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)

COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE ON THE PROPOSED DECISION ADDRESSING PETITION FOR MODIFICATION OF DECISION (D.) 19-09-027 AND D.20-01-021

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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 Addressing Petition for Modification of Decision (D.) 19-09-027 and D.20-01-021* ("PD"), issued by Commissioner Rechtschaffen on June 15, 2020.

I. INTRODUCTION.

CESA commends the Commission for making a number of modifications to Decisions ("D.") 19-09-027 and 20-01-027 as requested by the California Solar and Storage Association ("CALSSA") in a Petition for Modification ("Petition") filed on April 1, 2020. The requested modifications represented reasonable and common-sense changes to streamline eligibility for Indian Country residences to claim Equity Budget incentives as well as for homeless shelters, food banks, and independent living centers to claim Equity Resiliency Budget incentives. In addition, the Commission makes reasonable and balanced changes to allow for optionality of the Self-Generation Incentive Program ("SGIP") incentive step-down structure to support longer-duration storage projects, recognizing that projects can still have non-resiliency value drivers in line with the program's greenhouse gas ("GHG") emission reduction and grid-service goals. On each of these changes, CESA is supportive of the determinations made in the PD.

While generally supportive of the PD, CESA recommends that the Commission consider the following modifications and clarifications to provide greater program certainty, consistency, and effectiveness, including how confirmed reservations or waitlisted applications could fairly and efficiently modify their project applications given these changes to the incentive step-down rules for any Equity or General Market energy storage systems sized above two hours of duration. Specifically, CESA makes the following recommendations:

- Upfront clarity on application modifications should be provided to manage the potential number of such requests in an equitable and efficient manner.
- Consistent income eligibility criteria should be established for customers located in and outside of Tribal Lands.
- A new Finding of Fact ("FOF") should be added that addresses the need to investigate whether general-market commercial storage incentives are sufficient.
- The Program Administrators ("PAs") should be directed to clarify and ensure that incentive sizing limits do not prohibit customers from installing larger storage systems.

II. UPFRONT CLARITY ON APPLICATION MODIFICATIONS SHOULD BE PROVIDED TO MANAGE THE POTENTIAL NUMBER OF SUCH REQUESTS IN AN EQUITABLE AND EFFICIENT MANNER.

CESA agrees with the PD that reasoned that the additional costs associated with configuring a storage project for backup purposes could deter general market customer participation that do not intend to provide backup power. Since the Commission modified the incentive rate step-down structure to prioritize customer resiliency needs, the PD would continue the more generous incentive step-down structure for resiliency projects to cover incremental costs while continuing to advance SGIP's existing goals with longer-duration storage via the legacy step-down structure but without the backup requirements.[1] CESA supports this change, which ensures that resiliency-focused projects are prioritized but also affirms that projects do not have to provide resiliency to provide value to customers and to align with SGIP's existing program goals.

However, some applicants may have designed their energy storage systems and submitted "sub-optimal" reservation claims accordingly under the previous backup requirements, likely to size their storage systems to be at or below two hours to avoid the additional costs to meet the "resiliency requirement." Had the proposed rules in this PD been in place at the time of application submission, the applicant may have sized their storage with more than two-hour duration to support non-resiliency value streams. Given this uncertainty and the applicant operating under the rules at the time, the Commission should clarify how such project modifications should be treated in the reservation claim process. This clarification will be particularly important for projects where incentive funds available are limited, such as the Non-Residential Equity Storage Budget where significant waitlists have accrued, and/or for projects where reservation claims were recently confirmed but where modifications should be reasonably accommodated, such as for General Large-Scale Storage Budget projects.

The SGIP Handbook provides rules around modifications for projects prior to the Incentive Claim Form ("ICF") stage.[2] Such pre-ICF modifications are required to receive PA approval for any changes to equipment type (*e.g.*, removing or adding resiliency equipment) or system capacity (*e.g.*, adding or reducing storage duration), with no guarantees to additional incentive funding and with potential need to submit new Reservation Request Form ("RRF") documentation. With the changes in the PD, the PAs may see a significant uptick in RRF modification requests, where they

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[1] PD at 27-28.

[2] SGIP Handbook Section 2.6.1.

may benefit from upfront Commission guidance on how to handle these numerous and concentrated number of modifications in a fair and equitable manner. In addition, CESA also filed a Petition for Modification on June 10, 2020 that, among other things, requested that the Commission modify the lottery priorities to prioritize Equity projects in line with the Commission's resiliency priorities,[3] which if granted, could trigger reservation/application modification requests.

To address this uncertainty and administrative burden, CESA recommends that the Commission provide guidance on how modification requests should be addressed in response to changes in this PD and possible changes due to CESA's Petition. Specifically, CESA recommends that the following clarifications be provided in this PD for modification requests:

- Where available funds are sufficient, any modification requests to equipment type or system capacity should follow SGIP Handbook rules for pre-ICF modifications where RRF documentation should be re-submitted, but the PAs should automatically allow re-submissions without requiring PA approval to streamline such modification requests in response to this PD. This could be allowed in a one-time and limited re-submission window of time (*e.g.*, three weeks after effective date of the decision) to modify storage durations and/or to either pursue or decline backup power requirements.

- Where available funds are less than incentive claims, any modification requests should be allowed in a similar one-time and limited re-submission window of time to modify storage durations and/or to either pursue or decline backup power requirements. However, storage applications should be treated in the following ways:

    - Confirmed reservations that wish to add storage duration and/or resiliency-related equipment should be allowed to modify their RRF without submitting new RRFs, where confirmation of reserving the incremental incentive claims will be subject to funding availability, lottery criteria, and/or order of application submission.

