

**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)

**REPLY COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE ON
THE ASSIGNED COMMISSIONER'S SCOPING MEMO AND RULING**

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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 on questions (b) through (k) pursuant to the *Assigned Commissioner’s Scoping Memo and Ruling* (“Ruling”), issued by Assigned Commissioner Clifford Rechtschaffen on August 17, 2020. Pursuant to the September 17, 2020 Assigned Administrative Law Judge Email Ruling authorizing an extension of the filing deadline, CESA is timely submitting reply comments on October 23, 2020.

I. INTRODUCTION.

CESA appreciates the Commission’s efforts to make timely refinements and adjustments to the Self-Generation Incentive Program (“SGIP”) to respond to new priorities and data while recognizing that stable, long-term funding is necessary to increase investment and participation in the storage market. As the Commission initiates this new proceeding, In reviewing the opening comments to the Scoping Memo questions, CESA responses with the following key points and recommendations:

- The Commission should evaluate system sizing decisions from the project data and assess whether near-term refinements to the Equity Resiliency Budget (“ERB”) are needed.

- Useful cycling in line with greenhouse gas (“GHG”) signals should be encouraged while post-performance-based incentive (“PBI”) period monitoring and enforcement should provide ratepayer protections.
- The Commission should maintain its precedent that SGIP payments are technology incentives, not payments for grid services.
- The Commission should focus on the incremental vehicle-to-x (“V2X”) equipment cost components that could be supported by SGIP technology incentives.

II. THE COMMISSION SHOULD EVALUATE SYSTEM SIZING DECISIONS FROM THE PROJECT DATA AND ASSESS WHETHER NEAR-TERM REFINEMENTS TO THE EQUITY RESILIENCY BUDGET ARE NEEDED.

The Program Administrators (“PAs”) commented on the preference to assess the data within the different budget categories to determine whether any refinements would be needed to the ERB.¹ CESA generally agrees with this as a prudent approach. However, given the rate at which ERB funds are depleting, particularly in Pacific Gas and Electric Company (“PG&E”) territory, CESA recommends that the Commission assess whether certain changes would need to be made to ensure the ERB funds support a greater number of customers and that any single customer does not claim ERB incentives in excess of what is needed to serve onsite customer load during public safety power shutoff (“PSPS”) and other outage events. In looking at SGIP data, however, CESA is concerned that many ERB projects may be claiming ERB incentives in excess of what may be expected. For example, the majority of residential ERB projects are sized at 10 kW or above (with the vast majority of such projects being sized at 10 kW) and have average energy storage capacity of 31.9 kWh.

¹ e.g., Center for Sustainable Energy (“CSE”) comments at 1-4 and Pacific Gas and Electric Company (“PG&E”) comments at 2-3.

Table 1: SGIP Single-Family Applications in Equity Resiliency Budget²

	Projects \geq 10 kW	Projects < 10 kW	Total
Number of applications	7,202	1,139	8,341
Percentage of applications out of all single-family customer applications	86.3%	13.7%	100%
Average kWh capacity	34.4	15.5	31.8

This project uptake data may not be consistent with expected residential load profiles, which, on the low end, typically comes out to 415 kWh per month in summer months, or around 13.8 kWh per day.³ In certain cases, CESA believes that storage sizing decisions are appropriate due to inverter modularity, as determined in D.20-01-021,⁴ but in other cases, the sizing may be in excess of what is needed for backup requirements. This proceeding should take a closer look at SGIP project data to better understand these sizing trends and potentially consider measures to guard against unnecessary sizing in applications, such as documentation requirements to substantiate project sizing proposals that would, at the same time, not preclude larger storage sizing, if demonstrated as being needed to serve the customer. Currently, the rules only require that ERB projects substantiate the truth, safety, and reliability of the resilient storage project⁵ but not to whether the storage sizing proposal for which ERB incentive claims are made is necessary. At the same time, in considering any measures, CESA emphasizes the importance of applying retroactive changes such that any new requirements or rules would only apply after a decision has

² SGIP Public Real-Time Report downloaded on October 22, 2020.

³ *Delivery, Consumption & Prices for Utility Service within California* published by the California Public Utilities Commission Policy & Planning Division on January 18, 2018 at 18-19. [https://www.cpuc.ca.gov/uploadedFiles/CPUC_Public_Website/Content/About_Us/Organization/Divisions/Policy_and_Planning/PPD_Work/PPD_Work_Products_\(2014_forward\)/California%20Regions%20Final.pdf](https://www.cpuc.ca.gov/uploadedFiles/CPUC_Public_Website/Content/About_Us/Organization/Divisions/Policy_and_Planning/PPD_Work/PPD_Work_Products_(2014_forward)/California%20Regions%20Final.pdf)

⁴ D.20-01-021 at Finding of Fact 57, Conclusion of Law 26, and Ordering Paragraph 30.

