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CCSA Comments on CECâ€™s Proposed Guidelines to Support Distributed Electricity Backup Assets (DEBA) Program - (22-RENEW-01)

Additional submitted attachment is included below.

August 30, 2023

The Honorable Siva Gunda, Vice Chair
California Energy Commission
1516 Ninth Street
Sacramento, CA 95814

Re: CCSA Comments on CEC's Proposed Guidelines to Support Distributed Electricity Backup Assets (DEBA) Program - (22-RENEW-01)

The Coalition for Community Solar Access (CCSA) appreciates the opportunity to comment on the California Energy Commission (CEC) proposed guidelines for the Distributed Electricity Backup Assets (DEBA) program. CCSA represents more than 100 companies involved in the deployment of community solar assets across the United States, a market segment that has successfully deployed more than 15,000 MWs of projects across more than 20 states.

Respectfully, CCSA asserts that projects developed pursuant to its proposed Net Value Billing Tariff (NVBT) program and incentivized through DEBA funding can quickly and efficiently deliver energy storage projects, powered by solar, to urban rooftops, Disadvantaged Communities, and local reliability areas.

CCSA's Proposal Before the CPUC Will Support Grid Reliability

The CEC's proposal is timely in both helping solve California's acute reliability issues, and because CCSA expects approval by the end of 2023 of a new community solar program in California, which should lead to the deployment of thousands of megawatts of solar-plus storage projects over the next several years. CCSA introduced this proposal before the California Public Utilities Commission (CPUC) in proceeding A2205022 and we look forward to a proposed decision in September or October. Community solar projects are distributed energy resources. They are large, shared solar facilities connected to the distribution system that provide savings to participating ratepayers ("subscribers") and CCSA's proposed California community solar program is a unique, scalable program that delivers grid reliability because it is based on energy storage charged by an adjacent solar project. Every NVBT project will incorporate energy storage so that solar energy generated during the day can be delivered to the grid when it is most needed, for the 25-year life of the project.

CCSA's proposed NVBT will deploy storage resources to meet the grid needs of today and tomorrow. It is designed to address acute reliability and equity needs effectively, efficiently, and fairly. There is no 'cost shift' with the NVBT because the projects are compensated at the avoided cost value of exported energy derived from the CPUC's Avoided Cost Calculator ("ACC"). The NVBT builds on years of purposeful effort by the CPUC to evolve evaluation of distributed energy resources (DERs) to be an integral part of a cost-effective and reliable resource portfolio developed as part of a coherent planning and procurement process. Each biennial update to the ACC will be reflected in the export credit rate available to future projects.

Thus, as grid needs evolve and those changing needs are reflected in the ACC, the deployment of additional projects will calibrate with the need - either continuing to be deployed because it is economic to do so, or pausing until grid needs support the economic development of new projects.

CCSA's Proposal on the Use of DEBA Funds

CCSA proposes that the CEC use DEBA funding and the NVBT to guide energy storage deployment so it will have a significant impact on California's reliability crisis. Specifically, CCSA suggests the CEC prioritize projects in the DEBA selection process that use the NVBT to deliver storage assets to urban locations (i.e., rooftops), local reliability areas, or DACs.

On its own, the economics of the NVBT will incentivize projects in areas where ground mounted solar can be most easily deployed. These distributed solar-plus-storage projects will provide reliability for California. However, as CCSA explained in its extensive testimony before the CPUC, NVBT does not on its own provide an adequate revenue stream to incentivize the development of rooftop projects, based on CPUC-approved values in the 2022 ACC. The CEC has the opportunity, through DEBA, to incentivize the deployment of storage assets in urban areas and more densely developed parts of the state, which overlap with local reliability areas (LRAs), that would not otherwise see community solar development because of the higher costs to develop projects.

NVBT + DEBA Will Deliver Tangible Benefits to DACs

The NVBT requires that 51% of the subscribers to each project be low-income households. Moreover, the NVBT requires a significant minimum level of energy cost savings for subscribers. Projects are required to provide at least 20% of the export credit rate to subscribers, and that savings increases to 25% of the export credit rate if the project is able to qualify for investment tax credit 'adders'.

Energy storage is fundamental to the NVBT because the ACC compensates based on time-of-delivery. An NVBT project that doesn't use energy storage to deliver energy during peak hours simply won't be economically viable. This intrinsic feature provides reliability benefits and supports the California grid. California ratepayers are not paying for these projects above the quantified value they produce as measured by the ACC, unlike the state's existing, limited programs, making the NVBT a triple win for participating subscribers, California ratepayers, and the grid. Simply put, there are no other generation alternatives, fossil-fueled or otherwise, that provide the multi-faceted benefits of NVBT. Using DEBA funds to encourage the development of NVBT projects in disadvantaged communities (DACs), urban areas, and LRAs where reliability needs are greatest creates a cascade of interlocking benefits.

Together, NVBT and DEBA can help California meet its environmental justice goals. Incentivizing NVBT solar-plus-storage projects to deploy in disadvantaged communities suffering from the pollution of fossil peaker plants can reduce the hours those plants run. As the

NVBT program matures, and with direction from the CEC, California can build the reliability resources that will allow for the closure of fossil-fueled plants.