    - Waitlisted reservations that wish to add storage duration and/or resiliency-related equipment should be allowed to either (1) relinquish their waitlist position and resubmit their RRF (*i.e.*, "go to the back of the line"); or (2)

[3] *California Energy Storage Alliance's Petition for Modification of Decisions 20-01-021 and 16-06-055* filed on June 10, 2020 in R.12-11-005 at 8-9.

> modify their RRF without submitting new RRFs, where confirmation of reserving the incremental incentive claims will be subject to funding availability, lottery criteria, and/or order of application submission.

In making the above changes, CESA aims to ensure SGIP applicants have the ability to balance the certainty of funds rightfully claimed under the rules prior to the changes adopted in this PD with the ability to claim additional funds if available and reflecting the Commission's new rules adopted in the PD and in line with the waitlist rules and/or lottery priorities. With this upfront clarity, CESA believes that the Commission and PAs can avoid or mitigate any controversies or perceptions of fairness of projects being able to design projects optimally and claim funds accordingly while managing administrative burden of a wave of potential modification requests.

In the reverse, there may be some projects that wish to reduce storage duration and/or remove resiliency-related equipment to take advantage of the legacy incentive step-down structure in order to avoid the additional costs for backup power provision. Such RRF modification requests should be accommodated immediately in this one-time change period as it would release the hold on "excess" confirmed or waitlisted reservations.

III. CONSISTENT INCOME ELIGIBILITY CRITERIA SHOULD BE ESTABLISHED FOR CUSTOMERS LOCATED IN AND OUTSIDE OF TRIBAL LANDS.

While making mostly positive and commendable changes to enable SGIP participation for residential projects within California Indian Country, the PD could be improved by consistently applying the household income thresholds established in D.17-10-004. By requiring Equity Budget eligibility to be determined by eligibility for the California Alternate Rates for Energy ("CARE") Program and Energy Savings Assistance ("ESA") Program, the PD would in effect be establishing a "lower income household" limit for residential projects within California Indian Country as compared to other Equity customers located outside of these areas. In addition to the PD's proposed eligibility requirements, the PD should be modified to add a criterion for Equity

Budget eligibility for residential projects in California Indian Country based on whether the customer's household income is 80% of the area median income ("AMI") or less. This would be reasonable and consistent with the eligibility requirements for residential projects outside of California Indian Country.

IV. A NEW FINDING OF FACT SHOULD BE ADDED THAT ADDRESSES THE NEED TO INVESTIGATE WHETHER GENERAL-MARKET COMMERCIAL STORAGE INCENTIVE LEVELS ARE SUFFICIENT.

The PD makes the following points in the Discussion section regarding general market large-scale storage incentives:[4]

> "We are aware that uptake of general market large-scale incentives has been slow in recent years, as pointed out by CALSSA, but we are not convinced that inadequate incentive levels caused this. It is equally plausible that incentive uptake was slow due to uncertainty in 2018 and 2019 around the then-pending updated SGIP GHG emission reduction requirements or due to disincentives created by high demand charges and rates unaligned with peak periods."

CESA disagrees with this determination made in the PD without sufficient evidence presented in the record in R.12-11-005. While the uncertainty related to the GHG emissions requirements was one factor in the lack of participation in this budget category, there is insufficient factual basis to conclude that the new SGIP GHG requirements and options adopted in D.19-08-001 fully addressed these market participation barriers for general large-scale storage systems. CESA has previously commented on how the current incentive rate for general large-scale storage systems is too low to drive deployment. As supporting evidence, the program has seen little to no participation from general large-scale storage systems even with close to eleven months since the adoption of the new GHG requirements via D.19-08-001. CESA also disagrees with the statement that high demand charges create a disincentive for commercial adoption of energy storage; in fact,

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[4] PD at 29.

high demand incentives are an adoption incentive for commercial customers. As such, CESA recommends that the PD strike the above-referenced language.

At the same time, CESA understands that this issue may require further review and investigation in the newly opened SGIP-focused proceeding, R.20-05-012. New data and evidence would need to be presented and reviewed before adjusting the incentive level. To this point, CESA recommends that the PD add the following Findings of Fact ("FOF") to support further investigation in R.20-05-012:

> <u>FOF 19</u>: The uptake of general market large-scale incentives has been slow in recent years, as pointed out by CALSSA. It is plausible that incentive uptake was slow due to low incentive levels, which should be investigated in R.20-05-012.

V. <u>THE PROGRAM ADMINISTRATORS SHOULD BE DIRECTED TO CLARIFY AND ENSURE THAT INCENTIVE SIZING LIMITS DO NOT PROHIBIT CUSTOMERS FROM INSTALLING LARGER STORAGE SYSTEMS</u>.

The PD states that "SGIP incentive sizing limits do not prohibit customers from installing larger energy storage systems but rather ensure that incentive payments are based on appropriate sizing requirements."[5] In other words, energy storage systems are allowed to be oversized as long as incentive claims do not exceed the customer peak demand. However, the SGIP Handbook currently does not make this abundantly clear, leading to potential interpretations that may not be aligned with FOF 16. CESA recommends that the PD add an Order to the PAs consistent with FOF 16 to ensure that the SGIP Handbook similarly reflects the Commission's finding.

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[5] PD at 40.

VI. CONCLUSION.

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

Respectfully submitted,

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CALIFORNIA ENERGY STORAGE ALLIANCE

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