

December 6, 2021

CPUC Energy Division Tariff Unit
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**Re: Response of the California Energy Storage Alliance to Advice Letter 3895-E
of San Diego Gas and Electric Company**

Dear Sir or Madam:

Pursuant to the provisions of General Order 96-B, the California Energy Storage Alliance (“CESA”) hereby submits this Response to the above-referenced Advice Letter 3895-E of San Diego Gas and Electric Company (“SDG&E”), *San Diego Gas & Electric Company’s Request to Launch Subscription Period for Cycle One of the Partnership Pilot Pursuant to Decision 21-02-006* (“Advice Letter”), submitted by SDG&E on November 15, 2021. CESA is timely submitting this response on December 6, 2021.

I. INTRODUCTION & BACKGROUND.

With the issuance of D.21-02-006, CESA was excited to see the launch of two pilots to test novel ways to leverage distributed energy resources (“DERs”) for distribution deferral through the Distribution Deferral Investment Framework (“DIDF”). In particular, the Partnership Pilot poses a unique opportunity to leverage behind-the-meter (“BTM”) resources for distribution deferral, which have traditionally been unable to compete in previous DIDF Request for Offers (“RFOs”). Piloting this approach of using BTM DERs for distribution deferral is an important step in developing the suite of grid services that BTM DERs can provide while delivering on some of the intended goals of having the DIDF in the first place, such as in reducing ratepayer costs.

Overall, CESA is pleased to see the Partnership Pilot launch. However, CESA would like to comment on general issues and principles surrounding the Partnership Pilot and offers the following specific points of feedback on SDG&E’s Advice Letter:

- The tranche budgets should be translated into upfront and consistent deployment, reservation, and performance payments.
- Contracts should be able to include terms that exceed tranche length.

- SDG&E should consider altering their Distribution Planning Process to identify deferral opportunities with longer lead times.

II. DISCUSSION.

The Commission established the DIDF to procure DERs to meet distribution grid needs and defer investment in distribution system upgrades. Using an RFO competitive solicitation process, DER projects are procured to meet the entire forecasted need all at once, and if the DER solutions are not cost-effective compared to the planned investment or do not meet the full grid need, the investor-owned utility (“IOU”) will move forward with the traditional wires solution. In spite of the potential for changes in grid need, the DER or wires solution will generally remain contracted and be in place, unless the existing or proposed solution does not meet the need and poses reliability challenges. While under-procurement of DERs in the face of existing or changed grid needs will, of course, warrant the pursuit of an alternative solution to avoid reliability issues and meet the full revised grid need, the tolerance or allowance for a reasonable level of over-procurement should be similarly applied for traditional wires solutions and DER alternatives, especially when cost-effectiveness controls are in place for the Partnership Pilot.

In particular, CESA and our members never imagined the Partnership Pilot as being designed to procure DER solutions for one-year deferrals, but rather envisioned that the Partnership Pilot as a new sourcing mechanism that would procure DERs in tranches that would create flexibility in eventually and more successfully deferring the full grid need. For example, after procuring for the first tranche needs to minimally defer the need for one year, the utility should then immediately proceed to begin subscriptions for the next tranche to make progress toward the full need; yet under the currently proposed Partnership Pilot involving one-year deferral terms, the utility would wait to reassess the grid need for the next year which could result in many months before the subscription period for the next tranche is opened, creating a “start-stop” structure that is not conducive to customer participation. As a result, in a circumstance where customer and developer interest is robust and exceeds the one-year deferral need, they will be told to wait when they could be making immediate progress toward subscription periods in subsequent tranches and increasing the probability of fully deferring the need. While the intent of one-year deferrals to right-size for grid needs as they change year-by-year is understandable, it could ultimately work against the ability of deferring the full need. With DERs under the Partnership Pilot already cost-effective by its design (*i.e.*, 85% of the cost cap), CESA does not understand the desire to further avoid “over-procurement” risks and minimize costs in the short term at the expense of being less likely to defer the planned investment and reduce costs over the medium term.

Furthermore, the one-year deferral terms also limit the scope of DERs that would be interested or developed in response to the Partnership Pilot. For more capital-intensive technologies, the Partnership Pilot is likely not going to invite participation from new-build BTM storage resources unless long-term deferral contracts are considered. Instead, the Partnership Pilot will likely only interest BTM energy storage additions or enhancements to the existing installed base (*e.g.*, adding storage to standalone solar) or customers with traditional demand response capabilities. Even if customers could be “renewed” for subsequent tranches, these revenue streams

are very uncertain and thus less financeable. CESA understands that the Partnership Pilot is not intended to just support new-build BTM energy storage, but we highlight these features of the current pilot design to show how they may limit the full range of DER participation and thereby work against the ultimate objective of fully deferring the planned investment.

A. The tranche budgets should be translated into upfront and consistent deployment, reservation, and performance payments.

Each of the IOUs provided tranche budgets in accordance with the guidance and parameters in D.21-02-006, which established that “[p]roviders file offer reservation for portion or entirety of needed capacity at price set by IOU tariff budget.”¹ Despite some confusing language on vendors submitting the most competitive bids,² CESA seeks clarification from the IOUs on whether the Partnership Pilot will involve consistent deployment, reservation, and performance payments, or if participants would still have to bid for capacity reservations within the applicable tranche budget. If the latter, CESA believes that the Partnership Pilot design is unnecessarily complicated, adds transactions costs, and resembles a competitive solicitation process in a way that reduces the purposes of pursuing a “program” approach to procuring DERs. As explained later, the Partnership Pilot is already by its design intended to ensure cost-effectiveness, so by adding a bidding component to the program is unnecessary and aims to maximize cost savings while increasing the prospects successful deferral, such as due to reduced incentives to participate in the pilot in the first place.

