoption scenario, CESA believes that the SGIP will result in a program that as a practical matter consists of only four steps for ITC-supported projects. Under the existing incentive schedule,

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CESA notes that ITC-supported projects may experience significant declines or even the complete elimination of the incentive available to them even if relatively few ITC-supported projects participate in the program. The Commission may wish to consider ways to modify the incentive schedule for ITC and non-ITC projects so that the incentive level available to each category is reflective of market experience and program participation from each sub-category, rather than having the incentive levels move in tandem with one another regardless of actual market demand.

B. Developer's Cap.

CESA supports the 20% developer's cap, which does not allow developers to be issued further conditional reservations for funding in a given incentive level step. However, developers who have SGIP-ready projects would potentially be locked out of SGIP funds for a given PA in a given step because they have to wait for funds to be exhausted for that PA's step before moving onto the next step. CESA sees no need for a developer that is willing to accept the lower incentive level in the next step and has projects ready to be funded by SGIP to be precluded from claiming incentives in the next step. Foreclosing developer's ability to apply for and reserve incentives in a subsequent step once they have reached their developer cap in the current budget step appears at cross purposes with one of the primary rationales for moving to the revised SGIP structure, namely, to eliminate the "start-and-stop" nature of the program, and instead allow for continuously available funding.

The developer cap, if administered as proposed, would continue to subject those developers that hit their cap to a program that continues to operate in fits and starts. Additionally, because the timing of when a given budget step will be fully subscribed is unknown, administration of the developer cap as proposed creates significant uncertainty for developers who hit their developer cap in a given step. Understandably, this would require a PA to manage multiple active steps within an energy storage sub-category, but CESA believes that this is within reason given that PAs are already required to do such multiple active step management when it comes to large-scale energy storage versus small residential storage. Additionally, this will ensure that the revised program structure fulfills its aim to provide greater continuity of access to SGIP funds.

CESA also recommends that the developer cap be adjusted based on funds actually available in a given step, recognizing that project attrition in earlier steps could result in a significant amount of funding being reallocated to subsequent steps. Under the current proposal, the dollar amount associated with the developer cap is calculated and fixed at the outset of the program. To ensure the SGIP provides incentives on a continuous basis to support actual project development, CESA believes it would be more reasonable to adjust the dollar amount associated with a given developer cap based on the actual funds available within a step rather than fixing

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this amount based on the initial allocation. Some applications are invariably canceled or rejected as milestones are not met, so the developer's cap should be updated to account for the funds available.

C. California Supplier Adder.

CESA supports the 20% California supplier adder for eligible projects. However, there may be a gap between program opening in early 2017 and when the California supplier adder criteria are finalized in June 2017, at which point at least 50% of the manufacturing value-add of the capital equipment (e.g., energy storage, inverter, controller) with the largest cost percentage must occur in California to qualify for the 20% California supplier adder. All manufacturers, including suppliers that have been previously approved, must meet these new requirements starting on June 23, 2017. The PAs should clarify whether they intend to potentially open the program under old rules before June 23, 2017, if overall SGIP rules are finalized and adopted in early 2017, or whether they intend to not apply the 20% California supplier adder until new rules are finalized and adopted on June 23, 2017. The qualifying list of California suppliers may be different under old versus new rules, and therefore this clarification on how the PAs intend to apply the 20% California supplier adder if the program opens before June 23, 2017, is needed.

CESA also recommends that the PAs clarify the administrative process for obtaining California supplier status, such as the processing time for each request and the proper forms and documentation needed. It would be beneficial to all suppliers to hold the PAs accountable for processing the supplier requests in a timely fashion and clearly stating the requirements given how the SGIP makes funds available continuously. Time spent processing applications for California supplier status potentially represents lost time and funds to apply for available SGIP funds.

D. Pause Period.

The Joint Advice Letter proposes to trigger a pause period of at least 20 calendar days when moving from one step to the next, regardless of whether an incentive step is fully subscribed within 10 calendar days. Of course, the pause period is intended to allow the PAs to do complete due diligence on projects and implement an adjustment in incentive levels as needed. However, CESA believes it is unnecessary to have a mandatory 20-day pause period if a given step does not have its funds exhausted within 10 calendar days. The pause period is a safeguard against a "stampede" during the first 10 days of SGIP reopening. It is understandably difficult to determine the right incentive level for the market, and this pause period allows the PAs to make adjustments and recalibrate the SGIP as necessary. However, if there is no such stampede during the first 10 days of program opening, the pause period should be unnecessary and would only slow the market. Additionally, requiring a pause period of at least 20 days

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between each incentive reduction clearly goes beyond what is required by D.16-06-055, which explicitly indicated that the PAs should “develop a system that creates a pause between incentive steps of no less than twenty days *if the previous incentive step was fully subscribed within ten calendar days.*”² [Emphasis added].

