To 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 PROPOSED DECISION ALLOCATING ACCUMULATED FUNDS TO ENERGY STORAGE BUDGETS

Jin Noh
Policy Director

Grace Pratt
Policy Analyst

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

November 30, 2021

**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 PROPOSED DECISION ALLOCATING ACCUMULATED FUNDS TO ENERGY STORAGE BUDGETS

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 *Proposed Decision Allocating Accumulated Funds to Energy Storage Budgets* ("PD"), issued by Commissioner Clifford Rechtschaffen on November 10, 2021.

I. INTRODUCTION.

CESA appreciates the Commission's efforts to leverage a wide variety of resources, including the Self-Generation Incentive Program ("SGIP"), to meet Summer 2022 and 2023 reliability goals. As determined in the PD, SGIP can make the largest impact to reliability by continuing to deploy as many SGIP-funded energy storage systems as possible, and we are pleased to see the Commission prioritizing SGIP deployment instead of adding new program incentives or additional requirements. CESA agrees that it is "highly uncertain whether any of the [parties'] suggestions that involve enhanced incentives or new program requirements could be implemented quickly enough to produce results in the desired timeframe."[1] As such, allocating and releasing

[1] PD at 18.

unallocated funds and expediting interconnection is the best way to enable SGIP to contribute to Summer 2022 reliability.

In contrast to CESA's original proposal in June 2021 that would more equitably allocate funds across the different budget categories, the PD prioritizes waitlisted projects out of principles of fairness for developers who have taken some initial steps in the application process, and the greater likelihood of meeting Summer 2022 supply needs and 2022 wildfire season resiliency needs, more so than future applications. While understandable, CESA maintains that a more equitable allocation would support a diverse storage market and likely support a greater number of projects given the lower incentive rates of the General Market budget categories. With the Commission taking action in Rulemaking ("R.") 20-11-003 to focus on not only Summer 2022 emergency reliability needs but also those in Summer 2023, a more balanced level of funding can serve a greater number of projects and be brought online to meet the objectives of the Emergency Reliability proceeding, especially with greater lead time to deployment and the Commission's calls for greater urgency and expediency related to interconnection. At the same time, CESA is cognizant of the additional priorities to support low-income and disadvantaged customers and the still-present risks of wildfires and Public Safety Power Shutoff ("PSPS") events.

With this in mind, CESA generally supports the PD but makes the following comments and recommendations for modification:

- Excess funds after the waitlists are cleared, as well as the unallocated funds that are directed to waitlisted projects but then canceled, should be equitably distributed in accordance with CESA's proposal.
- Excess unallocated funds should not be automatically allocated to the equity resiliency budget on a going-forward basis.

- The utilities should expedite interconnection for SGIP projects to come online before Summer 2022.
- Bi-annual fiscal audits will help to ensure budget transparency and oversight going forward.

II. **EXCESS FUNDS AFTER THE WAITLISTS ARE CLEARED, AS WELL AS THE UNALLOCATED FUNDS THAT ARE DIRECTED TO WAITLISTED PROJECTS BUT THEN CANCELED, SHOULD BE EQUITABLY DISTRIBUTED IN ACCORDANCE WITH CESA'S PROPOSAL.**

CESA agrees with releasing unallocated funds first to existing waitlists, given that these projects have the highest potential of coming online before capacity needs in Summer 2022. However, CESA disagrees that excess funds after clearing waitlists should exclusively be added to the Equity Resiliency Budget ("ERB"), which has already been allocated the majority of funds made available pursuant to Decision ("D.") 20-01-021. With the Commission having served the intent to prioritize waitlists with currently-unallocated funds to support 2022 emergency reliability and resiliency needs, any remaining funds should support a healthy and diverse market across multiple budget categories that will also serve to deploy a greater number of projects, keeping in mind that the Commission needs all the capacity it can get to address Summer 2023 needs as well. By virtue of lower incentive rates ($0.85/Wh and $0.35/Wh or lower, respectively), having some portion of these excess funds go to the Equity Budget ("EB") and the General Market Energy Storage budget categories will advance long-term market transformation and increase the reliability contributions of SGIP-funded projects.

