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Eddy Energy, LLC Comments on the DEBA Draft Guidelines, Docket #22-RENEW-01

Additional submitted attachment is included below.

California Energy Commission
Docket No. 21-RENEW-01
715 P Street
Sacramento, CA 95814

Subject: Eddy Energy, LLC Comments on the Distributed Electricity Backup Assets (DEBA) Draft Guidelines, Docket #21-RENEW-01

Eddy Energy, LLC ("Eddy") appreciates the opportunity to comment on the California Energy Commission's (CEC) Distributed Electricity Backup Assets (DEBA) Draft Guidelines, issued August 11th, 2023 ("Draft Guidelines").

About Eddy Energy

Eddy is a U.S. distributed energy storage development platform. Eddy works with landowners, communities, and load-serving entities to develop fleets of stand-alone storage projects that efficiently deliver needed local reliability benefits along with peak energy-shifting necessary to integrate renewables. Eddy is based in San Francisco, CA.

Recognition of Reliability Challenges

The CEC's Strategic Reliability Reserve and DEBA program are designed to help solve the major reliability challenges facing the state as a result of a number of ongoing trends, from local interconnection backlogs to global climate change. Eddy supports this focus and framing from the CEC and believes that grid reliability is one of the central challenges of the clean energy transition.

The need for reliability solutions in California was brought into sharp relief last September, when the state experienced a heat-induced record grid peak that threatened widespread blackouts. On September 6th, 2022, the Governor's Office issued an emergency order asking users to decrease their electricity use as a last-resort measure to prevent a grid shutdown. This order was effective in reducing load by over 2 GW within the hour, avoiding any large blackouts. CAISO CEO Elliott Mainzer stated that this emergency load-reduction "made an enormous difference in our efforts to keep the power flowing, and I cannot thank the public enough."[1]

The events of last September should give a clear sense of the urgency and timeliness around all programs aimed at bringing distributed reliability resources online, including DEBA. Eddy commends the CEC for the work done thus far and the progress made, and offers the following comments in response to the CEC's request for feedback.

[1] https://www.canarymedia.com/articles/grid-edge/californians-saved-the-grid-again-they-should-be-paid-more-for-it

CEC Questions for Feedback

"Are the proposed GFO payment structures effective and adequate to spur development of a project and ensure participation during an emergency event? Should alternative approaches be considered?"

The payment structure outlined in the DEBA Draft Guidelines is adequate for the development of distributed reliability assets. For projects that qualify for federal tax incentives, the CEC is proposing to fund approximately 50% of project costs through a mix of up-front payments and ongoing performance-based payments. The remaining project costs not covered by DEBA or by tax incentives would be borne by the project sponsor. This structure gives a healthy stimulus to this critical asset class, while also requiring project sponsors to find additional use case(s) and associated source(s) of revenue.

It's critical that distributed 'back-up' assets deliver as much value to the grid as possible. According to the CPUC's Energy Storage Procurement Study, distribution-connected storage assets have the potential to deliver the highest benefit-to-cost ratio out of all storage asset classes, but the report states that, to achieve this, programs for these resources must "enable multiple use applications by requiring distribution-connected resources to offer transmission grid-level services when idle and minimize extended periods of standby."[2] Eddy believes the proposed GFO model does a good job of stimulating distributed assets while also incentivizing them to find other high-value use cases to bring the highest total value to the grid.

A GFO model is the best starting point to distribute DEBA funds to projects in a timely fashion, enabling resources to be brought online to support the summer reliability season in the next few years. GFO releases can happen relatively soon, as the Draft Guidelines and presentation indicate, and would be open to a wide range of parties under a common scoring system. Eddy strongly supports the CEC's proposed metrics around Capacity and Availability as well as Cost in a GFO. Furthermore, Eddy supports a GFO model open to all project types (FTM and BTM) and technologies, under a common scoring system, rather than separate GFOs for segments with proscribed volumes allocated in advance per segment. Ultimately, prioritizing the cost-effectiveness of DEBA program dollars in delivering the most additional MW for grid reliability should be a core guiding principle of fund disbursement under a GFO.

Other parties support alternate funding mechanisms in place of a GFO, such as fixed-incentive structures. There are potential benefits of these alternate approaches, however consideration of any alternates should not delay the release of the planned GFO, which as stated is already highly transactable for distributed reliability assets. Time is of the essence for grid reliability, and Eddy does not believe we should go back to the drawing board and delay in pursuit of a theoretically more-perfect solution. Shifting to fixed, or partially-fixed, incentives for DEBA—

[2] https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/energy-storage/2023-05-31_lumen_energy-storage-procurement-study-report.pdf

potentially along similar lines as other distributed programs such as SGIP—may be a logical means to further extend the program going forward. However, each structure brings trade-offs that need to be carefully considered when crafting program rules. For energy storage projects funded by SGIP, as an example, the CPUC Energy Storage Procurement Study found that these projects often performed poorly from a cost/benefit standpoint, due to the limited use cases for these assets as well the fact that this program did not prioritize $/MW cost effectiveness. All told, Eddy supports the consideration of potential future reforms to DEBA, while urging the CEC to stick with its planned GFO release in 2023.

"How much time does your organization need to respond to a GFO?"

Eddy is currently developing projects designed to deliver energy and reliability benefits to the grid. We would need approximately one month to respond to a GFO once it has been released. Additional time would allow us to increase the detail for a response, but as we are actively developing sites we do not require long cycles to begin project development before we can make a submission.

We would stress, however, that the DEBA awarding and funding process allow for reasonable development timelines that allow sponsors to find additional sources of project funding, and then a reasonable amount of time prior to COD to secure interconnection, entitlements, equipment procurement, and construction. We would suggest allowing 24 months or more from project award to COD.

"Does your potential project qualify for Federal tax incentives, such as the production tax credit or investment tax credit?"

Our projects would qualify for the Federal investment tax credit for stand-alone storage.

Conclusion

Eddy Energy appreciates the opportunity to provide feedback to the CEC. We look forward to participating in the DEBA program with assets that increase the overall reliability of California's grid.

Respectfully submitted,

Sam Maslin

Sam Maslin
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Eddy Energy LLC