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 12-11-005 (November 8, 2012)

RESPONSE OF THE CALIFORNIA SOLAR ENERGY INDUSTRIES ASSOCIATION TO THE PETITION FOR MODIFICATION FROM MAAS ENERGY WORKS

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Pursuant to Rule 16.4 (f) of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission), the California Solar Energy Industries Association (CALSEIA) submits the following response to *Maas Energy Works, Inc's Petition for Modification of Decision 15-12-027 to Address Irregularities in 2016 Applications Received for the Self-Generation Incentive Program* (Petition), filed on March 8, 2016.

1. **Introduction**

SB 861 of 2014 extended the sunset date for the Self-Generation Incentive Program (SGIP), authorized the collection of funds to support the program, and required certain changes to the program. Because those changes will take time to implement, the Commission issued D.15-12-027 to release half of the 2016 funding before the program changes are complete. It ordered the Program Administrators (PAs) to "continue accepting new applications for incentives until 50% of their 2016 SGIP program funds are reserved…"[1]

The Petition requests that the Commission modify D.15-12-027 to require the release of information related to the February 23 program opening, to investigate irregularities, and to

1 D.15-12-027, Ordering Paragraph 1.

allow the PAs to revoke reservations if warranted by the irregularities. Although some amount of investigation into use of prohibited practices or unethical behavior is warranted, CALSEIA does not think a protracted investigation is necessary or would be productive. Instead, the Commission should quickly determine if there were any clear violations of the rules and make changes to the rebate reservation process to ensure that unfair results are minimized in future solicitations. In addition, the Commission should determine whether the structure of the application portal allowed equal, non-discriminatory access for all participants and whether the solicitation achieved the goal of disbursing incentive dollars in a fair and equitable manner to all participants seeking them.[2] Due to a wide diversity of opinions, CALSEIA does not make a recommendation on whether to cancel the results of the February 23 solicitation, use the results in a limited manner, or reallocate reservations based on a new methodology.

2. The Commission Should Modify the Decision to Address Failures to Manage Program Openings Fairly

On February 23, 2016, the PAs held a solicitation for rebate reservations for the first half of 2016 funding. The solicitation manager, Energy Solutions, did not have sufficient server capacity to handle the volume of activity from applicants. The internet browsers of many applicants timed out while the server was not responding. Stem, Inc. was the only applicant able to log into the system for the first several minutes. By CALSEIA's accounting, Stem was awarded 75% of the quantity of reservations prior to the PAs' budgets being subscribed. We know from the March 21, 2016 all party meeting that many applicants were attempting to submit

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[2] Based on information shared at the March 21, 2016 all party meeting and the experiences of our members, it is clear to CALSEIA that the structure did not allow equal, non-discriminatory access, but the Commission should make that determination based on all available information.

reservations at the same time but were unable to submit them until after the budgets were subscribed.

With respect to the process for awarding rebate reservations, D.15-12-027 stated, "The partially funded 2016 program year shall have no waitlist and any funds that become available as a result of attrition shall be allocated to the successor SGIP program."[3] This presumes a first come, first-served rebate reservation system that allows all participants to compete fairly. The Commission can modify this direction to address situations where the PAs or their contractors failed to manage the process fairly.

A report detailing which applications were awarded reservations has not been made available. To develop an understanding of the solicitation outcome, CALSEIA used the March 30, 2016 "Weekly Statewide Report" of SGIP activity, sorted by PA and time stamp for applications in the emerging technologies funding category. With estimates of the amount of funding that was made available by each PA, CALSEIA reaches the following results. We recognize that these results may be different from actual outcomes due to differences in the exact amount of funding available and other factors, but this analysis helps form an understanding of what happened.

The budget was subscribed in approximately four minutes for PG&E, SCE and CSE, and in approximately six minutes for SoCalGas. Stem was the only company able to submit reservation requests for a majority of that time, as shown in Table 1.

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[3] D.15-12-027, Conclusion of Law 5.

Table 1. Summary of Expected Results from February 23 Program Opening

	PG&E	SCE	SCG	CSE	Total
First Reservation	8:00:34	8:00:30	8:00:42	8:00:27	
First Non-Stem Reservation	8:02:23	8:02:38	8:05:43	8:03:18	
Queue Filled	8:03:59	8:04:15	8:05:57	8:03:45	
Number of Reservations	41	45	5	39	130
Number of Stem Reservations	32	28	2	35	97
Stem Percentage of Reservations	78%	62%	40%	90%	75%

It is important to analyze results in terms of the number of projects in addition to the amount funded. At this stage of industry development, gaining experience from installed systems is extremely important. Companies developing projects for an emerging market need to get a small number of systems in the field in order to prove their viability, and can plan for achieving scale only after gaining that initial experience.