Specifically, after using unallocated funds to clear waitlists, CESA recommends that any excess, attrition, and available Pre-2017 funds from this $67 million (or more) pool be allocated in the manner of CESA's original proposal, outlined in Table 1:

Table 1: CESA's Proposed Funding Allocation of SGIP Accumulated Interest

Budget Category	Percentage Funding Allocation
Equity Resiliency Budget	20%
Non-Residential Equity Budget	20%
Residential Equity Budget	15%
Small Residential Storage	15%
Large-Scale Storage	30%

Allocating excess funds after waitlists between multiple budget categories allows for advancement of SGIP's three goals:[2] (1) the environmental goals of reducing greenhouse gas emissions ("GHGs") and criteria air pollutants; (2) grid-support goals to improve efficiency and reliability of the distribution and transmission systems and reduce/shift peak demand; and (3) transforming the market for eligible DERs in support of the two aforementioned goals. Leveraging all the budget categories allows SGIP funds to support more MWs of energy storage to support the grid at a system-wide level, avoiding outages that affect all customers. Additionally, as evidenced by the likely expansion of Pacific Gas and Electric's ("PG&E") Temporary Generation Program for 2022 and 2023, issues of emissions and system reliability are heavily intertwined, with fossil fuel resources being deployed to address reliability concerns.[3] The more MWs of energy storage that can be deployed, including through SGIP, the less reliance we will have on temporary fossil generators. For these reasons, excess funds should be distributed more equally among budget categories after waitlists are cleared.

Similarly, considering the relatively higher cancelation rates of ERB projects, the Commission should clarify the appropriate allocation of these attrition funds that were directed to

[2] D.16-06-055.

[3] *Proposed Decision Adopting Microgrid and Resiliency Solutions to Enhance Summer 2022 and Summer 2023 Reliability* issued on October 29, 2021 in R. 19-09-009 at Ordering Paragraph 1.

waitlisted projects but do not end up moving forward. If a particular Program Administrator's ("PA") waitlists are cleared, but projects are cancelled, attrition funds should be recirculated in the program across the budget categories in accordance with CESA's June 2021 proposal. Having cleared the waitlists in the interest of near-term deployments, these attrition funds are more akin to excess funds available after clearing waitlists. Allocating funds among all storage budget categories may ensure a greater level of near-term project deployment targeting Summer and Fall 2023 from additional General Market projects that are observed to have lower rates of cancellation.

Additionally, the PD allocates additional "Pre-2017 Reserved and PBI in Process" funds or "unused Pre-2017 Reserved and PBI in Process" that are not currently allocated or reserved by projects to be distributed in the same manner as the identified unallocated funds, potentially adding up to $58 million to the existing $67 million in accumulated interest. However, CESA recommends that Pre-2017 funds that are determined to be forfeited funds from a particular budget category be returned to that category, per the SGIP Handbook, and that all other excess funds not attributable to a particular budget category be allocated to waitlists and then energy storage budgets according to Table 1.

Lastly, with regards to how funds are allocated to individual projects, funding allocations should not skip projects applying for more funding than is available. When allocating funds, the PD states that, "If insufficient funds remain for the incentive amount for the next eligible project, the PA should skip that project and reserve funds for the next eligible project for which sufficient funds are available."[4] Instead of skipping projects, the next eligible project should be offered the lower incentive amount and given the right of first refusal for this funding. Some customers may prefer to accept lower-levels of funding to ensure that their systems can come online before next

[4] PD at 11-12.

summer and to mitigate any 2022 outage events. If the applicant would rather stay on the waitlist and wait for full funding, the funding should then go to the next eligible project, and so on, until a project accepts a reduced incentive level, or the funding covers a full project.

III. EXCESS UNALLOCATED FUNDS SHOULD NOT BE AUTOMATICALLY ALLOCATED TO THE EQUITY RESILIENCY BUDGET ON A GOING-FORWARD BASIS.

