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)

CALIFORNIA ENERGY STORAGE ALLIANCE'S PETITION FOR MODIFICATION OF DECISIONS 20-01-021 AND 16-06-055

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June 10, 2020

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In accordance with Rule 16.4 of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission"), the California Energy Storage Alliance ("CESA") hereby submits *California Energy Storage Alliance's Petition for Modification of Decisions 20-01-021 and 16-06-055* ("Petition") to modify Decision ("D.") 20-01-021, *Self-Generation Incentive Program Revisions Pursuant to Senate Bill 700 and Other Program Changes*, issued on January 27, 2020 by the Joint Commissioners, as well as to modify D.16-06-055, *Decision Revising the Self-Generation Incentive Program Pursuant to Senate Bill 861, Assembly Bill 1478, and Implementing Other Changes*, issued on July 1, 2016 by the Joint Commissioners.

In support of this Petition, CESA is also concurrently filing a *Motion of the California Energy Storage Alliance to Issue a Ruling that Transfers Funds to the Equity Budget* ("Motion") to transfer $150 million in funds from the Equity Resiliency Budget, $150 million in to-be-allocated funds from the General Large Scale Storage Budget to the Non-Residential Storage Equity Budget, and $10 million in allocated funds from the General Large Scale Storage Budget to the Residential Storage Equity Budget. Many of the same facts and data are being used in the concurrent Motion to support the relief requested in this Petition.

I. SUMMARY OF REQUESTED RELIEF.

CESA respectfully requests that the Commission revise Conclusion of Law ("COL") 34 and Order 34 of D.20-01-021 to authorize the Self-Generation Incentive Program ("SGIP") Program Administrators ("PAs") to transfer funds between technology incentive budgets, effective immediately upon granting the requested relief in this Petition. Specifically, CESA recommends that D.20-01-021 be revised to remove the moratorium on this fund transfer authority until after December 31, 2022 and thus reflect the following recommended changes:

> COL 34. The Commission should authorize SGIP PAs to submit Tier 2 advice letters to transfer funds between technology incentive budgets **~~after December 31, 2022~~** and should direct a PA to submit an advice letter if it has reason to believe that there are likely to be unreserved funds in a technology budget in its service territory at the end of 2025.
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> Order 34. Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company and the Center for Sustainable Energy (collectively Self-Generation Incentive Program administrators or SGIP PAs) are authorized to submit a Tier 2 advice letter to transfer funds between technology incentive budgets **~~subsequent to December 31, 2022~~** if the SGIP PA believes that there are likely to be unreserved funds in that budget as of December 31, 2025.

In addition, CESA requests that the Commission modify the lottery prioritization criteria adopted in D.16-06-055 to reflect updated Commission priority areas around equity and resiliency:

> Order 1.m. Incorporation of lottery system when applications received on a single day, including giving priority to **a) customers who meet the Equity criteria, b) customer represents a critical facility or school that serves eligible disadvantaged community customers, and c) storage system provides backup power and the applicant meets all of the existing backup documentation requirements.** ~~a) energy storage paired with, and charged from, a renewable generator and is verified through election, and on-going verification, to take the Investment Tax Credit or an approved Preliminary Monitoring Plan, b) energy storage located in Los Angeles Department of Water and Power service territory, c) energy storage located in SCE"s West LA Local Capacity Area~~.

The requested relief is justified on the following grounds and is detailed further in this Petition:

- Recent program incentive uptake and waitlist data suggests that the moratorium period until December 31, 2022 would lock funds from being used and useful and create instability to serve Equity customers who seek storage for resiliency.
- The Tier 2 advice letter process still ensures that the Commission can enforce its program priorities and goals while providing parties with an opportunity to protest and respond to any requests to transfer funds.
- The currently existing lottery system and priorities need to be updated to reflect the Commission's near-term priorities and objectives.

