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The Need for FTM DER Pathways

Additional submitted attachment is included below.

July 29, 2026

California Energy Commission
Docket No. 22-OII-01
715 P Street
Sacramento, CA 95814

Subject: Eddy Energy LLC Comments on Docket No. 22-OII-01: DERs in California's Energy Future Workshop

Eddy Energy, LLC ("Eddy") appreciates the opportunity to comment on the California Energy Commission's (CEC) Distributed Electricity Backup Assets (DEBA) Draft Guidelines, issued August 11th, 2023 ("Draft Guidelines").

About Eddy Energy

Eddy is a U.S. distributed energy storage development platform. Eddy works with landowners, communities, and load-serving entities to develop fleets of stand-alone storage projects that efficiently deliver needed local reliability benefits along with peak energy-shifting necessary to integrate renewables. Eddy is based in San Francisco, CA.

The Need for a New Resource Adequacy Pathway

The CEC, in the CERIP docket and elsewhere, recognizes the major challenges facing the state as a result of a number of ongoing trends, from local interconnection backlogs to global climate change. Eddy supports this focus of the CEC and wants to emphasize that current pathways do not allow a significant category of resources—the front of meter DER segment—to effectively attain resource adequacy (RA) or reliability value.

The CERIP report emphasizes the need to increase the participation of 'demand side' resources in grid reliability. As the CERIP report states, "new strategies are needed to increase demand flexibility of existing resources and to enable pathways for the integration of many more. The state needs more market opportunities that advance demand reduction, including pathways that expand aggregation of many resources into virtual power plants." The state is indeed sorely in need of reforms to incentivize the deployment of distributed energy resources (DERs), and it's key that any reforms don't result in narrow carve-outs but rather encompass the full suite of DERs, from responsive load, aggregated behind-the-meter resources, microgrids, 'community-scale' front-of-meter assets, and more.

It's important to state that large DERs represent a high-value asset class that is currently challenged by a lack of pathways in California. According to the CPUC's Energy Storage Procurement Study, distribution-connected storage assets have the potential to deliver the highest benefit-to-cost ratio out of all storage asset classes, but the report states that, to

achieve this, programs for these resources must “enable multiple use applications by requiring distribution-connected resources to offer transmission grid-level services when idle and minimize extended periods of standby.” We hope DEBA can be a key bridge allowing large DERs to realize reliability value while also bringing important benefits to the local distribution grid.

California, long a leader in renewable energy, has become a laggard when it comes to the DER space. One of the main reasons is the lack of pathways for these resources to provide reliability. Other ISO markets, such as NYISO and ISO-NE, have strong DER development environments driven in large part by market and tariff mechanisms that directly credit local resources for their peak dispatching/shifting, which bring both system reliability as well as T&D infrastructure deferral benefits.

New York’s Value of Distributed Energy Resources (VDER) program best exemplifies how an investable signal can drive distributed asset development. Through VDER, the New York State Public Service Commission provides a value stack to distributed projects that is made up of:

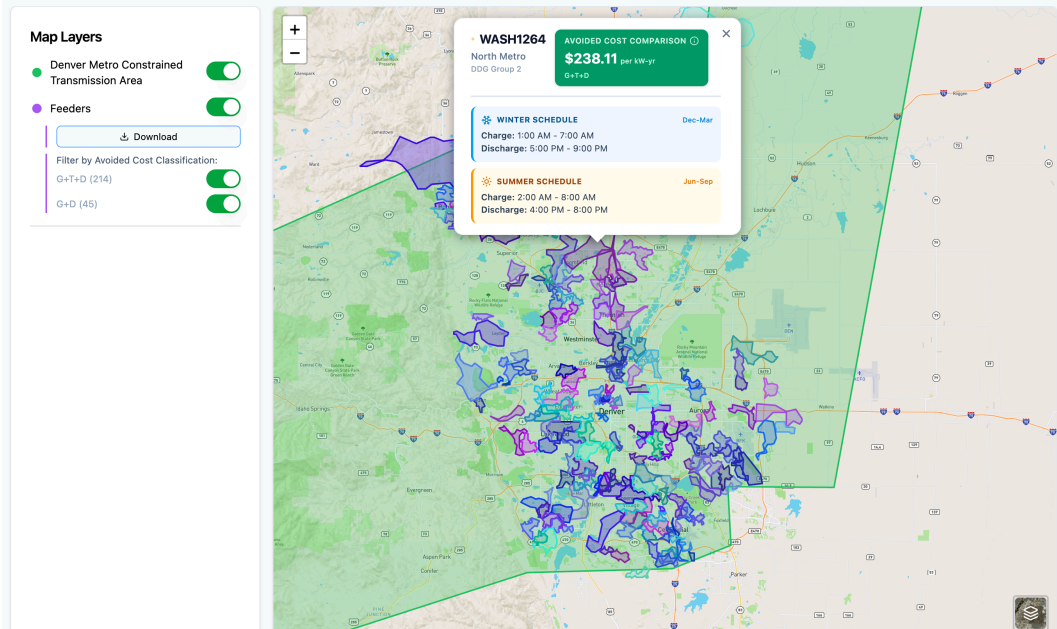
- Energy Value
- Capacity Value
- Environmental Value
- Demand Reduction Value
- Locational System Relief Value

Three of these components—the capacity value, demand reduction value and locational system relief value—compensate resources for their peak-reducing behavior, recognizing the intrinsic value of distribution-connected assets to the grid.

