

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking Regarding
Policies, Procedures and Rules for the
California Solar Initiative, the Self-
Generation Incentive Program and Other
Distributed Generation Issues.

Rulemaking 10-05-004
(Filed May 6, 2010)

**COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE ON THE
PROPOSED DECISION GRANTING MAINSPRING ENERGY, INC.'S PETITION TO
MODIFY DECISION 11-09-015 AS MODIFIED**

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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 comments on the *Proposed Decision Granting Mainspring Energy, Inc.’s Petition to Modify Decision 11-09-015 as Modified* (“PD”), issued by Commissioner Clifford Rechtschaffen on December 27, 2022.

I. INTRODUCTION.

CESA appreciates the opportunity to comment on this PD addressing Mainspring’s Petition for Modification (“PFM”). Fundamentally, Mainspring’s PFM seeks to address a barrier within the current Self-Generation Incentive Program (“SGIP”) for renewable generation technologies that serve as largely as peak-shaving resources or are paired with other renewable generation technologies that aren’t eligible for SGIP, such as solar. While these technologies are eligible for SGIP funds, the current SGIP dispatch requirements for these systems to receive their Performance Based Incentive (“PBI”) assumes that the resources are baseload resources dispatching at all hours of the year at an 80 percent capacity factor. Mainspring asserts that this assumption contradicts the operational patterns of these generation resources that largely operate solely during peak periods

and unfairly prevents these resources from being able to earn their full SGIP incentive even if the technologies are contributing to SGIP program goals. Instead, Mainspring petitions the Commission to treat these types of peak-shaving generation resources more similarly to energy storage, suggesting that generating technologies used in non-baseload applications be required to operate with an annual capacity factor of 10 percent. In the PD, the Commission agrees with Mainspring that these resources should be allowed to dispatch as peak shaving resources and puts forward an annual capacity factor requirement of 15% for these resources. Overall, CESA believes that it is reasonable for the Commission to adopt this capacity factor for the generating resources that are the subject of Mainspring's Petition.

Additionally, Mainspring's petition and the PD discuss a concern surrounding the "front loading" of PBI payments. The PBI structure has been fundamentally designed to create a period of accountability in resource operations, whereby resources are obligated to dispatch frequently and in ways that contribute to the SGIP program goals or face reduced SGIP incentive payments. While the PBI is designed to be disbursed over the course of five years, resources that overperform in a given year can receive more than the estimated annual PBI payment, potentially shortening the PBI payment period or "front loading" incentive payments. For generation using renewable fuels, there is the potential for payments to be significantly front-loaded, given that these technologies are not energy limited resources and could potentially run at up to 100% capacity factor, receiving the entire PBI payment within a year. In order to prevent this, the PD adopts a limit on annual PBI payments of 125% of assumed annual energy production. This cap would not only apply to the linear generators discussed in the Petition and PD, but instead the limits "shall apply to all SGIP eligible projects to maintain consistency in the program"¹

¹ PD at 9.

Given the limited scope of the PFM submitted regarding linear generators and the discussion that has been submitted on this item, CESA finds it inappropriate to apply this PBI limit to energy storage for the following reasons:

- It is not reasonable for the Commission to expand the scope of the PD beyond the narrow issues and request for relief sought by the PFM.
- There is no evidence to suggest that storage systems are accelerating their payments under PBI in a manner that adversely impacts the program.
- Limiting annual PBI payments can prevent projects from being able to receive full SGIP payments during the PBI process.
- Should the Commission reform how PBI payments are governed for energy storage projects, then the PD should be modified to clarify that the reforms apply only to projects that submit applications after the date of the Decision is adopted.

II. IT IS NOT REASONABLE FOR THE COMMISSION TO EXPAND THE SCOPE OF THE PROPOSED DECISION BEYOND THE NARROW ISSUES RAISED AND REQUEST FOR RELIEF SOUGHT BY THE PETITION FOR MODIFICATION.