II. RECENT PROGRAM INCENTIVE UPTAKE AND WAITLIST DATA SUGGESTS THAT THE MORATORIUM PERIOD UNTIL DECEMBER 31, 2022 WOULD LOCK FUNDS FROM BEING USED AND USEFUL AND CREATE INSTABILITY TO SERVE EQUITY CUSTOMERS WHO SEEK STORAGE FOR RESILIENCY.

Despite the PAs' arguments in comments leading to D.20-01-021 that maintaining the funds transfer authority authorized under D.16-06-055 would maximize flexibility to respond to market conditions, the Commission determined to freeze this authority until December 31, 2022 in order to ensure that the budget allocations "remain stable for several years to clearly signal available funding to developers."[1] To its credit, the Commission did move up earlier the date through which the PAs' funds transfer authority would be frozen from December 31, 2023 to December 31, 2022 in response to parties' comments on the Proposed Decision, but recent market uptake data suggests that the Commission's budget allocation decision may not be in sync with market demand and the size of the addressable market for each budget category based on the specific customer eligibility criteria.

[1] D.20-01-021 at 59.

Currently, after accounting for already-allocated funds, the Non-Residential Storage Equity Budget is oversubscribed by over $300 million, as represented by the waitlisted incentive claim trends in Table 1. Meanwhile, after accounting for the already-allocated funds and the additional funds authorized pursuant to D.20-01-021, the Residential Storage Equity Budget is oversubscribed by $8.4 million.

Table 1: SGIP Available/Expected Budget & Incentive Claim Trends[2]

	Available Budget ($)[3]	Reserved Incentive Claims ($)[4]	Waitlisted Incentive Claims ($)	Additional Incoming Budget ($)[5]	Net Position After Clearing Waitlist ($)[6]
Equity Resiliency	**100,000,000**	**95,392,358**	**50,254,896**	**512,442,000**	**458,740,728**
CSE	13,000,000	12,652,204	9,001,589	66,617,460	55,260,340
PG&E	44,000,000	43,047,498	36,866,706	225,474,480	186,893,283
SCE	34,000,000	32,855,907	4,386,601	174,230,280	168,304,075
SoCalGas	9,000,000	6,836,749		46,119,780	48,283,031
Non-Res Storage Equity	**52,852,387**	**49,999,032**	**303,428,489**	**0**	**(300,575,133)**
CSE	6,870,810	8,502,850	17,970,449	0	(19,602,489)
PG&E	23,255,050	21,514,403	108,566,198	0	(106,825,551)
SCE	17,969,812	14,218,270	145,959,745	0	(142,208,203)
SoCalGas	4,756,715	5,763,509	30,932,096	0	(31,938,890)
Res Storage Equity	**7,231,691**	**6,959,212**	**32,934,615**	**24,402,000**	**(8,482,932)**
CSE	940,120	899,452	3,853,138	3,172,260	(640,210)
PG&E	3,181,944	2,854,157	21,669,564	10,736,880	(10,612,032)
SCE	2,458,775	2,592,343	7,411,913	8,296,680	739,979
SoCalGas	650,852	613,260		2,196,180	2,029,332
Small Res Storage	**3,086,504**	**13,138,769**	**4,784,047**	**56,938,000**	**41,904,174**
CSE	401,246	3,010,577	619,535	7,401,940	4,138,833
PG&E	1,358,062	4,783,064	4,123,898	25,052,720	17,314,432
SCE	1,049,411	4,235,490	38,516	19,358,920	16,161,241

[2] Data was downloaded on June 9, 2020: https://www.selfgenca.com/report/public/.

[3] This budget represents the budget authorized as of September 2019 pursuant to D.19-09-027 and reflected in corrected Table 4 in D.20-02-039. The allocations across PAs are based on Table 1 of D.20-01-021.

[4] The Reserved Incentive Claim data is aggregated from the applications in the RRF stage, excluding those marked as "RRF Rejected" under "Fully Qualified State" in the real-time SGIP report. Projects marked as "RRF Suspended" are included in this statistic because such applications are typically missing required documentation or needs clarification. No discernable trends can be identified regarding project likelihood in looking at suspension rate of applications by category at this time.

