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 RULING SEEKING COMMENTS ON IMPROVING SELF-GENERATION INCENTIVE PROGRAM EQUITY OUTCOMES AND ASSEMBLY BILL 209 IMPLEMENTATION

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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 the *Assigned Commissioner's Ruling Seeking Comments on Improving Self-Generation Incentive Program Equity Outcomes and Assembly Bill 209 Implementation* ("Ruling"), issued by Commissioner Clifford Rechtschaffen on October 26, 2022.

I. INTRODUCTION.

In opening comments, many parties agreed on the importance of this additional funding for the Self-Generation Incentive Program ("SGIP") to enable the installation of energy storage systems, particularly in low-income communities. There was general agreement from many parties on modifications that could be made to enable additional low-income participation, including removing the Residential Equity Budget eligibility requirement to reside in deed- or resale-restricted housing.[1] Parties also generally agreed that income verification should be streamlined via proof of enrollment in programs, such as the California Alternate Rates for Energy Program

[1] *See* California Solar and Storage Association ("CALSSA") Comments at 2-3; Center for Sustainable Energy ("CSE") Comments at 2; Free Energy Savings Company LLC ("Free Energy") Comments at 8; Grid Alternatives ("GRID") Comments at 8; Ivy Energy Comments at 5; Pacific Gas and Electric ("PG&E") Comments at 9-10.

("CARE"), Family Electric Rate Assistance Program ("FERA"), or other low-income programs (*e.g.*, CalFresh).[2] CESA, along with other parties[3] and the Disadvantaged Communities Advisory Group ("DACAG"), recommend verifying income via self-attestation with audits to have a subset of customers go through a full income-verification process. Importantly, most parties agreed that SGIP incentives for low-income or Equity customers should be designed to cover close to 100% of installation costs, while General Market customers can receive lower incentives.[4]

However, there were elements of disagreement among parties surrounding other areas of funding rollout, including the purpose of this SGIP funding, operational requirements, and program administration. CESA responds to party comments with the following recommendations:

- SGIP funding should not be restricted to existing Net Energy Metering ("NEM") customers.
- Supply-side demand response ("DR") enrollment should be allowed.
- Budget allocations and program administration proposals should be explored further.

II. SGIP FUNDING SHOULD NOT BE RESTRICTED TO EXISTING NEM CUSTOMERS.

Public Advocates Office at the California Public Utilities Commission ("Cal Advocates") recommended that all of SGIP funding authorized by the Legislature be used exclusively for NEM 1 and 2 customers to encourage them to transition from those tariffs to the NEM successor tariff that was developed in Rulemaking ("R.") 20-08-020 and recently adopted on December 15, 2022.

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[2] *See* CALSSA Comments at 6; CSE Comments at 7; Free Energy Comments at 11; GRID Comments at 6; PG&E Comments at 8.

[3] *See* CALSSA Comments at 6; CSE Comments at 7-8.

[4] *See* CALSSA Comments at 13; CSE Comments at 2; Free Energy/QCS Comments at 7; GRID Comments at 3; PG&E Comments at 3; Southern California Edison ("SCE") Comments at 10.

Cal Advocates discussed a very similar idea in R.20-08-020 to create a "Storage Evolution Fund," which would provide incentives for NEM 2 customers to install storage but would require customers to transition to the successor tariff.[5] While CESA has supported the idea of providing incentives for NEM 2 customers to install energy storage, we oppose the use of the $900 million in SGIP funding from the Legislature exclusively for this purpose. As laid out in Assembly Bill ("AB") 209, future funding is intended to install both residential solar + storage and storage systems, "as an integrated approach to increase individual customer resiliency, to reduce the electrical grid's net peak demand, to reduce electric ratepayer costs, and to reduce emissions of greenhouse gases and localized air pollution."[6] This funding is not intended for only existing NEM customers but to help achieve a wide variety of goals. Additionally, the addition of solar as an eligible technology for funding is a clear indication that the Legislature does not envision this funding to go solely towards customers that have already installed solar.

As highlighted by the Ruling, there is also a particular focus on equity for this funding, with 70% of future funding directed towards low-income customers. Given that there has been low uptake in this customer segment, CESA is against targeting funds solely towards existing NEM customers. Cal Advocates calculates that there were 150,000 units on CARE rates participating in NEM at the end of 2021,[7] but this is just a small fraction of the over 3 million customers on CARE electric rates currently[8] and an even smaller fraction of the other disadvantaged customers, such as

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[5] *See* Cal Advocates *Opening Comments of the Public Advocates Office on Proposed Decision Revising Net Energy Metering Tariff and Sub tariffs* submitted in R.20-08-020 at 5-6.

[6] AB 209 (2022) Section 26.

[7] Cal Advocates Comments at 5.