While CESA understands the Commission's decision to allocate current unallocated funds to waitlists for 2022 reliability and resiliency needs, CESA respectfully disagrees with the Commission's decision to automatically allocate future accrued interest from all budgets to the ERB at the end of 2022 and going forward. The PD states that PAs should automatically allocate funds to ERB and only mark these transferred funds in budget Advice Letters after they have already been transferred. This will not allow for any stakeholder engagement process to evaluate funds accrued, assess the states of current budgets, and make informed commentary about how to spend funds. The ERB has seen a lot of interest since its opening in 2020, but developers and customers are still learning the details of this budget category, which has led to high cancellation rates. For example, although PG&E's ERB began accumulating a waitlist in September 2020; however, in October 2021, a very high cancellation rate completely cleared the waitlists. As time continues, CESA anticipates that the cancellation rate for the ERB will decline, particularly since the Commission made retroactive decisions affecting this budget category in D.20-10-025, which modified electric-pump well customer eligibility for ERB and likely contributed to high cancellation rates in PG&E territory. However, it is still unclear whether other PAs will experience similarly high cancellation rates, partially or completely clearing their waitlists.

Given this uncertainty, CESA is hesitant to automatically allocate future accumulated interest to the ERB. In future years, the ERB may see decreasing demand and existing funding from project cancellations could be sufficient through 2026. At the same time, there are other categories, such as the Residential and Non-Residential EB that have also seen high demand and large waitlists. Lastly, the General Market Energy Storage budget categories have the potential to deploy the most capacity per dollar spent, making them crucial budgets for adding capacity for future grid reliability beyond 2022. To balance prioritizing ERB and EB customers with the potential that the General Market budgets have to help future grid needs, CESA recommends that the Commission allocate future interest in alignment with CESA's original proposal for accumulated funds allocation, as summarized in Table 1 above. Such funding allocations still prioritize the ERB and EBs while also ensuring that the General Market budgets have funding to sustain the market in the long term.

IV. THE UTILITIES SHOULD EXPEDITE INTERCONNECTION FOR SGIP PROJECTS TO COME ONLINE BEFORE SUMMER 2022.

CESA appreciates the Commission directing the utilities to "undertake every reasonable effort to expedite interconnection of the released waitlisted applications, and earlier applications that are awaiting approval to interconnect, to facilitate their installation and online status by Summer 2022."[5] CESA highlighted the large issue of delayed interconnection in our testimony R.20-11-003,[6] highlighting how the utilities are unable to accommodate existing interconnection requests with current staffing and resources and how, in 2020, the IOUs declined to hire additional staff to handle interconnection requests.[7] Instead, the IOUs opted for technology solutions, including portal improvements, and redistribution of existing staff.[8] CESA urges the utilities to

[5] PD at 13.

[6] *See* CESA Opening Testimony in R. 20-11-003 at 38-39.

[7] *See, e.g.,* PG&E Advice 5917-E, SCE Advice 4275-E, and SDG&E Advice 3590-E submitted on August 17, 2020.

[8] *Ibid*.

re-evaluate whether additional staff are needed to process interconnection requests and also urges the PAs to consider whether they need additional SGIP staff to process applications.

V. BI-ANNUAL FISCAL AUDITS WILL HELP TO ENSURE BUDGET TRANSPARENCY AND OVERSIGHT GOING FORWARD.

With regards to budget reporting and transparency, CESA is glad to see the Commission focusing on enforcement of existing regulation from D.09-12-047. Yearly reporting of the budget categories from D.09-12-047 will provide parties with sufficient insight into budgets to raise questions and ensure that the funds are used and useful to advance the program's goals. CESA also supports the PD's proposal to include a biennial audit in the Measurement and Evaluation ("M&E") Plan, and we particularly support entering these audits into proceeding record. This will allow parties to more easily access and reference budget information. CESA is hopeful that this stricter enforcement and additional budget transparency measures will avoid current issues of large sums of unknown accumulated funds.

VI. CONCLUSION.

CESA appreciates the opportunity to submit these comments on the PD 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: November 30, 2021