**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 TO THE PROPOSED DECISION ESTABLISHING A SELF-GENERATION INCENTIVE PROGRAM EQUITY RESILIENCY BUDGET, MODIFYING EXISTING EQUITY BUDGET INCENTIVES, APPROVING CARRY-OVER OF ACCUMULATED UNSPENT FUNDS, AND APPROVING $10 MILLION TO SUPPORT THE SAN JOAQUIN VALLEY DISADVANTAGED COMMUNITY PILOT PROJECTS

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September 3, 2019

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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 Establishing a Self-Generation Incentive Program Equity Resiliency Budget, Modifying Existing Equity Budget Incentives, Approving Carry-Over of Accumulated Unspent Funds, and Approving $10 Million to Support the San Joaquin Valley Disadvantaged Community Pilot Projects* ("PD"), issued by Assigned Commissioner Clifford Rechtschaffen on August 9, 2019.

I. INTRODUCTION.

There appears to be broad support for the Commission's allocation of Self-Generation Incentive Program ("SGIP") funds to support energy storage for customer resiliency, though differences lie in specific funding allocations/transfers and in implementation details. In these reply comments, CESA responds to several key points made by parties.

II. HIGHER EQUITY AND EQUITY RESILIENCY INCENTIVE RATES SHOULD BE ADOPTED.

In our opening comments, CESA recommended that the Commission to set the Equity Incentive Rate at $0.85/Wh and the Equity Resiliency Incentive at a $1.02/Wh and $1.20 for residential and non-residential customers, respectively, because Equity customers are likely to find difficulties in covering the residual costs of the energy storage system. Similarly, there was broad support for higher incentive rates ranging from $0.83/Wh to $1.00/Wh for the Equity Budget and

$1.10/Wh or 100% of project costs for the Equity Resiliency Budget due to the early market stage of the Equity market, unclear technology proposition, and need for more extensive upgrades related to older building stock.[1] However, Pacific Gas and Electric Company ("PG&E") recommended holding a workshop to set the appropriate incentive rate and ensure developers are not gaming the system to absorb additional margins.[2] CESA believes a workshop is unnecessary since program administrators ("PAs") can assess historical project costs, where it can request the developer to substantiate any out-of-range system costs for Equity projects. Furthermore, CESA has concerns with PG&E's suggestion to differentiate the incentive rate for small businesses that are eligible for the Equity Budget,[3] which can deploy storage systems that bring positive economic development and reduce dependence on polluting generation facilities. Not only do many small businesses in these census tracts serve low-income customers but this differentiated incentive rate would be administratively complex and confusing.

III. <u>ELIGIBILITY FOR THE EQUITY RESILIENCY BUDGET SHOULD BE EXPANDED TO TIER 2 HIGH FIRE THREAT DISTRICTS</u>.

CESA agrees with many parties that the eligibility for the Equity Resiliency Budget may be too restrictive, who generally agree that eligibility should be expanded to cover Tier 2 High Fire Threat Districts ("HFTDs").[4] In particular, the Joint CCA Parties make a keen observation that the HFTD categorization represents only a rough proxy for areas affected by Public Safety Power Shutoff ("PSPS") events and recommend the development of more granular maps that reflect PSPS risk estimates and the structure of distribution networks. CESA supports the Joint CCA Parties' recommendation for eligibility for the Equity Resiliency Budget be expanded to cover Tier 2 HFTDs at this time. While the initial focus should be on ensuring customers who are likely most impacted by PSPS events are supported through SGIP storage deployments, the question about eligibility and targeting of customers also points to the merits of simply expanding

[1] CALSSA's comments at p. 2; California Housing Partnership's comments at pp. 2-3; Sunrun's comments at p. 3; and GRID Alternatives' comments at pp. 3-5.

[2] PG&E's comments at p. 11.

[3] *Ibid* at p. 7.

[4] GRID Alternatives' comments at p. 5; Sunrun's comments at p. 2; Vote Solar's comments at p. 7; CALSSA's comments at p. 9; and Joint Community Choice Aggregator ("CCA") Parties at pp. 3-4.

energy storage for resiliency applications to non-Equity customers as well in the future Senate Bill ("SB") 700 funding collection and allocation decision.

IV. **TRANSFER OF ACCUMULATED UNUSED FUNDS FROM THE GENERATION BUDGET TO THE NEW EQUITY RESILIENCY BUDGET ENSURES NEAR-TERM DEPLOYMENT OF STORAGE FOR RESILIENCY.**

CESA supports the allocation of $100 million in accumulated unused funds from the Generation Budget to the new Equity Resiliency Budget,[5] but several parties take issue with this transfer given the statutory objectives of SGIP to support market transformation of distributed generation technologies (not just energy storage).[6] Southern California Gas Company ("SoCalGas") and the Joint Fuel Cell Parties highlight the need to address the barriers for the lack of participation in the Generation Budget, such as higher incentive rates to account for the higher costs of biogas and renewable fuel. Instead, they recommend utilizing accumulated unused funds from the Non-Residential Energy Storage Budget category while also creating a budget category for renewable generation projects for Equity customers and resiliency use cases.[7]

