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**CMUA Comments on the Distributed Electricity Backup Assets
Program Request for Information**

Additional submitted attachment is included below.

STATE OF CALIFORNIA ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

In the Matter of:

Energy System Reliability

Docket No. 21-ESR-01

**COMMENTS OF THE CALIFORNIA MUNICIPAL UTILITIES ASSOCIATION
ON THE REQUEST FOR INFORMATION CLEAN ENERGY RESOURCES FOR
RELIABILITY**

The California Municipal Utilities Association (CMUA) respectfully provides the following comments to the California Energy Resources Conservation and Development Commission (Energy Commission) regarding the Request for Information (RFI) on Clean Energy Resources for Reliability, dated November 7, 2022.¹

CMUA is a statewide organization of local public agencies in California that provide essential public services including electricity, water, and wastewater service throughout California. CMUA membership includes publicly owned electric utilities (POUs) that operate electric distribution and transmission systems that serve approximately 25 percent of the electric load in California, and public water and wastewater agencies that serve approximately 75% of California's water customers. California's POUs and public water and wastewater agencies are committed to, and have a strong track record of, providing safe, reliable, affordable, and sustainable electric, water, and wastewater service.

I. INTRODUCTION

CMUA members appreciate the opportunity to collaborate with Energy Commission staff during the planning process for the Distributed Electricity Backup Assets (DEBA) program. California's POUs and public water and wastewater agencies stand ready to help maintain reliable, affordable, and sustainable electric service when the California grid is stressed. In order to develop a program that works to maintain a reliable electric grid, CMUA encourages the Energy Commission to keep all options open and look toward a 'no regrets' strategy to make as

¹ See <https://efiling.energy.ca.gov/GetDocument.aspx?tn=247317&DocumentContentId=81698>.

many resources available as possible to address potential grid stress over the summer months. To that end CMUA has responded to questions presented in the RFI regarding the DEBA program.

II. COMMENTS

1. What size of resource and what types of customers should the program target?

CMUA encourages the Energy Commission to endorse a no-regrets approach in developing the DEBA program. The goal should be to enable as many resources as possible to petition for funding and to provide flexibility to pilot innovative approaches.

CMUA generally agrees with the conceptual qualitative attributes² and suggests that an objective assessment can be applied to any resource that applies for DEBA incentive funding. For example, energy storage technologies, blended hydrogen, and biofuels are all technologies that can help promote grid reliability while meeting the state's clean energy goals. However, we don't know what emerging technologies may develop. To foster such developments, the DEBA should be open to allow assessment of all energy resources, other than fossil fueled resources.

Further, CMUA recommends against establishing a maximum capacity for DEBA-eligible distributed assets. CMUA notes that Table 3 characterizes solar as a distributed technology only if it is less than 1 MW, but it is unclear why the Energy Commission has proposed this limit. Some electric customers have significant individual loads due to the nature of their business operations. These customers should not be ineligible if they choose to install dispatchable backup generation or batteries exceeding 1 MW in capacity.³

Additionally, all customer types should be eligible for DEBA funding. Larger commercial and industrial customers are likely to be able to provide the largest net load reduction. However, multiple factors may affect individual customers' interest in participating in DEBA, the Demand Side Grid Support (DSGS) program or the Emergency Load Reduction Program (ELRP), including economics, corporate governance, sensitivity to impacts from unexpected outages, business operations, and regulations governing their own business operations.⁴ As such, CMUA recommends the Energy Commission keep the eligibility criteria

² In addition to the qualitative attributes presented in Table 4, the Energy Commission may also consider siting (e.g., zoning constraints) and locational value to the utility distribution and/or transmission grid.

³ Some large electric customers already have backup generation capacity exceeding 1 MW.

⁴ For example, the federal Occupational Safety and Health Administration mandates that hospitals have adequate backup power sources.

flexible. Aggregated net load reduction, particularly via demand resources may also meet the goals of the DEBA program.

Finally, CMUA recommends that eligibility for DEBA funds include utility-owned distributed resources. The statute provides no direction to the Commission to focus exclusively on customer projects. POU's have a critical role in maintaining grid reliability during extreme events. The Commission should consider ensuring that electric utilities are eligible for funding to undertake efficiency upgrades, capacity additions to existing power generators, to deploy new zero- or low-emission technologies, potentially on their distribution systems, and/or special facilities agreements between the POU and the customer.

For example, some POU's have special facilities agreements with customers to own and maintain certain types of equipment that are requested by the customer and allocated for that customer's sole use. This type of arrangement can be advantageous both for the customer, who can rely on utility expertise for managing an asset (e.g., microgrid, backup generation) and the utility, which has the capability to adequately maintain the asset and will have greater visibility into that asset on the distribution system. The concept of a utility-owned asset that is allocated for a specific customer could be replicated in the DEBA program.

2. What types of incentive structures and amounts are needed to accelerate the development and deployment of this resource?

While CMUA has no comment on specific incentive amounts at this time, the Energy Commission should structure flexible incentive mechanisms that can coordinate with varying circumstances and resource development processes, including overcoming upfront technology and installation costs as well as costs of operation over time. For example, the ability to utilize multiple incentives to promote the development of energy technologies can help to provide California with the energy resources needed to maintain a reliable and sustainable grid.

As stated in the RFI, recipients of DEBA funding must participate as on-call emergency resources. While this does not explicitly require that these resources participate in either the Emergency Load Reduction Program (ELRP) or the Demand Side Grid Support (DSGS) program, ongoing participation requires that California facilitate sufficient funding through these programs to enable program participants to cover their costs of operation. Due to supply chain challenges and increasing cost pressures, values established for these programs in one year may

not be sufficient to allow resource operators to cover their costs in ensuing years. As such, the Energy Commission, and the California Public Utilities Commission (CPUC) must regularly evaluate the program incentives to ensure that the cost of participating in such programs does not exceed the incentives provided by those programs.