E. Lottery Mechanism.

CESA supports the lottery mechanism as a means to guard against a stampede during the first 10 days of SGIP reopening, and to ensure fair distribution of SGIP incentives. However, the Joint Advice Letter proposes that projects that are not selected in the lottery are automatically rejected and must re-apply in the next budget step. It is unclear what re-applying for SGIP funds in the next incentive step would entail. For example, it is unclear whether applicants would have to go back to the host customer to sign forms that authorize the applicant to act on its behalf in the SGIP application process and collect all of the information necessary (e.g., utility service documentation, load documentation) to re-submit a Reservation Request Form.

Ideally, there would be a streamlined process for re-application by which all of the previously submitted information is saved and just requires re-submittal with updated information, if any. Overall, CESA does not foresee significant changes in the information included in a typical application, and therefore, a streamlined process that is implemented as part of an update to the online application portal would be beneficial. If implementation of this kind of administrative streaming, applicants would be burdened with re-submitting SGIP applications within the 20-day pause period. The turnaround time to get application forms re-signed and re-submitted is too short, and would only inconvenience the host customer and provide no benefit.

F. Locational Priority.

CESA supports the lottery priority given to projects located in the Los Angeles Department of Water and Power (“LADWP”) service territory or the West Los Angeles Basin. To support project developers in project siting, CESA recommends that the PAs provide a list of zip codes within these localities that would qualify for this lottery priority designation.

G. System Sizing Constraints.

The Joint Advice Letter proposes that energy storage systems rated above 5 kW can be sized up to the customer’s previous 12-month annual peak demand, while systems rated at less than 5 kW are exempt from this sizing limit. CESA believes that this 5 kW threshold for setting

² D.16-06-055, Conclusion of Law Number 52.

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a system sizing constraint to be arbitrary and inconsistent with D.16-06-055, which set 10 kW as the threshold separating large-scale energy storage and small-scale residential energy storage.

The 5 kW system sizing constraint is also inconsistent with other programs, such as Net Energy Metering (“NEM”). D.14-05-033 placed a storage system sizing restriction of up to 150% of the NEM generator’s maximum output capacity for paired energy storage devices larger than 10 kW, while exempting energy storage devices less than or equal to 10 kW from this sizing requirement. In establishing this exemption, the Commission recognized that below a certain size, customer options may be limited. The system sizing constraints as proposed in the Joint Advice Letter would contradict D.14-05-033 and could subject NEM-paired energy storage customers to choose between receiving SGIP incentives or be on the NEM tariff, which is not the intent of D.14-05-033.

The Joint Advice Letter also proposes to base system sizing limitations on customer peak demand based on 15-minute interval data if a customer has the requisite 12-months of billing data, or absent that, based on the calculation described in Section 4.2.5. CESA is concerned that these approaches may inappropriately limit the size of systems that customers can deploy under the SGIP. Specifically, peak demand, as measured by 15-minute interval data, is inevitably less than the instantaneous demand customers may experience. The formula provided for customers lacking 12-months of billing data also appears to result in extremely low peak demand estimates and thus seems likely to greatly limit customer options. For purposes of system sizing,

CESA believes instantaneous demand is the more technically appropriate metric. This ensures that those energy storage use cases where a customer may seek to meet all of their onsite load with energy storage, as may be the case for time-of-use (“TOU”) bill management (where a customer seeks to avoid procuring any energy from the utility during high TOU periods) or energy back-up, are not inadvertently foreclosed. Notably, the National Electrical Code (“NEC”) Section 220 provides a methodology to determine instantaneous peak demand. CESA believes that developers should be allowed to justify system sizing based on a customer’s instantaneous peak demand, as calculated in the NEC, rather than relying exclusively on peak demand as calculated for billing purposes (which is a measure of average of peak demand over a 15 minute interval) or via the formula prescribed in the SGIP Handbook.

H. Documentation.

Wherever possible, CESA supports streamlining of the SGIP application process. Regarding documentation requirements, CESA believes that there is an opportunity to streamline the application process by not requiring the applicant to provide load documentation, which utilities already have access to and which CSE has access to via signed authorization from SDG&E customers. Having to provide a copy of the previous 12 months of electric consumption

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(including maximum demand and energy consumption) to confirm that the participating generation system meets the program sizing requirements seems unnecessary for the applicant to obtain from the host customer.

I. Energy Efficiency Audit Results.

CESA supports the requirement of an energy efficiency audit, but believes that it is misplaced in the SGIP application process. Rather than being submitted with the Reservation Request Form or at the Proof of Project Milestone stage of the process, it should be presented at the time of incentive claim. Under the proposed requirements in the Joint Advice Letter, projects without an energy efficiency audit would be precluded from participation in the program. Applicants should be given a year to get the audit in place to claim the SGIP incentive, rather than it being one of the criteria for application.

III. CONCLUSION.

Overall, CESA supports most of the revisions in the SGIP Handbook as described in the Joint Advice Letter. It represents significant progress from previous SGIP structures and processes, but CESA hopes that the recommendations described herein will improve the program without unduly delaying SGIP reopening. It is imperative to ensure the long-term sustainability and success of the SGIP in achieving its program goals of transforming the market, supporting the grid, and reducing greenhouse gas emissions.

Very truly yours,



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