CESA sympathizes with these parties' calls to address the market participation barriers for distributed generation technologies that use renewable fuel, which can play an important role in providing customer resiliency. However, there is a near-term urgency to deploy distributed technologies to address de-energization and outage risks, where there is demonstrably significant customer demand and ability to be deployed quickly, as evidenced by the 34.24 MW of installed residential storage systems since 2018.[8] By contrast, SoCalGas highlights how there have been only three applications for renewable generation in 2018 and none so far in 2019.[9] At this time, it is prudent for the Commission to assess and address the participation barriers for the Generation Budget and transfer funds from the Generation Budget to the Equity Resiliency Budget, with the potential to replenish the Generation Budget in the funding collection and allocation decision pursuant to the SB 700 authorization.

Additionally, CESA disagrees with PG&E that some portion of the unspent funds should be returned to ratepayers instead of being allocated to the Equity Resiliency Budget, or in a future

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[5] PD at p. 94, Conclusions of Law 31

[6] California Clean DG Coalition's ("CCDC") comments at pp. 2-5.

[7] SoCalGas' comments at pp. 7-8 and 10 and CCDC's comments at pp. 3 and 5.

[8] SGIP Weekly Statewide Report as of September 2, 2019. www.selfgenca.com/home/resources

[9] SoCalGas' comments at p. 9.

decision, to authorize additional collections and allocations. Customer demand for storage will only continue to grow with shifting time-of-use periods and higher outage risks, where authorized funds should be used for these urgent and important needs.

V. CURRENT SYSTEM OF PROCESSES, STANDARDS, AND PROTOCOLS ARE SUFFICIENT TO VALIDATE ISLANDING CAPABILITIES AND SAFETY.

San Diego Gas & Electric Company ("SDG&E") proposes having applicants demonstrate the inspection and approval of systems to operate in island mode by local authorities having jurisdiction ("AHJ"), as well as a showing that the customer's electrical design will not provide an ignition source.[10] The existing Rule 21 tariff is in place to ensure safe and reliable interconnection while AHJs have permitting processes in place to ensure that storage resources are installed safely for built environments, without the need for additional showings or demonstrations to PAs as SDG&E suggests. Furthermore, standards and protocols are already in place, as noted in the PD, to ensure storage resources do not create wildfire ignition risk.

VI. DISCLOSURE LANGUAGE AROUND ENERGY STORAGE CAPABILITIES SHOULD BE PROVIDED TO CUSTOMERS NEEDING RESILIENCY FOR CRITICAL MEDICAL EQUIPMENT.

PG&E cautions the Commission from positioning energy storage as the panacea for de-energization events, especially for customers with critical medical equipment. CESA agrees with PG&E to the extent that such customers must be informed of the capabilities of energy storage to provide resiliency and backup power for customers with critical medical equipment, such as through PG&E's proposed "affidavit that must be signed by the customer, which acknowledges the customer has been informed about the characteristics and potential risks of energy storage – and importantly – what the equipment can do in a PSPS event." However, PG&E also suggests that "the Commission should provide incentives batteries [sic] for customers that have notified their utility of serious illness or condition that could become life threatening if electricity is disconnected only if the battery has a warranty that it is suitable for such uses."[11] CESA believes this is an overbroad approach since it would categorically prevent these customers from being able to access SGIP funds without regard for how these customers intend to use these systems. While CESA supports robust efforts to ensure that these customers are fully aware of any limitations their

[10] SDG&E's comments at p. 2.

[11] PG&E's comments at p. 4.

SGIP-supported equipment is subject to, including whether or not the equipment is designed to provide backup power for medical equipment, CESA opposes broadly prohibiting these customers from accessing SGIP incentives at all for resiliency purposes.

VII. HEAT PUMP WATER HEATERS AND GRID-ITNERACTIVE WATER HEATERS ARE ELIGIBLE TECHNOLOGIES.

Several parties oppose heat pump water heater ("HPWH") eligibility due to HPWHs not being a generation technology, the existence of other programs to incent this technology, the need for new structures and processes, and/or the need for evaluations on whether greenhouse gas ("GHG") emission requirements can be met.[12] First, water heaters are a type of thermal storage system that is already eligible for SGIP – *i.e.*, they are capable of load shift over time, avoiding electricity at a later time, and have a separate storage medium that is separate from the end-use load. Second, many other funding programs for water heaters are pilots with very limited budgets where multiple technologies will be incented. Finally, a workshop will address how they can adhere to the program's GHG requirements to realize the GHG-reducing benefits that have been highlighted in many studies.[13] With smart controls and enrollment in an approved rate, water heaters have the potential to contribute to GHG emission reductions.

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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Date: September 3, 2019

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[12] PG&E's comments at pp. 12-13; SoCalGas' comments at pp. 11-12; CALSSA's comments at pp. 12-13.

[13] See, for example, *2009 California Residential Appliance Saturation Study Volume 2 Results* prepared by KEMA in October 2010 at p. 14. https://ww2.energy.ca.gov/2010publications/CEC-200-2010-004/CEC-200-2010-004-V2.PDF