These results are not fair and equitable. Applications were submitted for 55 different equipment manufacturers. One manufacturer securing 70% of reservations is not a reasonable outcome when it is the result of an electronic submittal process that did not give all participants an equal opportunity to submit reservation requests quickly.

SGIP is a program with a vitally important purpose and a budget that is not close to what would be needed to fully achieve that purpose. The program cannot afford to award a substantial portion of its authorized budget with a process that so plainly malfunctioned. However, CALSEIA does not offer a specific recommendation whether to scrap the results of the solicitation, allow each applicant to keep only the first 15 conditional reservations it received, or create a new methodology to redistribute all of the reservations.

3. The Commission Should Conduct a Limited Investigation to Determine if Bots Were Used

The Terms of Use of the Energy Solutions platform for SGIP rebate reservation requests states, "You may not use any robot, spider or other automatic device, process or means to access, retrieve, scrape, reverse engineer, compile, create derivative works, publically display or otherwise distribute any portion of the Site or the Platform."[4] If robots (aka "bots") were used, it may be detectable. The PAs and their vendors should conduct an analysis to determine if there is evidence of the use of bots. If an applicant is found to have used bots, that applicant should be barred from the program for at least one year.

An extended investigation to attempt to uncover any potential leak of information that could have been exploited by one applicant would absorb staff resources and is unnecessary. The overriding reality is that the solicitation malfunctioned because Energy Solutions did not provide enough bandwidth for all applicants to have an opportunity to log into the system in the five minutes it took for the budgets to be subscribed. That fact alone is enough to limit, modify, or discard the results of the solicitation.

4. Major Changes Are Needed Before the Next Program Opening

The SGIP rebate reservation system is clearly broken. Demand so far outstrips available funding that it is impossible to create a fair system if the authorized funding is spread out between now and 2019 and the reservation process is not reformed. To alleviate this, the Commission should take the following steps.

1. Direct the PAs to make funding available in 2016 based on all current and future collections authorized by SB 861 of 2014.
2. Reduce the incentive level to spread out funding over a larger number of projects and ensure that the funding is not subscribed immediately.
    - Create multiple incentive level steps by dividing the remaining funding authorized by SB 861 into separate buckets and reducing the incentive

[4] Self-Generation Incentive Program, Terms of Use, Version 3, published February 19, 2016, available at https://www.selfgenca.com/terms_of_use.

levels in each step.

- Consider different rebate levels for storage systems smaller than 10 kW and storage systems larger than 10 kW.

3. Remove the minimum customer investment provision that requires 40% of project cost to be paid by the applicant. True costs are driven by the competitive market. The current rebate cap simply encourages developers to report costs that are not core system costs. It is administratively burdensome for developers to document compliance with the cap, there is no verification by utilities, and it results in poor price discovery. The goal of ensuring that customers pay a substantial portion of project costs should be achieved by setting the incentive at an appropriate level and reducing it over time.
4. Increase the barrier for entry to reduce the number of projects that do not get built. Increase the application fee. Make the fee and the signed contract due within 30 days for public sector customers, 72 hours for other commercial customers, and two weeks for residential customers.
5. Require a developer to move to the next incentive level step if it has received 25% of funding within a step.
6. Require that a minimum percentage of funding be awarded to systems smaller than or equal to 10 kW.
7. Reduce the system size incentive cap for advanced energy storage systems to the first 1 MW of system size.

From the customer perspective, these changes would be a major improvement. As we are trying to build customer acceptance of energy storage, the customer experience is not positive if storage providers are asking them to dedicate time and reserve money in their budgets when the chance they will receive a state rebate is extremely slim. If there is an incentive step-down, in contrast, storage providers will be telling customers they will get a higher incentive if they act more quickly but still have a reasonable chance to get a lower rebate if they do not act quickly enough. That is understandable to customers and would help build the industry.

5. Conclusion

CALSEIA appreciates the opportunity to provide this response to the petition and urges the Commission to adopt the recommendations herein.

Respectfully submitted this April 7, 2016 at Sacramento, California,

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