[5] This budget represents the adopted allocation of 2020-2024 collections as adopted in D.20-01-021 and corrected in D.20-02-039 at 3. The allocations across PAs are based on Table 1 of D.20-02-021.

[6] Net position is calculated by taking the sum of the available and additional incoming budget and subtracting out the reserved and waitlisted incentive claims. The actual budget levels of the general budget categories may vary because there will likely be projects beyond the RRF stage that have claimed incentive funds, in contrast to the Equity and Equity Resiliency Budget categories that have only recently launched.

SoCalGas	277,785	1,109,637	2,099	5,124,420	4,289,668
Large Scale Storage	**216,818,321**	**35,240,229**		**81,340,000**	**262,918,092**
CSE	28,186,382	3,817,922		10,574,200	34,942,660
PG&E	95,400,061	25,704,743		35,789,600	105,484,918
SCE	73,718,229	5,400,050		27,655,600	95,973,779
SoCalGas	19,513,649	317,515		7,320,600	26,516,734
Renewable Generation	**6,760,301**	**2,864,100**		**97,608,000**	**101,504,201**
CSE	878,839			12,689,040	13,567,879
PG&E	2,974,532	1,117,500		42,947,520	44,804,552
SCE	2,298,502	19,800		33,186,720	35,465,422
SoCalGas	608,427	1,726,800		8,784,720	7,666,347

However, due to the determinations made in D.20-01-021, these waitlisted projects would sit idle waiting for funds to be released, possibly through a PA advice letter coming more than 2.5 years later, absent Commission action earlier. While this would provide "stability" for the Equity Resiliency Budget based on the narrow definition of customer eligibility, it would not provide stability to the broader subset of Equity customers who may also seek storage-backed resiliency and/or other storage benefits (*e.g.*, customer bill savings, emissions reductions) but unfortunately do not meet the specific resiliency-specific locational or "PSPS experience" of the Equity Resiliency Budget. For example, the waitlist data for Non-Residential Storage Equity projects suggests that a large portion of these projects will likely be providing resiliency based on the percentage of storage projects with longer than two-hour discharge duration as a proxy for resiliency projects, given that such projects require a demonstration of resiliency capabilities:[7]

Table 2: SGIP Non-Residential Storage Equity Waitlisted Incentive Claims

	Incentive Claims for Storage with 2 or Less Hours of Duration ($)	Incentive Claims for Storage with Greater than 2 Hours of Duration ($)	% Resiliency Project Incentive Claims of Total Waitlisted Incentive Claims
CSE	203,310	17,767,139	98.9%
PG&E	23,810,304	84,755,895	78.1%
SCE	10,480,788	135,478,957	92.8%
SoCalGas	4,438,867	26,493,229	85.6%

[7] D.20-01-021 at Order 28.

At the time of the issuance of D.20-01-021, CESA understands that the Commission could not have known the level and speed of market uptake of funds from each of the budget categories. To this end, the funding allocation decision may have been appropriate at the time of issuance of D.20-01-021. Nonetheless, one-month worth of actual market uptake data is now available to inform potential reallocation of funds. There is clearly a miscalibration of the appropriate allocation of funds authorized under D.20-01-021 to the specific priorities expressed by the Commission. On the one hand, the Commission could address this by issuing a Ruling on its own motion or in response to a concurrently-filed CESA Motion, but short of that, CESA believes that PAs need to be restored the fund transfer authority, effective immediately upon granting this Petition, to ensure that flexibility is provided to meet the market demand conditions for SGIP funds. As such, the freeze period should be removed from the decision.

III. THE TIER 2 ADVICE LETTER PROCESS STILL ENSURES THAT THE COMMISSION CAN ENFORCE ITS PROGRAM PRIORITIES AND GOALS WHILE PROVIDING PARTIES WITH AN OPPORTUNITY TO PROTEST AND RESPOND TO ANY REQUESTS TO TRANSFER FUNDS.

