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Comments of the California Clean DG Coalition Re Draft Staff Report

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Additional submitted attachment is included below.

**BEFORE THE ENERGY COMMISSION
OF THE STATE OF CALIFORNIA**

In the matter of:

AB 1257 Natural Gas Act Report:
Strategies to Maximize the Benefits
Obtained from Natural Gas as an Energy
Source

Docket No. 15-IEPR-04

Comments on Draft Staff Report

October 1, 2015

**COMMENTS OF THE CALIFORNIA CLEAN DG COALITION
REGARDING DRAFT STAFF REPORT: AB 1257 NATURAL GAS ACT REPORT:
STRATEGIES TO MAXIMIZE THE BENEFITS OBTAINED FROM NATURAL GAS
AS AN ENERGY SOURCE**

The California Clean DG Coalition (“CCDC”) provides these comments regarding the California Energy Commission (“CEC”) Draft Staff Report titled *AB 1257 Natural Gas Act Report: Strategies to Maximize the Benefits Obtained from Natural Gas as an Energy Source* (the “*Draft Natural Gas Act Report*”). CCDC is an ad hoc group interested in promoting the ability of distributed generation (“DG”) system manufacturers, distributors, marketers and investors, and electric customers, to deploy DG. Its members represent a variety of DG technologies including combined heat and power (“CHP”), renewables, gas turbines, microturbines, reciprocating engines, and storage.¹

CCDC strongly supports the section of the *Draft Natural Gas Act Report* that calls out CHP as one avenue to maximize the benefits of natural gas as an energy source.² As noted in the *Draft Natural Gas Act Report*, there is a significant role for CHP in California’s clean energy future. CHP is an energy efficiency measure, and it can also achieve other policy goals, including greenhouse gas (“GHG”) emission reductions, grid maintenance and grid resiliency/reliability. In fact, both the California Air Resource Board and the Governor recognized the significant GHG

¹ CCDC is currently comprised of Capstone Turbine Corporation, Caterpillar, Inc., Cummins Inc., DE Solutions, Inc., EtaGen, Inc., GE Energy, Hawthorne Power Systems, Holt of California, NRG Energy, Penn Power Systems, Peterson Power Systems, Regatta Solutions, Solar Turbines, Inc., and Tecogen, Inc.

² *Draft Natural Gas Act Report*, Chapter 4.

emission reduction potential of CHP in setting, respectively, goals of 4,000 MW of additional installed CHP capacity by 2020 and 6,500 MW of additional installed CHP capacity by 2030. As California continues to add more renewable energy to its electric grid, CHP has the flexibility and stability to play a critical role in making that transition in an economically feasible and sustainable way.

CHP is recognized as a clean, affordable and reliable technology for use with the many micro-grid developments throughout the country. Communities seeking to develop a micro-grid are aware of the need to have a generation source that can be used when the sun isn't shining and/or the wind isn't blowing. Given the limits of battery technology, the abundance and affordability of natural gas and the reliability of the technology, micro-grid developments can integrate CHP effectively.

These are just two of the main benefits of CHP. There are certainly many more and the *Draft Natural Gas Act Report* clearly identifies the value of the technology. However, the report also appropriately recognizes the many factors thwarting growth in CHP in California. There are regulatory barriers, market biases from the electric utilities, legislative challenges and a lack of coordination with the many incentive programs in California. These are not new barriers, but previous attempts to address these and other challenges have met with limited success.

We agree with the *Draft Natural Gas Act Report* assertion that proper valuation of CHP systems is challenging, but necessary if the potential of the market is to be realized. Monetizing the short, medium and long term benefits of CHP as well as rethinking the regulatory and market framework to better value the true costs and benefits of CHP generation and align utility tariffs/incentives with those costs and benefits are two key areas we believe require deeper analysis. Additionally, we agree that this research would benefit from being conducted by a broader coalition than existing CHP stakeholders and should be done as soon as possible.

CCDC supports the CEC's efforts overall to evaluate the role of natural gas in California's energy future. And the *Draft Natural Gas Act Report's* characterization of the contribution CHP can provide to that future is quite accurate. In the next months, CCDC will be working with partners – in California and across the nation – to explore various research options

