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COMMENTS FROM SUNNOVA ENERGY ON DEMAND SIDE GRID SUPPORT (DSGS) REVISED PROGRAM GUIDELINES, SECOND EDITION

Additional submitted attachment is included below.

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California Energy Commission
Docket Unit MS-4
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COMMENTS FROM SUNNOVA ENERGY INTERNATIONAL INC. ON DEMAND SIDE GRID SUPPORT (DSGS) REVISED PROGRAM GUIDELINES, SECOND EDITION

Introduction

Sunnova Energy International Inc. (NYSE: NOVA) submits these comments in response to the California Energy Commission's April 21, 2023 Draft Demand Side Grid Support (DSGS) Program Guidelines, Second Edition.

As a leading service provider of distributed solar energy systems and battery storage products, Sunnova has long understood the value that aggregated distributed energy resources ("DERs") — and virtual power plants ("VPPs") specifically — can provide to the grid. So we were encouraged to see the inclusion of aggregated battery energy storage systems ("BESSs") in the Commission's proposed modified rule. BESSs are versatile in their ability to provide grid services, including grid relief through load reduction or the export of excess capacity to the grid during times of peak demand.

Given the value that aggregated DERs can contribute to California's energy future, Sunnova encourages the Commission to revisit certain provisions of the program to ensure maximum participation by customers and VPP operators alike. More specifically, the Commission should extend the program's duration, improve incentive structures, and streamline the enrollment process.

Company Background

Sunnova is a leading Energy-as-a-Service (EaaS) provider with customers across 40 States and U.S. territories, including California. Sunnova's goal is to provide our customers with clean, affordable, and reliable energy, so that they have the freedom to live life uninterrupted. Sunnova has a substantial presence in California with customers across 34 utilities — including large Investor-Owned Utilities ("IOUs"), Community Choice Aggregators ("CCAs"), and Publicly Owned Utilities ("POUs") — and has proven success in multiple aggregated DER programs throughout the State.

Comments on Revised DSGS Guidelines

Sunnova generally supports the Commission's revised guidelines. Among other things, we are encouraged by the expansion of DSGS to allow state-wide participation to fully realize VPP capabilities. Maximizing participation of customers' storage assets creates significantly more capacity when the grid needs it most, resulting in benefits to all ratepayers. Nevertheless, we encourage the Commission to revisit specific areas critical for deployment of these programs *at scale*.

Long-term program durations are needed for program stability.

While Sunnova greatly appreciates the funding committed to developing a robust VPP program, we recommend the Commission increase its commitment and expand the program's duration, for up to 10 years. There are several reasons for this.

First, a long-term program commitment gives customers confidence in their investment, by providing greater value calculations for customers as they finance their systems. In our experience with grid services programs, it is paramount that customers have long-term certainty regarding program benefits.

Second, expanding the program now reduces the administrative costs and customer burdens of sequential pilot programs later. Pilot programs are time-consuming and costly. Long-term stability in programs reduces the overall burden on customers and system operators by avoiding a multitude of pilot programs that only run for limited number of years.

Third, the Commission has already obtained sufficient feedback through the stakeholder process to commit to a long-term program. Indeed, the Commission has received thorough responses from aggregators, suppliers, service providers, and more. This feedback provides a solid foundation for the Commission to develop a program with a long-term commitment.

Incentive levels need to be increased for third party market participation.

Sunnova strongly supports the program guidelines set out in Incentive Option 3: Market-Aware Behind-the-Meter Battery Storage. Authorizing VPP operators to directly send dispatch signals or control individual batteries obviates the need for utilities to develop back-end capabilities to communicate with thousands of individual customers. This burden is further reduced when VPP operators can control customer eligibility, enrollment, and program marketing and education. Allowing third parties to manage a portfolio of customers for utilities helps provide certainty and visibility in these distributed resources. This results in a third party bringing an aggregated load with substantial capacity to participate in this program via a single platform, with no resources being used from participating utilities.

Of course, to achieve these benefits, third party operators must take on a substantial amount of work. Under Option 3, VPP operators monitor the market and respond based on the price triggers of the applicable zonal locational marginal price ("LMP") in the California ISO's day-ahead market.[1] Compared to other programs such as Emergency Load Reduction Program,

[1] Demand Side Grid Support (DSGS) Program Guidelines, Second Edition - Proposed Draft Program Guidelines.

Option 3 is a more difficult program to administer. Typically, an alert is provided to an operator of the demand response program, asking for a reduction in electricity demand during an event. This requires VPP operators to develop monitoring protocols and coordinate with system owners at a level which they previously have not done. VPP operators will have to develop an internal dispatch trigger to be used instead of the standard alerts such as Flex Alerts or an Energy Emergency Alert, which are used in similar programs. The costs of this development and implementation will be incurred by the operator — not the corresponding utility.

Given these substantial additional burdens and costs, we urge the Commission to increase the incentive levels for Option 3 to ensure an adequate level of market participation. The incentive level must be increased to allow VPP operators to recover their administrative costs, while still providing fair and just compensation for customers. Without an increase, VPP operators cannot do both, and, as a result, they will be hesitant to participate in this program.

A streamlined approach needs to be used for customer enrollment.

Sunnova recommends streamlining the enrollment process for customers to reduce the burden both on customers and on VPP operators. Customers are already inundated with paperwork — to enroll in retail programs, complete interconnection, etc. Reducing the administrative burdens and necessary touch points is critical for successful VPP programs. Option 3 requires each participating customer to sign a Customer Agreement Form, but it is unclear what this form entails. Sunnova recommends allowing third parties to secure customer permission via existing customer agreements to reduce the number of touch points with customers. This streamlined approach is an added benefit allowing third-party battery providers to serve customers.

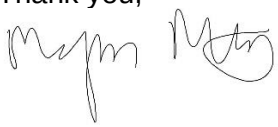
The Commission should also streamline the enrollment process for customers in POU and CCA territories. Under the current proposal, POU and CCA customers seeking to enroll

must first obtain written permission from POUs and CCAs. While we do not object to this precondition, the Proposed Guidelines lack a standard approach for how this will occur and could result in an administratively complex process. Having varying forms and requirements across all utilities will only increase administrative burdens and reduce participation levels. Sunnova recommends developing a standard form and process for all POUs and CCAs which would streamline customer enrollment within POU and CCA territories. As some utilities have previously administered this program prior to the state-wide expansion, the understanding of program requirements exists and can be unified to a standardized form and process. In all areas of program development and implementation, we encourage a simple and streamlined approach so we can deploy as many batteries, as quickly as possible.

Conclusion

Sunnova appreciates the opportunity to submit comments on the Commission's revised DSGS program guidelines and thanks the Commission for its work in developing further load flexibility to increase the reliability of California's electricity grid. DSGS is a critically important program, and we look forward to continuing to work with the Commission on timely rollout of the companion program – Distributed Energy Backup Asset ("DEBA"). DEBA goes hand in hand with DSGS, and we are eager to understand the resources available so we can plan accordingly. We look forward to continuing to partner with the Commission and with our customers to propel California towards its aggressive clean energy and resiliency targets.

Thank you,



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