The Energy Commission should also consider how the DSGS participation requirements could affect the economics of purchasing distributed backup assets. The current DSGS program, for example, allows participants to choose which DSGS events to which they shall respond.⁵ This has enabled some customers in utility load reduction programs to also respond to DSGS events outside their host utility's service area. However, requiring DEBA recipients to respond to all grid emergencies (and only grid emergencies) could prevent them from participating in (and receiving compensation from) a utility demand response program that could otherwise help optimize use of the asset year-round. This is particularly important for DEBA assets that are zero-emission. They can serve as on-call back up generation and help meet the state's overall clean energy goals. For example, a POU could apply for DEBA funding for a distribution level energy storage project that they could use to benefit their customers year round, meet the state's clean energy goals, and have a program mechanism to ensure the asset's capacity is available for emergency use when called. Ensuring that the DEBA funded resources are not just limited to emergency use will act as an important incentive for potential applicants.

3. What types of conditionalities and measurement and verification requirements should the program include to ensure funded resources participate and deliver during emergency events?

CMUA encourages the Energy Commission to recognize demand response programs already facilitated by various POUs and clarify that these programs satisfy the requirement for DEBA funding recipients to participate as on-call emergency resources during extreme events.

However, to the extent Energy Commission requires DSGS participation, CMUA urges the Energy Commission to clarify that DEBA funding recipients maintain the ability to choose between the DSGS participation options offered by their DSGS provider and that performance will be evaluated based on the terms of their DSGS enrollment. DSGS participation options may vary based on the DSGS provider (e.g., some may not offer all three incentive structures). As

⁵ The DSGS program is intended for extreme events and only applies in response to an energy emergency alert issued by a California Balancing Authority.

such, requiring DEBA funding recipients to adhere to a prescribed method of participation is impractical. In addition, not all DSGS incentive structures require the participant to respond to all program events. If a recipient of DEBA funding enrolls in DSGS (incentive option 1 or 2) and also participates in a utility load reduction program, the terms of the recipient's DSGS enrollment may allow them to respond only to certain DSGS program events. Finally, DEBA funding recipients may be unable to respond to DSGS events if they are already relying on backup generation due to anticipated, or actual, loss of power. The Energy Commission should clarify that participants would not be penalized in any of these cases.

During the September 2022 heat emergency, the California Independent System Operator (CAISO) issued multiple Energy Emergency Alerts while other Balancing Area Authorities (BAAs) in California issued no such alerts during the same time period. Various DSGS participants in BAAs other than the CAISO were able to provide net load reduction that helped maintain reliable electric service throughout the state. Alternatively, it is possible that multiple BAAs may issue alerts. In such a circumstance, the Energy Commission should clarify that in the event that multiple BAAs issue EEAs for the same timeframe, the on-call net load reductions enabled by DEBA recipients will be prioritized for the native BAA of the participant. This is key to ensuring that one BAA is not expected to jeopardize its own reliability to facilitate support to another BAA.

Finally, CMUA requests clarification of how the Energy Commission would verify a utility-owned resource's participation as on-call emergency support.

4. In general, please provide any specific proposal or recommendation on the design and implementation of the DEBA program.

a. Public water and wastewater agencies should continue to be compensated for increased demand charges resulting from program participation.

In addition to the direct cost of participating in a net load reduction program, some CMUA water and wastewater members have found themselves facing higher demand charges as a result of demand response participation. CMUA appreciates that the DSGS program includes funding to cover administrative costs, including higher demand charges. However, the ELRP includes no such funding opportunity. Since the ELRP is administered by the CPUC for customers of Investor Owned Utilities (IOUs), public water and wastewater agencies who are

IOU customers participating in the ELRP are more likely to be subject to demand charges. CMUA suggests that the Energy Commission continue to make the DSGS program available to public water and wastewater agencies, irrespective of whether they are IOU or POU customers.

b. The DEBA program should be sufficiently flexible to allow funding recipients to participate in utility load flexibility programs as well as serve as on-call emergency response.

CMUA appreciates the DEBA program's objective to incentivize cleaner distributed backup assets to support reliability during emergency events. However, CMUA believes it is critical to ensure that newly deployed resources can be optimized and contribute to peak load reduction year-round, not just during infrequent grid emergencies. As noted above, CMUA encourages the Energy Commission to recognize demand response programs already facilitated by various POU's and clarify that these programs satisfy the requirement for DEBA funding recipients to participate as on-call emergency resources during extreme events. Alternatively, the Energy Commission should work with CMUA and other stakeholders to develop guidelines that allow DEBA funding recipients to participate in utility programs outside of DSGS events.

c. The Energy Commission should clarify the meaning of "distributed"

As specified in AB 205, the DEBA program provides incentives for cleaner, more efficient distributed electricity backup assets. Eligible projects include efficiency upgrades, maintenance, and capacity additions at existing power generators, subject to compliance with the California Air Resources Board's Cap-and-Trade and Mandatory Reporting Regulation, to the extent applicable. However, "distributed" is not defined in statute, nor is "power generator." CMUA requests that the Energy Commission clarify if the meaning of "distributed" is based on interconnection location and/or other factors.

III. CONCLUSION

CMUA appreciates the opportunity to offer these comments and welcomes the opportunity to continue to collaborate with the Energy Commission and other stakeholders as the DEBA program is further developed and refined.

Dated: November 30, 2022

Respectfully submitted,



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