In order to ensure the Commission's resiliency priorities and programmatic goals are adhered to and to ensure stability of the various budget categories, the Commission and other parties to R.12-11-005 still have a mechanism and process by which to review and guard against poor outcomes through protests and responses to the Tier 2 advice letter, pursuant to the fund transfer authority that would be granted to the PAs with the lifting of the freeze period. For example, if the Commission or a party viewed a PA request to transfer funds as jeopardizing long-term market stability or taking away from established Commission priorities and/or goals, a party could submit a protest or response and the Commission may approve or deny the advice letter in a disposition letter. With such controls in place, CESA believes that the Commission can still maintain its control and discretion while offering a greater level of flexibility and responsiveness to the SGIP program to respond to market demand, especially when there are such immense demand for one budget category over the other.

IV. THE CURRENT EXISTING LOTTERY AND PRIORITIES NEED TO BE UPDATED TO REFLECT THE COMMISSION'S NEAR-TERM PRIORITIES AND OBJECTIVES.

In order to ensure equitable treatment across applicants when reservation requests exceed the available funding, the Commission established a lottery system based on the program's previous experiences with over-subscribed budgets and in consideration of the program goals of grid support and greenhouse gas ("GHG") reduction.[8] While some discretion was left to the PAs to develop the specific "mechanics" of the lottery,[9] the Commission adopted criteria that have yet to be updated to reflect evolving priorities and objectives. Currently, the lottery rules prioritize projects located in the West Los Angeles Basin and those paired with a renewable generator,[10] which were especially applicable at the time of its adoption due to the capacity constraints related to the Aliso Canyon natural gas storage moratorium but are currently more than three years out of date considering today's priorities around resiliency, particularly for customers in need.

Since the inception of the lottery system, the Commission has set a priority on ensuring access to the benefits of SGIP energy storage systems to those who qualify for the Equity Budget and represent vulnerable customers in Tier 2 or 3 High Fire Threat Districts ("HFTDs") as soon as possible.[11] In the most recent decision, D.20-01-021, the Commission clearly set a new priority on supporting resiliency for the customers most impacted by Public Safety Power Shutoff

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[8] D.16-06-055 at 51-52 and COL 51,

[9] *Ibid* at Order 10.

[10] *Ibid* at 52-53 and Order 1.m.

[11] D.19-09-027 at 38.

(“PSPS”) events,[12] alongside the other program objectives to advance equitable access to funds, support market transformation, ensure GHG reductions, and ensure continued provision of grid services. Though there is still value in the types of projects that meet the previously adopted lottery criteria, they are likely outdated relative to the Commission’s most urgent objective of the program at this time to support resiliency for Equity customers. For example, the Commission issued Resolution E-5033 on December 6, 2019 that approved 95 MW of energy storage contracts to address the long-term local capacity requirements in the Los Angeles Basin while reducing gas deliverability from Aliso Canyon,[13] thereby contributing to the needs identified at the time. Whereas additional SGIP projects could be directed to continue to reduce reliance on Aliso Canyon or provide additional capacity, a new urgent priority has emerged around providing resiliency as well as in supporting Equity customers in difficult economic circumstances in light of the current COVID-19 pandemic. Meanwhile, there may be other measures and solutions that are already being deployed to address the previously identified priorities.

As such, CESA recommends that the Commission adopt the following lottery prioritization criteria for any future over-subscriptions that may occur as a result of granting CESA’s concurrent Motion and/or due to fund transfers requested by the PAs if the Commission grants this Petition and the PAs choose to exercise this authority:

- Customers who meet the Equity criteria
- Customer represents a critical facility or school that serves eligible disadvantaged community (“DAC”) customers

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[12] D.20-01-021 at 11 and 20.

[13] See *Resolution E-5033. Approves Southern California Edison’s plan submitted in Advice Letter 4002-E to procure 95 megawatts of energy storage resources in the Santa Clara/Goleta sub-areas of Moorpark sub-area of Big Creek/Ventura local reliability area* issued on December 6, 2019 and Finding 1 of *Resolution E-4937. Authorizing Southern California Edison’s plan to conduct a solicitation for energy storage to comply with SB 801 (Stern)* issued on August 10, 2018.

