

DOCKETED

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Additional submitted attachment is included below.

April 26, 2023

California Energy Commission Docket Unit, MS-4
Docket No. 23-ERDD-04
1516 Ninth Street
Sacramento, California 95814-5512

Dear California Energy Commission:

The California Large Energy Consumers Association (CLECA) submits these comments pursuant to the notice in Docket 23-ERDD-04 regarding the April 11, 2023, workshop on Industrial Decarbonization and Improvement of Grid Operations (INDIGO).

Background of CLECA

CLECA member companies produce goods essential for daily life – critical infrastructure, oxygen for hospitals and food distribution. CLECA’s members represent the steel, cement, industrial and medical gas, beverage, minerals processing, cold storage, and pipeline transportation industries. Their aggregate electrical demand exceeds 500 Megawatts, which is equivalent to the electricity consumption of approximately 470,000 average California households.

CLECA members are large, high load factor and high voltage industrial electric customers in California for whom the price of electricity is a significant factor in the cost of producing their products or providing their services and for whom the reliability of electricity service is critically important. For both reasons, CLECA member companies have participated for decades in the Base Interruptible Program (BIP), providing reliability demand response to the grid in times of need.

Summary of CLECA Comments

The CEC should focus the limited amount of INDIGO program funds on industrial projects that will produce the biggest GHG reductions and improvements in energy efficiency. Focusing on the biggest bang for the buck will ensure that real, quantifiable results can be achieved. Other benefits of this focus include greater grid resiliency and possible reductions in criteria pollutants with some technology.

CLECA cautions against prioritization of research and development projects, as this would be contrary to the legislative intent, which is to kick start decarbonization of the entire California industrial sector. Notably, other funds are available for research and development.

Moreover, projects that reduce the use of fossil fuel should be eligible for INDIGO funding. It is premature to assume that companies can entirely eliminate the use of fossil fuel. The CEC should be working to improve efficiencies in fossil fuel use and reduce overall usage. Heat intensive industries have no other fuel alternatives at this time.

Additionally, INDIGO funding needs to be spent on projects, not energy assessments. One of the panelists suggested that the CEC should spend the INDIGO funds on education efforts on energy assessments and decarbonization assessments and seminars. There are already IOU and federal programs available to help companies do such assessments. INDIGO funds should be spent on projects that have real, verifiable results.

Workshop Questions for Stakeholders

1. Besides grants, should we consider other incentives (e.g., zero or low interest loans, loan guarantees)?

No, the INDIGO program should provide grants to eligible projects. Industry does not need loan guarantees or low interest loans to install the new projects contemplated in the INDIGO program. Grants will help make these projects feasible.

2. Eligible project/technologies

a) Are we missing any advanced technologies that can help industries reduce GHG emissions and provide relief to the grid?

At the workshop, the presentation by CEC staff proposed that eligible technology would be advanced technology, “Technologies that have been tested in the field (TRL 8-9), but not widely used in California or Technologies under development (TRL 5-7), but ready for demonstration in the field”. CLECA recommends instead that the CEC focus on technology that can be widely adopted, rather than try and develop or prove new technology. Since California’s goal is to decarbonize as quickly as possible, the CEC should seek the most “bang for the buck” by focusing on approving projects that provide the most greenhouse gas reduction benefits in the industrial sector. This includes the installation of energy efficiency products that are better than those currently in use in companies in California. It also includes the installation of waste heat recovery in industries that have not fully explored these systems. The CEC’s goal should be to facilitate improvements in California industry similar to what has been done with FPIP. Finally, eligible technology could include the installation of new solar photovoltaic system with energy storage and other fuel switching. One of the CEC’s slide lists carbon capture and utilization as an option. It is a technology that a few companies are investigating. However, the cost of one project could take up most of the money available in INDIGO. The CEC should seek to improve the efficiency of the industrial sector as much as possible by encouraging the adoption and installation of technology that is

proven, reliable, and has proven benefits. There will be other opportunities to support RD&D efforts.

b) What are barriers to implementation?

For new technology to be approved and installed, companies must prove to their management that the technology is feasible and cost effective over a certain time period. Many of the low-hanging fruit in energy efficiency and carbon removal has already been approved and installed by California companies. They are always seeking to improve their facilities to stay competitive compared to similar facilities located outside of the state. However, there are projects that don't meet the threshold or hurdle rate and don't get approved because the payback is much longer. These are the projects that California would benefit from funding and approving in the INDIGO program.

c) How can these technologies be replicated in other industries?

Certain improvements and technology are specific to certain industrial sectors and cannot be replicated in other industries. For example, certain motors and processes are highly specialized and must be developed specifically for a company or subset of companies. This should not deter the CEC from funding this technology. There are large benefits in GHG emissions and energy usage associated with improved efficiency in these industries because they are energy intensive.

At the workshop, one of the panel members advocated for the use of heat pumps to reduce emissions in the industrial sector. This is an example of a technology that may work for small manufacturers but cannot be used by California's larger companies. The thermal load for cement, steel and the larger companies is too high and cannot be served by current heat pump technology.

The technology solutions that can be replicated will be according to the size of the company and the processes it uses. The CEC should support technology that can make the biggest improvements in California's industry.

d) Should we target one specific industry, if so which one and why?

Since the CEC has a limited amount of money available for INDIGO, CLECA would like to see the program focus on energy intensive industries such as cement, steel, cold storage, industrial gases, and mining. Even small improvements in these industries, can provide the state with large reductions of GHG emissions and potentially other criteria pollutants. Projects could also provide greater grid resiliency by reducing facility's energy usage through waste heat recovery or solar and storage installations.

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If you have any questions regarding CLECA's position on the CEC Indigo funding, please contact Bruce A. Magnani at (916) 447-9884 or Audra Hartmann at (916) 549-6058.

Sincerely,

A handwritten signature in blue ink, appearing to read 'B. Magnani', with a long horizontal stroke extending to the right.

Bruce A. Magnani
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A handwritten signature in blue ink, appearing to read 'Audra Hartmann', with a stylized, cursive script.

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