The NVBT Will Quickly Deliver Storage Resources, at Scale

Distributed energy resources—small storage facilities powered with clean solar generation—are the foundation and strength of the NVBT. Large-scale solar and storage projects with their accompanying transmission investments will continue to play an important role in California's reliable grid. However, smaller storage projects, charged with solar, can deploy in a fraction of the time it will take larger projects. NVBT projects can begin providing reliability late in 2024, and certainly by summer of 2025.

Community solar+storage (5MWac or less) projects do not have the same supply chain or interconnection challenges California's investor-owned utilities have recently encountered. These projects can be deployed quickly for the following reasons:

- NVBT projects interconnect on the distribution system—not the CAISO-controlled transmission grid. NVBT projects will use the Rule 21 tariff rather than the FERC-jurisdictional interconnection tariffs. This means that NVBT projects can apply for interconnection under Fast Track, independent study, or go through a distribution cluster study, any of which are much faster than the CAISO cluster study process. Rooftop community solar-plus-storage projects in particular are more likely to pass Fast Track screens and get an interconnection agreement in a few months—not the years required for a utility-scale project going through a CAISO cluster study.
- Suppliers prefer diversity among their customers to reduce risk. There is always a significant risk of failure in solar project development and large, utility-scale projects represent concentration risk for battery and panel manufacturers. Community solar + storage developers are numerous and represent less concentration risk.
- Supply chain constraints have eased. While congested ports created problems last year, CCSA member companies are not reporting supply chain problems on their projects across the U.S. Small and diversified is better when it comes to supply chain risk.
- Permitting is faster, and easier, for smaller projects. Ground-mounted projects will generally have a 18 to 24 month permitting process because of CEQA review, but rooftop projects, particularly in experienced, urban jurisdictions, can quickly receive any necessary permits.
- NVBT projects are load modifiers and will quickly deliver reliability benefits without waiting for deliverability studies at the CAISO. NVBT projects will interconnect with utility distribution systems under Rule 21 and they represent an incremental addition of storage capacity and reliability. These benefits will be captured and reflected in the CEC's Integrated Resource Plan to create long-lasting load reductions and tangible resource adequacy benefits for load-serving entities. By supporting projects that are sited in urban areas, DACs, or LRAs, the CEC can ensure these load-reducing resources are deployed where they will provide the greatest value.

Based on deployment patterns in other community solar markets, CCSA estimates that a gigawatt of community solar-plus-storage could be deployed in California within the next few years.

Responding to Staff's Specific Questions: The Proposed Framework is Workable for CCSA Companies Pursuing Rooftop Solar-Plus-Storage Projects

The NVBT is designed to encourage responsible project development and discourage speculation. To access the NVBT tariff, projects must have secured all discretionary permits and provide evidence of a completed interconnection study or a signed interconnection agreement. It isn't a problem for projects so advanced to provide detailed timelines and budgets to the CEC. Moreover, NVBT projects will be providing monthly data reporting to the utilities for purposes of calculating subscriber bill credits. There will be ample reporting and high-quality data to track the performance of NVBT projects.

Financing projects is never simple, but recent changes to investment tax credit rules have opened new possibilities and enhancements for community solar-plus-storage projects. The NVBT incorporates these changes by requiring projects that receive additional tax incentives to pass a significant portion of those benefits through to subscribers. Tax credit benefits are essential to community solar-plus-storage economics. CCSA notes that in order to receive the full value of federal investment tax credits, projects must pay prevailing wage. NVBT projects will provide good-paying jobs and leverage strong federal support to give California more storage, and more reliability, for every DEBA dollar.

Staff's proposal to make funding retrospective and performance-based is generally workable. CCSA respectfully notes, due to the time-value of money, payments made over a 5-year period effectively reduce the amount of capacity that can be deployed for the same dollars.

CCSA has seen many different implementation models for community solar and CCSA notes that the CEC has the opportunity with DEBA to take the basic community solar-plus-storage program supported by NVBT to an even higher level of community benefits. CCSA recommends that any project receiving CEC funding, whether an NVBT project or some other technology, be required to demonstrate how it will provide tangible community benefits. These should include engagement with local community organizations, quantifiable benefits for local community members, and workforce development.

Additional Feedback:

CCSA believes that a declining block incentive structure, rather than grant funding opportunities, would be a more sustainable way to manage the DEBA program over the long term and more efficiently deploy resources. However, in the interests of quickly deploying storage resources to meet California's reliability crisis, CCSA recommends the CEC proceed with all due haste on the grant funding opportunity. CCSA companies will be able to respond in December

Based on experience in other states, CCSA recommends CEC staff adopt a standardized submission form, with quantitative, rather than qualitative metrics, to more easily compare

responses. CCSA anticipates a robust response from its members. With that in mind, CCSA encourages the CEC to entertain portfolios of projects as well as individual project applications.

Conclusion

Together with the CPUC, the CEC has an opportunity to leverage private sector capital and federal tax incentives to drive fossil-free reliability investments that benefit California ratepayers and support California's grid. The NVBT will support private investment in energy storage that will be charged with clean, solar energy. Requiring DEBA-incentivized projects to site on rooftops in urban areas, or in LRAs will help reduce pollution and early deaths in these overburdened communities. Community solar-plus-storage projects developed under the NVBT need only the direction and financial incentives provided by DEBA to build a clean and reliable grid that gives back to California communities.

Thank you for your consideration of these comments

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CCSA