Even if the IOUs intend to offer consistent deployment, reservation, and performance payments, the tranche budgets should be translated to upfront and consistent deployment, reservation, and performance payments (*e.g.*, \$/kW-month) to clarify participation benefits and help DER providers determine whether it is feasible and economic to submit offers. Currently, this payment structure would need to be inferred from the tranche budget amounts and the MW and MWh needs.

Lastly, we note that, among the three IOUs, SDG&E provided the least amount of detail regarding their Partnership Pilot design. Supplemental information, for example, should be provided on whether SDG&E intends to extend its Partnership Pilot project for additional tranches, leverage any excess funds, among other details.

B. Contracts should be able to include terms that exceed tranche length.

¹ D.21-02-006 Staff Proposal at 23. *See also* D.21-02-006 at 25: ““Elements not discussed are adopted as proposed in the Staff Proposal including, for example, offer acceptance and contract execution reporting procedures.”

² *See* D.21-02-006 at 41: “If cost caps are publicized, all vendors will have access to the same information and vendors will still have to offer the most competitive bid.”

Currently, all IOUs are going to deploy their Partnership Pilots with one-year tranches and will be signing associated one-year contracts for each tranche. In contrast with other IOUs, SDG&E has also only included information for one tranche of their proposed Partnership Pilot project. Given that the Partnership Pilot will last five years, CESA anticipates that SDG&E will have more than one tranche for its Partnership Pilot project and urges SDG&E to release more information on the grid needs and budgets for subsequent tranches. In particular, CESA is concerned that customers will not be incentivized to join the program if they are unsure whether the program will continue after the tranche in which they enroll.

Ratable procurement in one-year tranches, where additional capacity is procured in each tranche to meet the grid need for that tranche, is a valuable way to provide time to subscribe customers to successfully defer grid investments, given that grid needs emerge and increase over time. Additionally, to successfully meet grid needs with DERs, customers will have to invest in new technologies to provide this capacity for extended periods of time, with many customers likely needing to invest in BTM generation and energy storage. While prices are decreasing for energy storage devices, customers still need to make significant investments to purchase and install these systems, and additional certainty in payments will help customers to make these investments.

To include ratable procurement while providing additional revenue certainty to customers, CESA recommends that IOUs sign contracts during each tranche but that contracts last for the remaining duration of the Partnership Pilot. In this way, aggregators can use ratable procurement to continue to sign up customers across the pilot as the grid need grows, but earlier customers would be assured that they will participate across the duration of the pilot. D.21-02-006 states that “contract time periods shall be allowed up to 10 years” in the Partnership Pilot, in line with the DIDF RFO process.³ For this reason, CESA sees no reason why the utilities cannot adopt CESA’s proposal and sign contract terms for the full length of the Partnership Pilot.

Assuming that SDG&E will have multiple tranches in its Partnership Pilot. CESA recommends that SDG&E adopt the approach taken by Southern California Edison Company (“SCE”), which has attempted to provide some assurances that customers will be able to continue in the Partnership Pilot if they enroll in a tranche by allowing “aggregators who successfully participated in the previous tranche, the first opportunity to submit bids in the subsequent tranche” before other aggregators.⁴ CESA agrees that this will provide some assurances to aggregators and customers and recommend that this approach is extended to SDG&E. However, we urge SDG&E and the other utilities to execute longer contract terms.

³ D.21-02-006 at 25.

⁴ SCE Advice Letter 4643-E at 12.

C. SDG&E should consider altering their Distribution Planning Process to identify deferral opportunities with longer lead times.

CESA is disappointed to see that SDG&E was unable to meet the guidance outlined in D.21-02-006 to propose at least three projects for the Partnership Pilot.⁵ However, in SDG&E's Distribution Planning Advisory Group ("DPAG") meeting, there were only two deferral opportunities presented with in-service dates after 2022, one of which has been proposed for the Partnership Pilot. The other project was originally proposed to be used for the Standard Offer Contract ("SOC") Pilot but is now being considered for a DIDF RFO.

While it would have been infeasible for the Partnership Pilot to defer any investments with a 2022 in-service date, CESA urges SDG&E to reconsider its distribution planning process to identify grid needs further out into the future. It is unclear why SDG&E consistently identifies needs with shorter lead times than the other utilities participating in the DIDF, leading to every potential candidate opportunity in every DIDF cycle to fail the timing screen and thus not be offered for deferral via RFO, Standard Offer Contract ("SOC") Pilot, or Partnership Pilot. CESA conjectures that this is a result of SDG&E's just-in-time planning and procurement process, but regardless of the reason, this continued pattern will lead to limited or no Partnership Pilot opportunities in future cycles. Even for this candidate opportunity at hand, it is seemingly random as to why a planned investment with a 2025 in-service date would be identified when past cycles have not highlighted projects with greater lead times.

III. CONCLUSION.

CESA appreciates the opportunity to submit this Response to the Advice Letter and looks forward to collaborating with the Commission and SDG&E throughout the Partnership Pilot to better enable participation in the program.

Respectfully submitted,



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Policy Director
California Energy Storage Alliance

⁵ D.21-02-006 at 23.

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cc: Greg Anderson, SDG&E (GAnderson@sdge.com, SDGETariffs@sdge.com)
Service lists of R.14-08-013, R.14-10-003, and R.21-06-017