

**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  
(Filed November 8, 2012)

**REPLY COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE  
ON THE PROPOSED DECISION APPROVING GREENHOUSE GAS EMISSION  
REDUCTION REQUIREMENTS FOR THE SELF GENERATION INCENTIVE  
PROGRAM STORAGE BUDGET**

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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 to the *Proposed Decision Approving Greenhouse Gas Emission Reduction Requirements for the Self Generation Incentive Program Storage Budget* (“PD”), issued by Assigned Commissioner Clifford Rechtschaffen on May 31, 2019.

**I. INTRODUCTION.**

The majority of parties were largely supportive of the PD’s modifications to the greenhouse gas (“GHG”) and operational requirements to align behind-the-meter (“BTM”) energy storage systems funded under the Self-Generation Incentive Program (“SGIP”) with the GHG emission reduction goals. Many recommendations or modifications were proposed to adjust the proposed requirements to better ensure effective implementation and avoid unintended outcomes, but the comments are evidence of the success of stakeholders to collaborate in the GHG Signal Working Group to find reasonable, balanced, and evidence-based paths forward. CESA again commends the Commission for establishing this collaborative group.

While the proposed modifications in the PD represent a reasonable foundation for new GHG and operational requirements for new and legacy BTM storage projects, CESA agrees with many parties that certain modifications are still needed to guard against unintended outcomes, simplify program administration for both the Program Administrators (“PAs”) and developers, and avoid excessive and compounding penalties beyond what is reasonably needed to achieve the program’s GHG emission reduction goals.

## **II. A 70/30 PAYMENT STRUCTURE FOR SMALL NON-RESIDENTIAL PROJECTS PROVIDE SUFFICIENT INCENTIVE TO REDUCE GHG EMISSIONS.**

San Diego Gas and Electric Company (“SDG&E”) recommends that the Commission adopt an SGIP payment structure for new commercial projects whereby 40% of SGIP incentive claims are paid upfront and 60% is paid as performance-based incentives (“PBI”) payments, claiming that this 40/60 structure better aligns with statute.<sup>1</sup> CESA strongly disagrees. No evidence is presented on how the 40/60 structure better achieves GHG emission reductions, as compared to the PD’s proposed 50/50 structure or CESA’s proposed 70/30 structure. As Tesla states, the Commission should be careful not to “subordinate other objectives”<sup>2</sup> including around grid support and market transformation, which is at risk for small commercial projects that may experience a slowdown in deployments similar to what is currently being experienced by large commercial and industrial projects. Given that the Commission may adopt a high penalty price that exceeds the cost of carbon established in other proceedings and in the cap-and-trade market and a GHG threshold that exceeds the statutory requirements to achieve non-zero GHG emission reductions, both large and small non-residential projects already face significant financial incentives to reduce GHG emissions under a 70/30 structure and even more so under a 50/50 structure. SDG&E’s proposed 40/60 structure should be rejected for new commercial projects.

## **III. ALL THREE COMPLIANCE OPTIONS SHOULD BE MADE AVAILABLE TO LEGACY COMMERCIAL PROJECTS.**

SDG&E and Southern California Gas Company (“SoCalGas”) contend that Option 3 should be the only compliance option made available to legacy commercial projects. They argue that the other two options may be administratively complex and do not guarantee GHG emission reductions. CESA disagrees. Option 1 allows legacy commercial projects to continue to operate under the SGIP rules applicable at the time, setting the proper precedent for not applying retroactive rule changes, but face additional incentives to reduce GHG emissions – *i.e.*, the negative impacts of poor developer performance being listed in evaluation reports and/or SGIP Handbook enforcement via developer suspensions or expulsions from future SGIP participation.

Option 2 also presents a compliance pathway for legacy commercial projects to reasonably be assured of GHG emission reductions since many of the eligible storage rates under Option 2

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<sup>1</sup> SDG&E’s comments at p. 2.

<sup>2</sup> Tesla’s comments at p. 9.

have been designed to align with marginal GHG emissions. Meanwhile, SDG&E's and SoCalGas' concerns about demand response ("DR") programs could be addressed by adopting the recommendation from Pacific Gas and Electric Company ("PG&E") whereby only market-integrated economic DR programs would be eligible for enrollment under Option 2.<sup>3</sup> For such DR programs, BTM storage projects face wholesale price signals that are aligned with marginal GHG emissions and in effect sending a 'GHG signal' via their participation in these programs.<sup>4</sup> Moreover, CESA disagrees with SDG&E's comments on how the cycling requirement should be maintained at 130 cycles per year for new and Option 2 legacy commercial projects.<sup>5</sup> By enrolling in one of the eligible rates or in an economic DR program that ensures resources are used and useful, there is sufficient incentive for Option 2 systems to not be used for backup purposes. Additional cycling not tied to these rates or DR participation requirements is unnecessary and may lead to unintended harmful impacts, such as higher customer bills or reduced ability to meet the terms and conditions of the DR program. Contrary to SoCalGas' assertions,<sup>6</sup> cycling in itself does not deliver ratepayer return on investment and any cycling requirements should be justified with evidence given the new GHG rules to show how systems are not being used for backup purposes. Finally, CESA recommended in our opening comments that the cycling requirements be retained for Option 2, albeit at a lower 52 cycles per year level, in order to maintain the PBI payment structure based on cycling. In doing so, the concerns of the Center for Sustainable Energy ("CSE") around administrative costs should be addressed.<sup>7</sup>

Finally, CESA disagrees with SDG&E's proposal to set the floor for GHG reductions under Option 3 at 1 kg-CO<sub>2</sub>/kWh to be consistent with statute.<sup>8</sup> As noted above, the other enforcement mechanisms should be sufficient to ensure legacy commercial projects under Option 3 meet the statutory requirement to achieve non-zero GHG emission reductions.