⁵ D.19-09-027 at Conclusion of Law 20.

been made. In addition, any measure should be balanced and relatively efficient to avoid excess administrative burden on PAs or applicants.

In taking a look at this issue and considering potential measures, if necessary, CESA believes that the Commission would be facilitating the best use of SGIP funds to support a greater number of customers who need resiliency with the limited amount of ERB funds, including non-residential microgrid projects, which face longer project development timelines.

III. USEFUL CYCLING IN LINE WITH GREENHOUSE GAS SIGNALS SHOULD BE ENCOURAGED WHILE POST-PBI PERIOD MONITORING AND ENFORCEMENT SHOULD PROVIDE RATEPAYER PROTECTIONS.

Southern California Gas Company (“SoCalGas”) observes that projects in its territory “have exceeded the program’s expected annual discharge events resulting in expediting their PBI payments,” which raises their concern to ensure ratepayer protection. Many projects, in their assessment, will “recoup their entire five-year PBI in a little over the first two years” and provides SoCalGas with little assurance that they will continue to meet their operational obligations.⁶ CESA respectfully disagrees and believes that SoCalGas’ concerns are unfounded since D.19-08-001 addressed the greenhouse gas (“GHG”) emissions performance of energy storage systems and adopted a regime of frequent monitoring and enforcement mechanisms, including in the post-PBI period. Even if SGIP projects are able to claim their entire PBI payments in much less than five years, they are required to submit quarterly PBI data to ensure that they continue to reduce GHG emissions by five kg/kWh on a fleet basis throughout its ten-year permanency period.⁷ Poor GHG performance will result in publication of the developer’s fleet-wide performance in the SGIP GHG

⁶ SoCalGas comments at 5.

⁷ D.19-08-001 at Finding of Fact 27.

evaluation report⁸ – an outcome that developers are incentivized to avoid given the negative PR and climate-conscious nature of California customers.

Furthermore, additional cycling to accelerate PBI payments is not a ratepayer concern but an action that should be encouraged when in line with GHG signals and useful behavior.⁹ SGIP projects that participate in demand response (“DR”) programs or portfolios, enroll in storage rates, and/or are contracted under supply-side or other grid-service contracts are typically incentivized to cycle frequently. It is counterintuitive to discourage more frequent cycling that may accelerate PBI payments and to have storage systems to artificially be forced to recoup SGIP payments across the full five-year PBI period if uneconomic or misaligned with the GHG signal to do so.

IV. THE COMMISSION SHOULD MAINTAIN ITS PRECEDENT THAT SGIP PAYMENTS ARE TECHNOLOGY INCENTIVES, NOT PAYMENTS FOR GRID SERVICES.

CESA agrees with the Center for Energy Efficiency and Renewable Technologies (“CEERT”) that the SGIP proceeding should be coordinated with other proceedings, such as for Resource Adequacy (“RA”) and Integrated Resource Planning (“IRP”), given the significant potential for behind-the-meter (“BTM”) energy storage systems to provide distributed capacity and grid services. However, CESA believes that CEERT’s characterization of SGIP projects as providing both system and local capacity value to the grid¹⁰ as not being entirely accurate and consistent with Commission precedent. While seemingly minor in nature as a matter of semantics,

⁸ *Ibid* at 35-36 and SGIP 2020 Handbook v9 (October 2, 2020) at 47-48.

⁹ We note that, in contrast to minimum cycling requirements that may not always be tied to grid need or benefit, cycling in line with the GHG signal and to grid-service contracts or program requirements should be encouraged. The purpose of the minimum cycling requirement evolved to one to ensure against backup-only applications, as opposed to one to produce GHG emissions reduction pursuant to D.15-11-027, recognizing that the GHG signal and performance evaluation should incentivize the storage operations in line with SGIP program goals.

¹⁰ CEERT comments at 2.

it is important to affirm that SGIP is a technology incentive program, not a payment for grid services. In this sense, perhaps in line with CEERT’s intent in making these comments, SGIP projects could provide incremental grid services, but the SGIP incentive payment in itself is not a payment to provide grid services.