Other states are also implementing similar programs to help develop local, front-of-meter projects, recognizing the value of these assets. Colorado has approved the Dispatchable Distributed Generation Program (DDG), whereby they will procure 200 MW or more of 1-3 MW front-of-meter energy storage projects over the next several years. The DDG program has assigned a value stack to each distribution feeder, whereby projects know how they will be compensated based on location. The image below shows the feeder-by-feeder view with associated generation (G), transmission (T), and distribution (D) values.

 Geo Guidance

Analyze site suitability with environmental and regulatory data layers



The DDG value stack is as follows:

- **G+T+D = \$238.11 kW-yr**
- **G+D = \$216.44 kW-yr**
- **G+T = \$173.37 kW-yr**
- **G = \$151.70 kW-yr**

In Minnesota, they have approved the Distributed Capacity Procurement (DCP) program, that similarly values the full set of grid services provided by local, peak-dispatching energy storage. The DCP program aims to develop 200 MW to 1 GW of 1-3 MW stand-alone, front of meter storage systems over the next 5 years. DCP targets feeders with load growth, adequate hosting capacity, and other priority factors. The value stack for these resources has been defined after extensive studies at the PUC level, and is shown below.

Table 3: C*C CBA Assumptions Summary

	CBA Assumptions
<i>Benefits</i>	
Avoided Energy/Energy Revenue Value	Average of locational marginal price (LMP) per MWh from the MISO Minnesota Hub Day-Ahead forecast and marginal energy price (MEP) per MWh from the 2024 Resource Plan
Capacity/Resource Adequacy	MISO Cost of New Entry (CONE) × BESS Effective Load Carrying Capability (ELCC) CONE price escalated at 3.81%
Avoided Distribution Benefit	\$40/kW-yr Applicable to 50% of projects
Avoided Transmission Benefit	\$30/kW-yr (\$250/kW annualized; 12% carrying charge)
Avoided Line Losses	6.47%

In California, there is no program that similarly values the local capacity value of DERs. Grid reliability investments are instead dictated by the Resource Adequacy (RA) program, which itself is driven by the singular concept of deliverability. Deliverability is a CAISO assessment that determines whether a given resource can deliver its output over the transmission system to system load, as well as what network upgrades are required to do so. To be counted as an RA resource, a project must be deemed ‘fully deliverable’ by CAISO. The problem is, deliverability is a transmission-oriented methodology that makes little sense for DERs in load-pockets that don’t need the transmission system in the first place. Deliverability views all assets as injections ‘upward’ into the transmission system, and this leads to often-absurd results, such as when DERs within constrained areas are deemed to have zero RA value when in fact their operation would meet the local peak and help mitigate the transmission constraint itself. Furthermore, deliverability studies are paired with the large interconnection cluster and from a cost and timing perspective are overly burdensome on much smaller projects.

We want to emphasize that for many DERs, there is actually no eligible pathway at all for attaining RA credit. Projects that connect to the IOU’s distribution grids through the WDAT tariff are largely frozen out of the RA process. Two of the three IOUs have eliminated the Independent Study Process from their tariffs, leaving Fast Track (capped at 3-5 MW per project), as the only allowable pathway for interconnecting front-of-meter DERs. **Fast Track projects are currently Energy Only by-rule in the WDAT and are ineligible for joining the Deliverability Study process. Thus, an entire category of assets has no route to attain RA value under current rules.**

With no workable path to receive RA credit, distribution-side resource development languishes. Developers can’t invest in the development of projects that won’t realize a large piece of their operational value, and load-serving entities can’t contract and design programs around projects that don’t ultimately help them meet their state-mandated RA procurement targets. This is a shame. Net load reduction is a key contributor to statewide grid reliability, and is especially needed in the context of a constrained and long-cycle bulk grid environment.

Eddy thus urges the CEC to develop a new pathway that provides credit to a wide range of DERs for their reliability benefits, which in turn would incentivize their development in the first place. The load-modification approach proposed by other parties is a logical fit with these assets, which through the WDAT study process are already studied for their impact on local loads and confirmed to not backfeed to the transmission. **With interconnection already confirming that these local assets act to shift local peaks rather than feed onto the transmission system, incorporating their operations into the net load forecast is a reasonable and logical solution to the current roadblock.**

As in other markets, any 'demand-side' policies should be inclusive of all resources that can shift net load on the distribution system, across technologies and both behind and in front of the meter. **It is critical that we maximize our use of the distribution grid infrastructure to deliver reliability, just the same as we do on the transmission side.**

Conclusion

Eddy Energy appreciates the opportunity to provide feedback to the CEC. We look forward to participating in the development of a load-modification program that allows the development of local assets to help meet the overall system needs and procurement goals of the state.

Respectfully submitted,

Sam Maslin

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