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Additional submitted attachment is included below.

STATE OF CALIFORNIA
CALIFORNIA ENERGY COMMISSION

IN THE MATTER OF: Distributed Electricity Backup Assets Program (Assembly Bill 205, 2022)	Docket No. 22-RENEW-01 RE: Distributed Electricity Backup Assets Program

CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S COMMENTS ON THE DRAFT DISTRIBUTED ELECTRICITY BACKUP ASSETS PROGRAM GUIDELINES

Evelyn Kahl,
General Counsel and Director of Policy
Leanne Bober,
Senior Counsel

CALIFORNIA COMMUNITY CHOICE ASSOCIATION
One Concord Center
2300 Clayton Road, Suite 1150
Concord, CA 94520
(510) 980-9459
regulatory@cal-cca.org

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The California Community Choice Association[1] (CalCCA) submits these comments to the California Energy Commission (Commission) pursuant to the *Notice of Availability and Request for Comments on the Draft Distributed Electricity Backup Assets Program Guidelines*, dated August 11, 2023. As public entities eligible to apply for grants under the Distributed Electricity Backup Assets (DEBA) program, community choice aggregators (CCAs) request that the proposed DEBA Program Guidelines (Proposed Guidelines) be modified as set forth below.

I. THE LIST OF ELIGIBLE CATEGORY 2 PROJECTS SHOULD BE CLARIFIED TO INCLUDE AGGREGATED BEHIND THE METER DISTRIBUTED RESOURCES AND AUTOMATION ADDED TO EXISTING RESOURCES

The Commission should clarify the list of eligible projects under Category 2: Distributed Resources. The Proposed Guidelines describe Category 2 resources as "[n]ew zero- or low-

[1] California Community Choice Association represents the interests of 24 community choice electricity providers in California: Apple Valley Choice Energy, Central Coast Community Energy, Clean Energy Alliance, Clean Power Alliance, CleanPowerSF, Desert Community Energy, East Bay Community Energy, Energy For Palmdale's Independent Choice, Lancaster Energy, Marin Clean Energy, Orange County Power Authority, Peninsula Clean Energy, Pico Rivera Innovative Municipal Energy, Pioneer Community Energy, Pomona Choice Energy, Rancho Mirage Energy Authority, Redwood Coast Energy Authority, San Diego Community Power, San Jacinto Power, San José Clean Energy, Santa Barbara Clean Energy, Silicon Valley Clean Energy, Sonoma Clean Power, and Valley Clean Energy.

emission technologies, including, but not limited to, fuel cells or energy storage, at existing or new facilities."[2] The Proposed Guidelines provide examples of eligible projects, including:

- Load flexibility controls, supervisory control and data acquisition (SCADA) systems, demand-response aggregation software;
- Fuel cells;
- Battery Storage;
- Linear generators;
- Microgrids;
- Microturbines;
- Vehicle-to-grid integration;
- Battery-backed electric vehicle charging;
- Pumped hydroelectric storage; and
- Combined heat and power systems.[3]

Ineligible projects include new diesel backup generators, and variable renewable resources without paired energy storage devices.[4] The Commission should clarify that two types of "projects" are eligible under Category 2: (1) programs aggregating behind-the-meter (BTM) distributed resources; and (2) load flexibility controls, SCADA, or demand-response software added to existing resources.

A. The List of Eligible Category 2 Projects Should Be Clarified to Include Programs Aggregating Behind the Meter Resources

First, the Commission should clarify that the list of eligible Category 2 projects include *programs* aggregating BTM resources. For example, a load-serving entity (LSE) can arrange installation of battery storage at several locations within its service territory, to be aggregated

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2 Proposed Guidelines, Ch. 2, § A.1.b, at 2.
3 *Ibid*.
4 *Id.*, § A.1.c., at 3.

through automation and/or controls to meet the requirements of the DEBA program (including being available for dispatch during emergency events). Such a programmatic option will not only allow the DEBA program to reach scale (and the intended emergency load reductions) in an efficient manner, it will also attract entities who may not otherwise assume the time and resource commitment to participate in a solicitation with a single BTM resource. Indeed, the value of aggregating BTM resources for load reduction during times of grid stress has been proven in the last few years through various demand response programs.[5]

In addition, based on feedback from Commission staff at the August 15, 2023, DEBA workshop (DEBA Workshop), CalCCA recommends the following for the programmatic proposals. First, programmatic proposals should focus on the installation of *new* BTM assets that can serve as on-call resources during extreme events. In other words, a programmatic proposal should not receive performance incentives for *existing* resources only (which is the role of the existing Demand Side Grid Support (DSGS) program).