CESA has a number of practical concerns with the Proposed Decision's determination that PBI payment acceleration should be capped for all SGIP participating technologies, including energy storage, that we describe in more detail below. However, in addition to those more practical concerns, it is also deeply troubling that the Proposed Decision makes this change in the context of a Petition for Modification that had nothing to do with energy storage systems. Indeed, the sole focus of the Petition was on the rules applicable to generation technologies and how those rules and underlying assumptions about generation projects may impair the application of some generating technologies to non-baseload use cases. It is telling that no storage stakeholder submitted comments on the Petition because, not unreasonably given its narrow scope, storage

issues were not implicated and thus no response was deemed necessary. Nonetheless, the PD would modify the rules governing PBI payments applicable to all technologies participating in the program, including energy storage, going well beyond the issues raised and the relief sought by the Petitioner. While CESA is not suggesting that due process or notice requirements have been violated, it is highly problematic that a very narrowly conceived PFM, submitted in good faith to enhance access to SGIP for the specified generation technologies, can be appropriated in a way that will, if adopted, impair the ability of energy storage systems to receive incentives. Energy storage or overarching SGIP rules for all technologies were not the subject of the PFM. As discussed more below, the PD makes this change without any reasoning or basis to suggest that rules governing PBI payments for energy storage are in any way broken or in need of reform, a fact supported by the reality that but for the Petition, no one has called for this reform to be made at all, much less to the rules applicable to energy storage projects.

III. THERE IS NO EVIDENCE TO SUGGEST THAT STORAGE SYSTEMS ARE ACCELERATING THEIR PAYMENTS UNDER PBI IN A MANNER THAT ADVERSELY IMPACTS THE PROGRAM.

Fuel-based renewable generation resources are at a much higher risk of front loading PBI payments since fuel-based resources are only fundamentally limited by their capacity and the amount of fuel that is available. While Mainspring outlines the reasons why some renewable fuel technologies are optimally operated only during limited or peak hours, it is relatively easy for a peak-shaving resource to change its operations to serve as a baseload resource. However, energy storage resources are energy limited, and even further limited in their operations due to SGIP requirements and electric sector policies and rate structures.

Currently, SGIP requires energy storage systems to cycle the equivalent of 104 full discharges per year. Most customers operate their storage systems in ways that reduce their electric

bill, either through demand charge management or time-of-use (“TOU”) arbitrage. Given daily peak and non-peak periods, TOU arbitrage patterns often prevent energy storage from cycling more than once daily. Demand charges are based on monthly peak usage, so energy storage may be charged and held for multiple days in anticipation of the monthly peak for demand charge management, also reducing cycling. On top of the economic incentives of current rates, SGIP also requires energy storage systems to reduce greenhouse gas emissions (“GHG”) by 5 kg/kWh, which is achieved by following a GHG signal. Given this GHG requirement, standalone energy storage, is not incentivized to discharge as frequently, as charging and discharging more frequently can put GHG savings at risk. The Commission recognized this in D.19-08-001 when the Commission lowered previous storage cycling requirements from 130 discharges per year to 104.² These GHG requirements combined with economic incentives, lead storage to not cycle as frequently. These limitations have been seen in the historic performance of SGIP energy storage systems, with non-residential storage systems discharging an average of 126 times annually from 2014-2020.³

Given the inherent limitations in the ability of storage to discharge indefinitely or at very high capacity factors, the need to place a cap on the extent to which PBI payments can be accelerated appears to be a solution in search of a problem. Notably, no evidence has been offered to suggest that to the degree storage projects are accelerating their PBI payments, they are doing so in a manner that adversely impacts the program or even what those adverse impacts would potentially be. The Commission has access to a large dataset of SGIP funded storage projects and evaluation reports which it could use to identify potential issues that PBI payment acceleration has engendered. CESA notes that the issue of PBI acceleration was not identified in the most recent

² D.19-08-001 at 23: “Adopting a lower cycling requirement should also decrease the potential for a system’s GHG emissions to increase as a result of cycling requirements.”