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<sup>3</sup> PG&E's comments at p. 10.

<sup>4</sup> See Executive Summary of Itron's *2017 Advanced Energy Storage Impact Evaluation* published on September 7, 2018 at pp. 26-27.

<sup>5</sup> SDG&E's comments at pp. 2-3.

<sup>6</sup> SoCalGas' comments at p. 6.

<sup>7</sup> CSE's comments at p. 13.

<sup>8</sup> SDG&E's comments at p. 3.

**IV. PERFORMANCE-BASED INCENTIVES FOR NEW RESIDENTIAL PROJECTS SHOULD NOT BE ADOPTED.**

SDG&E proposes that PBI incentives for new residential projects should be adopted. CESA recommends that the Commission disregard this proposal.<sup>9</sup> PBI incentives are unnecessary for the program to achieve GHG reductions and runs counter the PAs' efforts to further streamline the program. The Commission has already been established that the number of projects and the high metering and compliance costs is untenable for residential projects and for PAs, with the costs exceeding the benefits for all parties. Instead, the Commission may also wish to consider CSE's "wait-and-see approach" for new residential projects until imminent evaluation reports come out before making a final determination on their GHG compliance requirements.

**V. THE PROPOSED FUTURE CUT-OFF DATE PROVIDES MARKET CERTAINTY AND SHOULD BE ADOPTED.**

SDG&E recommends that the cut-off date for "new" versus "legacy" projects to be established when the final GHG signal is implemented and published.<sup>10</sup> CESA disagrees. With the finalization and publication date of the GHG signal unclear, SDG&E's proposal presents significant levels of uncertainty to developers on the rules that would be applicable for their projects. The PD's cut-off date of April 1, 2020 is reasonable and follows Commission precedent on grandfathering customers on old versus new rates and program rules.

**VI. THE ONE-HOUR-AHEAD SIGNAL SHOULD BE USED FOR COMPLIANCE AND FRAMING OF THE RESULTS SHOULD BE DONE CAREFULLY.**

Several parties, including CSE, PG&E, and WattTime, recommend the use of the real-time GHG signal for compliance. In large part, their recommendation stems from the use of different metrics for compliance versus evaluation given that the real-time GHG signal is more accurate in measuring GHG emissions.<sup>11</sup> CESA does not disagree with these comments, and some developers may face additional compliance costs and/or software investments needed to optimize around a real-time GHG signal. Importantly, many storage projects optimize for many objectives (*e.g.*, GHG savings, bill savings, grid services) and the hour-ahead signal reasonably supports planning for GHG reductions *and* for other services that can also support SGIP program goals. At this time,

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<sup>9</sup> SDG&E's comments at p. 4.

<sup>10</sup> SDG&E's comments at p. 5.

<sup>11</sup> PG&E's comments at p. 3; CSE's comments at p. 2; and WattTime's comments at p. 5.

CESA recommends the use of the one-hour-ahead signal with clear framing of any discrepancies in the compliance versus evaluation results and to reassess the appropriate signal to use for compliance in the future. Notwithstanding this recommendation, CESA also supports WattTime's recommendation to allow developers who use the real-time signal to face a potentially lower threshold of 0 kg-CO2/kWh<sup>12</sup> to support market transformation of more advanced operations and not penalize developers for attempting to use a more accurate signal.

**VII. ADDITIONAL COMPLIANCE OPTIONS SHOULD BE ESTABLISHED FOR NEW RESIDENTIAL STORAGE PROJECTS.**

CSE recommended that the Commission consider additional compliance options for energy storage technologies that may have single-cycle roundtrip efficiency ("SCRTE") lower than 85%, citing how technologies such as electric water heaters ("EWHs") may have GHG-reducing benefits from displacing gas water heaters even if designed or generally standardized to operate below this 85% SCRTE threshold.<sup>13</sup> CESA agrees and believes that CSE's proposed process via Advice Letter to submit additional compliance options to be reasonable while allowing for flexibility and responsiveness for the program to provide a streamlined eligibility and compliance pathway for new storage technologies. Beyond EWHs, there may also be other storage technologies where the SCRTE requirement would be a barrier to accessing SGIP funds. SGIP should strive to allow for robust competition and participation of various storage technologies in support of SGIP goals.

**VIII. CONCLUSION.**

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

Respectfully submitted,



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<sup>12</sup> WattTime's comments at p. 5.

<sup>13</sup> CSE's comments at pp. 8-9. CESA understands that eligibility of EWHs is still to be determined, pursuant to the April 15, 2019 Ruling on Senate Bill ("SB") 700 implementation.