[8] The Investor-Owned Utilities are currently reporting CARE enrollment in Application ("A.") 14-11-007, *et al.*:

SCE reported 1,348,032 CARE customers; see *Monthly Report of Southern California Edison Company (U 338-E) On Low Income Assistance Programs for January 2022* filed on February 22, 2022 in A.14-11-007, *et al.* https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M453/K952/453952416.PDF

tribal customers that many parties recommend including as eligible for the Equity Budget,[9] or low-income publicly owned utility ("POU") electric customers. CESA does not believe that transitioning customers to the successor tariff warrants limiting this low-income funding to less than 5% of customers that would likely otherwise be eligible, especially since this allocation does not consider any of customer segments that could benefit the most from energy storage installations, such as customers that experience frequent power outages.

For General Market customers, CESA also does not recommend limiting SGIP funding solely to existing NEM customers. As outlined above, limiting SGIP incentives only to a fraction of otherwise eligible customers does not ensure that the funding goes to customers that would most benefit from an energy storage system, such as for resiliency purposes or by allowing for household electrification of appliances or transportation in support of California's environmental goals. Additionally, given the terms of the recently adopted Net Billing Tariff ("NBT"), many NEM 1 and 2 customers would likely see less bill savings on the NBT; it is unclear how many customers would adopt energy storage retrofits and transition to the successor tariff, even with an incentive, given the wide variety of customers, the differences in the year of installation of their NEM system, and financing or leasing terms customers signed up for. Whereas programs funded by ratepayers can return unused funds to ratepayers, CESA encourages the Commission to take advantage of any general funds provided by the Legislature and prioritize ensuring the funds are used and useful. SGIP has had a long track record of helping General Market customers install energy storage and

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PG&E reported 1,605,588 CARE customers; see *Monthly Report on Pacific Gas and Electric Company (U 39 M) on Low Income Assistance Programs for June 2021* filed on July 21, 2021 in A.14-11-007, *et al.* https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M393/K926/393926608.PDF.

San Diego Gas and Electric ("SDG&E") reported 343,811 CARE customers; see *Amended Monthly Report of San Diego Gas & Electric Company (U 902 M) on Low-Income Assistance Programs for June 2021* filed on September 21, 2021 in A.14-11-007, *et al.* https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M409/K224/409224366.PDF.

[9] *See* Center for Sustainable Energy ("CSE") Comments at 13; SCE Comments at 9; Cal Advocates Comments at 4; CALSSA Comments at 11.

should not make changes to eligibility at this time. Lastly, as previously mentioned, focusing solely on NEM customers would essentially make POU customers ineligible for incentives, going against the intent of the Legislature for funds to be distributed to "eligible residential customers, *including those receiving service from a local publicly owned electric utility*" [emphasis added].[10]

III. SUPPLY-SIDE DEMAND RESPONSE ENROLLMENT SHOULD BE ALLOWED.

CESA stressed in our opening comments that SGIP is an incentive program and not a payment for grid services – a matter that the Commission has already affirmed.[11] In order to ensure that SGIP systems are meeting the programmatic goals of GHG and pollution reduction, grid support, and market transformation, minimum operational requirements have been put in place for systems receiving funding to allow for reasonable levels of flexibility in how customers and developers can meet these goals. As CESA explained in our comments, grid support goals within SGIP have been largely focused on reducing and shifting peak load.[12] The operational requirements that have already been put in place for SGIP systems are:

- **Time-of-use ("TOU") rate enrollment:** Residential customers are required to be on rates with a peak period after 4pm and a 1.69 price differential between peak and off-peak periods.
- **Cycling requirements:** Residential systems are required to discharge a minimum of 52 full discharges per year. Non-residential systems are required to discharge 104 full discharges per year.

[10] AB 209 (2022) Section 26.
[11] *See* Decision ("D.") 21-02-006 at 82.
[12] CESA Comments at 14.

- **Greenhouse gas ("GHG") emissions reductions:** Non-residential systems are required to reduce CO2 emissions by 5 kilograms per year per kilowatt-hour of incentivized capacity. A GHG signal is provided to allow customers and operators to achieve this goal.

Yet, Cal Advocates argues that customers with SGIP systems should *not* be allowed to participate in the supply-side DR market or programs, arguing that, "fully compensating the participant for the DR would result in double payment because they would be reducing their load for the supply-side DR while it is already required for SGIP requirements."[13] However, Cal Advocates fails to acknowledge that customers with SGIP systems currently participate in supply-side DR programs and portfolios, and that systems are already in place that prevent double compensation.