³ Verdant, *2020 SGIP Energy Storage Impact Evaluation Report* at 51.

SGIP evaluation reports as something that needs reform. In fact, the PD really rests its decision to apply the proposed cap on PBI acceleration to all projects, including storage, exclusively on the basis of ensuring consistency. This is a troublingly thin basis to make this change, particularly in the face of the very real differences, as discussed above, between how energy storage systems can and do operate compared to the generation technologies at issue in the petition. Such differences justify different treatment.

IV. **LIMITING ANNUAL PBI PAYMENTS CAN PREVENT PROJECTS FROM BEING ABLE TO RECEIVE FULL SGIP PAYMENTS DURING THE PBI PROCESS.**

In the PD, Finding of Fact (“FOF”) 9 states that “A cap on the exceedance of PBI payments above the amount that the assumed capacity factor would yield may prevent excess accelerated PBI payments and *does not limit the amount of PBI payments received. [emphasis added]*”⁴ However, unforeseen circumstances can lead projects to not receive their full PBI payment in a given year. For example, the COVID-19 pandemic had a huge impact on electric consumption patterns across California and the globe, with the pause of many commercial and industrial operations, electric consumption in the non-residential sector. Decreases in electric needs led to less use of on-site energy storage and other SGIP-funded generation systems causing many customers to only receive part of expected PBI payments during this time and a likely decrease in overall PBI payments received given the limit of PBI collection to 5 years. In response, the D.21-03-008 implemented a one-year PBI pause for customers impacted by the COVID-19 pandemic, where customers would not receive PBI payments and not be required to follow cycling or capacity

⁴ PD at 11.

factor requirements. However, after the pause, the PBI term would be extended for the duration of the pause up to one year.⁵

While the COVID-19 pandemic was unprecedented in its widespread impact across almost all businesses, there are unforeseen circumstances that can impact electric consumption and the ability of SGIP-funded systems to meet performance obligations. In cases where performance was unexpectedly lower than expectations and PBI payments are reduced, customers have the opportunity to overperform in future years to recuperate lost payments. Without this ability, FOF 9 is false, as the limit on annual PBI collection can limit the amount of PBI received. Therefore, CESA believes that the annual PBI limit should be removed for energy storage resources.

CESA does find it reasonable to limit on the amount of time over which PBI payments can be recuperated so that consistently underperforming resources do not receive the full SGIP payments. However, allowing flexibility in the ability of systems to recuperate payments over the five years of PBI helps protect customers against unforeseen circumstances while still creating requirements for beneficial dispatch.

Far from adversely impacting the program, CESA submits that the flexibility the program currently affords energy storage systems to accelerate PBI payments has been important in terms of enhancing the economic returns of energy storage projects and attracting investment. This, in turn, has helped facilitate the program's goals of accelerating the pace and scale of storage deployment. Constraining the ability to accelerate PBI payments, as the PD proposes, will, all else equal, result in reduced returns for storage projects and make investment in storage less attractive. It is difficult to see how this clear downside is offset by the purported upside of maintaining

⁵ D.21-03-008 at Ordering Paragraph (“OP”) 2.

consistency, which serves as the apparent sole basis for extending this change to energy storage systems.

V. **SHOULD THE COMMISSION REFORM HOW PBI PAYMENTS ARE GOVERNED FOR ENERGY STORAGE PROJECTS, THEN THE PD SHOULD BE MODIFIED TO CLARIFY THAT THE REFORMS APPLY ONLY TO PROJECTS THAT SUBMIT APPLICATIONS AFTER THE DATE OF THE DECISION IS ADOPTED.**

To avoid any confusion and in the interest of ensuring any reforms to the rules governing energy storage do not apply retroactively, CESA recommends that if the PD is adopted, inclusive of any reforms impacting energy storage projects, that it be clarified to indicate that such changes are applicable on a going forward basis only. As such these changes should only apply to storage applications submitted after the date a final decision is adopted by the Commission.

VI. **CONCLUSION.**

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

Respectfully submitted,



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