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**Prologis Comments on Distributed Electricity Backup Assets
Program Draft Guidelines**

Additional submitted attachment is included below.

August 31, 2023

California Energy Commission
Docket Unit, MS-4
Docket No. 22-RENEW-01
715 P Street
Sacramento, California 95814

Subject: Prologis Comments on Distributed Electricity Backup Assets Program Draft Guidelines and Workshop (Docket No. 22-RENEW-01)

Prologis appreciates the opportunity to comment on the California Energy Commission's (CEC) draft guidelines for the Distributed Electricity Backup Assets (DEBA) program. We are strongly supportive of the proposal, which we believe effectively balances a diverse class of renewable dispatchable technologies, prioritizes deployment in disadvantaged communities, and provides robust incentive mechanisms that will spur greater investment in grid reliability to benefit all Californians.

Headquartered in San Francisco, CA, Prologis is the world's leader in logistics real estate solutions. With assets totaling over 1 billion square feet, approximately 2.8% of global GDP flows through our properties. California is our largest market with 200 million square feet of space across 981 warehousing and distribution properties, one third of which are located in disadvantaged communities.

Our warehouse rooftops have enabled us to build out large commercial solar installations to serve onsite load with clean energy, helping our customers to reduce their emissions and benefitting communities by gaining access to renewable energy and improved grid resilience. Prologis works closely with its customers to understand their environmental goals and programs and has set a goal of achieving net zero operations across its value chain by 2040. Prologis' rooftop solar installations are a brand differentiator and place us second for on-site solar capacity among U.S. companies. We currently have 409 megawatts (MW) of solar generating capacity installed across our portfolio as of August 2023, with a goal of 1 GW of solar supported by storage by 2025. Through our solar power production and introduction of battery storage capabilities at our sites, Prologis is helping California reach its renewable energy goals and build reliable, secure, and privately financed sources of distributed energy.

Prologis also supports our customers globally with various retrofit and build-to-suit vehicle electrification projects across last-mile and heavy-duty applications. As EV adoption accelerates, we expect EV charging to be ubiquitous across our portfolio around the world. We are here to empower our customers in their transition to a zero-emission vehicle future. Prologis is focused on supporting the net-zero carbon transition of the movement of goods across long haul, last mile, drayage, and amenity.

By staying ahead of what's next, Prologis is helping to shape the next generation of American infrastructure and commerce.

Program Design and Budget

Prologis supports the proposed program design and DEBA funding allocations, including an anticipated amount of up to \$445M for distributed resources. We recommend aligning the Investor Owned Utility (IOU)/Publicly Owned Utility (POU) budget allocation ratio per the CEC's latest Integrated Energy Policy Report (IEPR) baseline planning scenario POU/IOU load ratio for a future target point such as 2035. To

first order, the need per territory segment ought to be proportional to that load share and would permit indexing to future IEPR updates. While we support the requirement that a minimum percentage of funds be allocated for projects located in or benefiting disadvantaged communities (DACs), we would suggest the CEC actually increase the minimum to 35% in line with broader climate goals.

Program Eligibility

Prologis is supportive of the inclusion of a broad array of proposed eligible technologies and the exclusion of diesel generators as outlined in the guidelines and presentation. In particular, we are strongly supportive of the inclusion of fuel cells, linear generators, vehicle-grid integration technologies to ensure smoother deployment of zero-emissions charging infrastructure and adoption of zero-emissions vehicles, which often face obstacles such as protracted interconnection delivery timelines from utilities due to high customer demand as well as inadequate power offerings due to unavailability or insufficient localized transmission and distribution capacity.

It is important to note that it is not always possible to interconnect a resource in parallel with the grid due to utility policy. For example, some load-serving entities in California will not allow grid parallel operation of a distributed resource that has DEBA capability. One option to avoid this collision course is to remove the eligibility requirement for a DEBA resource to be interconnected with the California grid so long as it uses a transfer-switch and is located in California.

Example Evaluation Criteria

The distributed resource GFO example criteria include displacing fossil-fueled generation. From the perspective of equity, we recommend using a NOx emission performance criterion instead by deferring to the governing air quality management districts' rules for backup generation at the project location. This is because the power density requirement of true multi-hour/multi-day backup capacity often requires dispatchable thermal backup generation solutions like linear generators or microturbines. However, given the unpredictability of emergency conditions in critical operations, it is tough to procure renewable natural gas in real time for an incidental backup mode only – especially where interconnected grid parallel operation is not permitted by a POU. The lack of current California Air Resource Board (CARB) Low Carbon Fuel Standard (LCFS) book-and-claim accounting accessibility is another blocker to renewable energy resiliency solutions, specifically for industrial-scale EV charging critical loads – a major load in the IEPR base scenario. This omission of book-and-claim accounting is in direct conflict with the objectives of low-carbon backup power solutions for EV charging eligible under DEBA, and we urge the CEC to work with their counterparts at CARB to find alignment.

As combined heat and power systems would be eligible for a DEBA program, we recommend that waste heat repurposing should be added to the co-benefits criteria.

Project Performance and Reporting Requirements

Prologis urges the CEC to consider exceptions for extreme circumstances when a project cannot perform. For example, a fleet of heavy-duty vehicles that can typically shift load to a non-emergency period or provide vehicle-to-grid services is prevented from doing so due to *force majeure* or vehicles are dispatched for emergency support elsewhere. If the project cannot participate in the emergency event for an

unforeseen reason that would cause undue harm, it should still be eligible for the annual performance payment.

GFO Payment Structures

Due to the capital cost intensity of DEBA investments – especially for distributed resources lacking the economies of scale of bulk grid assets – we propose increasing the upfront disbursement from 25% to 50%. This would at least align with the bulk grid asset framework.


Relating to previous comments, the detailed definition of “emergency performance” for distributed resources should be carefully considered as particular modes may not be permitted by some load serving entities.

The DEBA payment structure should encourage, or at least not discourage, participation in the Resource Adequacy (RA) program. The proposed payment structure for Bulk Grid Assets appropriately allows but does not require RA participation, but the structure for distributed resources suggests that funding decreases for projects that participate in RA during program months (May - October). The CEC should not penalize RA participation but should instead provide additional funding for RA projects that can provide incremental capacity during emergency events.

Conclusion

Prologis appreciates the CEC’s consideration of our comments and looks forward to working collaboratively in support of the DEBA program. Please do not hesitate to contact me at amoch@prologis.com or 571-895-5763 with any questions or to discuss the content of our comments.

Sincerely,



Alexis Moch
Director, Government Affairs