- Storage system provides backup power and the applicant meets all of the existing backup documentation

Accordingly, projects that meet all three criteria would receive the utmost priority, followed by projects that only meet two or one of the above criteria. If funds in a budget category are still insufficient based on this lottery criteria, the lottery rules should be based on a pure random selection. Such lottery criteria ensure that the transferred funds prioritize customers who are the most vulnerable and the most in need of resiliency, in line with the Commission's objectives. Moreover, CESA would like to see the Commission also support waitlisted projects in the Equity Budget that may not meet the specific lottery prioritization criteria above, given the Commission's long-held equity objectives and the potential for these projects to also meet the program's goals around market transformation, grid services, and GHG reductions.

With the Commission's new priorities in mind, CESA believes it is reasonable at this time to revise the lottery prioritization criteria as proposed above. Eligible Equity customers would continue to be prioritized to ensure that they have access to program funds pursuant to Senate Bill ("SB") 350 and D.17-10-004,[14] where historically there has been no uptake among these customers since the establishment of the Equity Budget. Furthermore, by prioritizing customers who commit to providing resiliency service, the Commission would adhere to the intent of the Equity Resiliency Budget for customers who unfortunately do not meet the current narrow eligibility criteria for this priority budget category but otherwise meet the Commission's priority objectives. Finally, by prioritizing critical facilities and schools that serve DAC customers, the Commission could further

[14] D.17-10-004 at 6: "The Commission makes this programmatic change [establishing the SGIP Equity Budget] on our own motion with the objective that these investments will: 1) bring positive economic and workforce development opportunities to the state's most disadvantaged communities; 2) help reduce or avoid the need to operate conventional gas facilities in these communities, which are exposed to some of the poorest air quality in the state; and 3) to ensure that low-income communities have access to energy storage resources incentivized through SGIP."

close the gaps of the very type of project that should be supported as a priority measure. Critical facilities have been identified in this proceeding and R.18-12-005 as critical to providing essential public services to a broad set of customers, which in this case would be serving DAC and low-income customers. Schools also serve a similar function but only qualify if they are officially designated as a community resource center or cooling center, even as D.19-05-042 deemed schools to be a critical facility subject to PSPS notification protocols.[15] Including schools in the lottery priority criteria would support working parents and increase student safety. In many ways, by keeping schools online during an outage, a "gathering center" located in dispersed locations could be maintained for students and teachers, not to mention the added benefit of preserving teaching time.[16]

CESA understands that the Commission has not had to revisit the lottery process and criteria since its adoption and implementation pursuant to D.16-06-055. Beyond equitably "clearing" the initial backlog of projects from the suspension of the program leading up to the major reforms adopted in D.16-06-055, the transition to a program administered on a continuous basis with declining incentive levels smartly avoided this issue. However, at this time, the program is seeing clear and significant demand for Equity Budget projects for the first time since its establishment – a welcome and laudable outcome that should represent an opportunity for the Commission to "double down" and support fund transfers, subject to the above recommended criteria. In doing so, CESA believes that any determination to transfer funds – whether by the Commission under its own motion, by PAs by the authority reinstituted as a result of granting this

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[15] D.19-05-042 at 76 and A5.

[16] Cano, Ricardo. "Will Fires, Outages Land California Students in 'Disaster Relief' Summer School?" KQED News. 2019 December 7. https://www.kqed.org/news/11790206/will-fires-outages-land-californiastudents-in-disaster-relief-summer-school

Petition, or by granting CESA's concurrently filed motion – from one of the other budget categories into the over-subscribed Equity Budget categories ensures alignment with the Commission's current objectives and urgent priorities.

V. CONCLUSION.

CESA appreciates the opportunity to submit this Petition and respectfully requests that the Commission grant the requested relief in this Petition.

Respectfully submitted,

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Date: June 10, 2020