Fundamentally, supply-side DR that participates in the California Independent System Operator ("CAISO") market operates like other supply-side in-front-of-the-meter ("IFOM") resources. If the CAISO dispatches a resource, the megawatts dispatched and the schedule will be specific for a particular day (*i.e.,* 3 MW from 5-6pm), and the resource is obligated to perform during that time or face penalties as set out by the CAISO market. On the other hand, the SGIP requirements ensure minimum performance that can be met in a flexible manner according to customer needs or preferences. This has led the Commission to determine that customers receiving SGIP incentives can enroll in supply-side DR programs as "[payments] received for enrollment in an economic DR program integrated into the CAISO or the [Demand Response Auction Mechanism] is considered payment for services, not an incentive."[14]

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[13] Cal Advocates Comments at 10.

[14] D.19-08-001 at 66.

Cal Advocates also argues that "Should an SGIP recipient participate in supply-side DR, there is no way to determine what portion of their battery discharge or load drop should be attributed to SGIP, and what should be attributed to the DR event."[15] This argument is unfounded and misunderstands how DR works. Supply-side DR settlement and compensation is based on the establishment of baselines to determine the portion of load drop that is attributable to a particular DR event. Currently, DR resources participate in the CAISO market as Proxy Demand Resources ("PDR") or Reliability Demand Response Resources ("RDRR"). Both of these market products use settlement methodologies that involve baselining, with the most common being a "10-in-10" baseline. The 10-in-10 baseline takes the average load in the dispatch hour from the previous 10 similar days, and the difference between this baseline and the load during dispatch is compensated as the event response. This baselining practice captures regular charging and discharging of energy storage that affect load patterns and ensures that compensation is not received for this regular cycling and "expected" retail activities in the absence of wholesale scheduling and dispatch. For example, if a customer discharges their energy storage system every weekday between 4-6pm in response to SGIP required TOU rates or cycling requirements, this would be reflected in the CAISO baseline and only incremental storage discharging or other load reduction outside of normal or "expected" patterns would receive compensation. In contrast, if the CAISO needed resources between 8-9pm, absent enrollment in a DR program and the explicit receipt of a dispatch order from CAISO, it is unlikely that the storage system in this example would discharge or provide load reduction during this time of need.

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[15] Cal Advocates Comments at 10.

Considering the above, CESA urges the Commission to reject Cal Advocates' recommendation and maintain the current rules that allow SGIP-funded systems to participate in supply-side DR programs, contracts, etc.

IV. <u>BUDGET ALLOCATIONS AND PROGRAM ADMINISTRATION PROPOSALS SHOULD BE EXPLORED FURTHER</u>.

In opening comments, CESA suggested largely maintaining the current program administration structure, with the current Program Administrators ("PAs") maintaining their roles with the addition of a potential statewide PA for new POUs joining SGIP. In conjunction with this recommendation, CESA suggested that funding be split among the PAs and administered separately, as has been traditionally done in SGIP. However, other parties noted that since this funding is not associated with a particular group of ratepayers but instead from all taxpayers, and therefore one statewide budget could be beneficial to allow funds to be used in areas where there may be more low income or eligible customers and more demand for systems. As noted by CALSSA, "the goal is to assist low-income customers as quickly as possible, and customers anywhere in the state who use batteries for load shifting will help the statewide load curve at times of grid stress."[16]

CESA is open to the idea of one statewide budget since we believe that the Commission should prioritize making AB 209 funding used and useful, and we acknowledge that splitting the budget can lead to funds being misallocated in PA territories where there is not much demand or many eligible customers. Throughout the history of SGIP, there have been multiple instances of a mismatch in available funds relative to the demand for energy storage systems from particular customer groups or customer locations, leading to, for example, debate and discussion on the

[16] CALSSA Comments at 18.

merits of budget transfers.[17] Additionally, while many electric POU customers have accessed SGIP for those who received gas service from one of the investor-owned utilities ("IOUs"), the California Municipal Utilities Association, Northern California Power Agency, and Southern California Public Power Authority (collectively, "Joint POUs") have shared that they would like to be able to administer funds in their territories, either as individual PAs or jointly.[18]

Given the complexities surrounding the addition of POU customers, the division of PA responsibilities and/or the allocation of funding across PA territories may require more discussion, and CESA believes that the Joint POU recommendation to host a workshop on this topic may be beneficial.[19] Among other topics, the Commission should weigh the pros and cons of establishing a single statewide PA using AB 209 funds, especially as the funds are allocated from taxpayers (rather than ratepayers) and given the history of other successful distributed energy resource ("DER") programs that operate under a similar centralized structure (*e.g.*, CALeVIP). Exploring such a structure could also address the POUs' considerations and concerns. At the same time, CESA understands that the creation of new PAs will take time to launch and setup. To this end, our initial position on leveraging the current program administration infrastructure in place was motivated by helping to make available funds to customers more efficiently and in a timelier manner.

V. CONCLUSION.

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

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[17] *See* D.20-10-017 authorizing the transfer of funds from the Large-Scale Storage budget to the Non-residential and Residential Equity budgets.

[18] Joint POU Comments at 4-5.

[19] Joint POU comments at 6.

Respectfully submitted,

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