The Commission has affirmed this policy in multiple decisions. D.16-06-055 determined that SGIP projects should be allowed to continue to participate in demand response (“DR”) programs,¹¹ implying that SGIP incentives are not double paying for or assuring the load response as delineated in various DR programs. More recently, D.19-08-001 clarified that “customer payment or reduced rates received for enrollment in an economic [demand response] program integrated into the [California Independent System Operator] or the [Demand Response Auction Mechanism] is considered payment for services, not an incentive.”¹² Furthermore, D.19-08-001 differentiated SGIP as an incentive program for installed storage systems that meet upfront eligibility requirements in contrast to a payment for grid services such as for energy storage systems that participate in DR programs or procurement mechanisms.¹³ Based on these decisions, in other proceedings where policies are being set on grid-service requirements and procurement eligibility, the Commission established incrementality rules for the provision of distribution grid services under the Distribution Investment Deferral Framework (“DIDF”) where SGIP projects are considered fully incremental because “SGIP projects do not currently have an obligation to respond to utility dispatch signals...[and] committing SGIP capacity to meet the dispatch requirements would be considered an incremental service above and beyond what is compensated

¹¹ D.16-06-055 at Conclusion of Law 30

¹² D.19-08-001 at 66 and Conclusion of Law 40.

¹³ D.19-08-001 Finding of Fact 65.

via SGIP.”¹⁴ In sum, the Commission should maintain this precedent and ensure that any coordination with the IRP, RA, and other proceedings recognize that SGIP projects should be considered fully incremental in providing various grid services, whether through DR program participation or through supply-side contracts.

V. THE COMMISSION SHOULD FOCUS ON THE INCREMENTAL V2X EQUIPMENT COST COMPONENTS THAT COULD BE SUPPORTED BY SGIP TECHNOLOGY INCENTIVES.

As noted in our opening comments, we generally share CSE’s concerns around the limited funds available for technologies currently eligible in the program.¹⁵ Furthermore, contrary to Fermata’s claim that stationary energy storage receives “multiple subsidies,”¹⁶ SGIP remains the only major program that provides technology incentives to support BTM storage project deployments. Given the limited funds available, CESA believes that it is important to identify the appropriate role of SGIP incentives to support V2X systems, particularly those that align with the Commission’s immediate priority in the program to provide resiliency for the most vulnerable customers.

As discussed in Section III above, the purpose of SGIP is to be a technology incentive program that supports deployments rather than serving as a grid-services program. V1G and V2X undeniably has the potential to provide significant grid benefit and GHG emissions reduction, as articulated by the joint comments from the Vehicle-Grid Integration Council (“VGIC”) and BMW

¹⁴ *Administrative Law Judge’s Ruling Modifying the Distribution Investment Deferral Framework – Filing and Process Requirements* issued on May 11, 2020 in R.14-08-013, et al. at 77-78.

<https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M337/K288/337288441.PDF>

¹⁵ CSE comments at 6.

¹⁶ Fermata comments at 11.

North America,¹⁷ Fermata,¹⁸ and others; however, many of the issues around recognizing or incentivizing bi-directional charging capabilities points to revisions or reforms needed to retail rates, market participation models, performance evaluation methodologies, and grid-service valuation, as opposed to solutions that can be addressed with SGIP technology incentives. Such issues need to be resolved in the appropriate forum. Though SGIP has a PBI component for stationary energy storage systems sized larger than 10 kW, it is important to recognize that this is *not* a payment for grid services (*e.g.*, V2X discharge) but a means to recoup SGIP technology incentives through cycling in line with GHG signals or GHG-aligned rates. Tesla echoes the point that “[m]otivating specific dispatch decisions are better addressed via rate design or the creation of demand response programs that provide these incentives.”¹⁹ Several parties commenting on this issue appear to be conflating SGIP as a payment for V2X discharge. Finally, CESA reiterates our opening comments that only V2X eligibility in SGIP should be contemplated in this proceeding, not V1G systems, as proposed by some parties.²⁰ In D.19-08-001, for example, the Commission affirmed the addition of heat pump water heaters (“HPWH”) as being eligible to the program based on being a thermal energy storage (“TES”) system, among other things. Similar distinctions should be made, in addition to recognizing the full landscape of incentives already available for electric vehicles (“EVs”) and electric vehicle supply equipment (“EVSE”).

To this end, CESA should only affirm that V2X is eligible as a mobile storage resource and recommends a careful assessment of the incremental V2X equipment cost components that

¹⁷ VGIC/BMW comments at 8-10 and 12.

¹⁸ Fermata comments at 11.

¹⁹ Tesla comments at 5.

²⁰ Marin Clean Energy (“MCE”), Sonoma Clean Power Authority (“SCP”), East Bay Community Energy (“EBCE”), and Peninsula Clean Energy Authority (“PCE”) comments at 13 and VGIC/BMW comments at 4.

could be supported through SGIP incentives that are not supported through other programs. This should be followed by an assessment of the SGIP rule modifications required to support V2X program participation. At the same, the Commission should not make SGIP into a grid-services program to support V2X participation.

VI. CONCLUSION

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

Respectfully submitted,



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