Second, such programmatic proposals can be distinguished from, and supplemental to, projects incentivized under the California Public Utility Commission's (CPUC's) Self-Generation Incentive Program (SGIP).[6] SGIP budgets tend to deplete quickly after allocation of funds, demonstrating a need for additional funding for BTM resources. For example, at this time all funding for energy storage systems at non-residential customer sites is fully exhausted in the service territories for Pacific Gas and Electric Company (PG&E) and Southern California Edison

[5] For example, Marin Clean Energy's (MCE's) Peak FLEXmarket program aggregated more than 2,000 customer sites during the September 2022 heat wave and achieved almost 40,000 kWh in energy savings during the 11 event days, which is equivalent to taking almost 500 homes off the grid during peak hours.

[6] The CPUC's SGIP provides incentives to support the installation of a variety of distributed energy resources installed on the customer's side of the meter. *See* CPUC SGIP website: https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/demand-side-management/self-generation-incentive-program.

Company (SCE).[7] In addition, new SGIP funding allocated by Assembly Bill (AB) 209 is focused on residential customers only. As a result, opportunities exist under the DEBA program to fund the installation of energy storage systems at non-residential customer sites. The DEBA program goals (*i.e.,* to incentivize resources that can serve as on-call emergency supply or load reduction during extreme events) are also distinct from the goals of the SGIP (*i.e.,* greenhouse gas (GHG) reduction and resiliency). Unlike the DEBA program, SGIP resources are not required to be available for load reduction during event days.[8]

B. Automation Added to Existing Resources Should be Eligible for DEBA Funding Under Category 2

The Category 2 resource list should also be clarified to include load flexibility controls, SCADA, or demand-response software added to *existing* resources (not only those added to new assets). For example, a CCA could support large non-residential customers with automating their load reduction strategy during event days through both "behavioral" adjustments (i.e., automating load reduction for existing resources such as lighting and industrial processes through building management software), as well as technology controls (e.g., adding a control system to an existing resource such as an HVAC or energy storage system). While the addition of these resources will not involve installation of *new* generation or storage technologies, they can add significant value for reducing BTM load during event days, especially for large non-residential customers. The CEC should therefore explicitly allow for the installation of load flexibility controls, SCADA, or demand-response software added to *existing* resources in the GFO solicitations for Category 2.

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[7] Both the "Large Scale Storage" and the "Non-Residential Storage Equity" budget categories have waitlists in PG&E and SCE service territory. *See* www.selfgenca.com under "Program Metrics."

[8] In fact, under the CCAs' energy storage programs, customers tend to save their batteries during times of grid stress in anticipation of a potential black-out (in other words, to take advantage of the resiliency use case).

II. THE PROPOSED DISTRIBUTED RESOURCES DEBA PAYMENT STRUCTURE SHOULD BE MODIFIED TO ENSURE ROBUST PARTICIPATION IN THE DEBA PROGRAM

The payment structure proposed during the DEBA Workshop should be amended to incentivize robust participation in the DEBA program. The Proposed DEBA Guidelines state that "the disbursement approach will be dependent on the projects or technology types selected and will be tailored with each GFO solicitation."[9] However, during the DEBA Workshop Commission Staff proposed two DEBA payment structures: (1) Bulk Grid Asset projects will receive 50 percent of the total award upon the date of commercial operation; and (2) Distributed Resource projects will receive only 25 percent of the total award upon the placed in-service date, with the remaining 75 percent disbursed over a five-year period contingent on performance during emergency events.[10] CalCCA recommends two modifications to the Category 2 payment schedule: (1) disbursing 50 percent of the total award upon the placed in-service date; and (2) establishing a performance metric and payment system for emergency events that recognizes that resources may not be able to participate in emergency and test events 100 percent of the time.

First, the payment schedule for Distributed Resources should mirror that of Bulk Grid Assets – 50 percent payment upon the in-service date with the 50 percent remainder disbursed over the five-year period. The Distributed Resources payment structure proposed at the Workshop – with only 25 percent paid up front – will likely not adequately incentivize entities to develop new projects given current costs of financing. The DEBA Program payment structure should instead draw from tested payment programs for other Distributed Resource Programs,

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9 Proposed Guidelines, Ch. 2, § E., at 9.

10 *DEBA Program Staff Workshop: Draft Distributed Electricity Backup Assets Program Guidelines* (Aug. 15, 2023) (Workshop Presentation), at 33-34.

including SGIP, which provides the 50 percent up-front payment and the 50 percent remainder payments over time.

Second, the DEBA guidelines should recognize that resource outages will occur and not require resources to be available during *all* emergency and test events to receive payments.[11] Resources cannot be expected to operate at all times, given the possibility of outages or mechanical failure. Instead, resources should be held to minimum performance thresholds which could either be pegged to the number of events (*e.g.,* resources participate in 90 percent of all events) or a certain load reduction threshold (*e.g.,* resources participate with a certain percentage of their forecasted load reduction across all events).[12] In addition, missing the established performance thresholds should not lead to *no* annual payment, but rather a *reduced* performance payment (*e.g.,* if a resource performs in 50-90 percent of events, it can still be paid a portion of the performance payment).

III. THE GUIDELINES SHOULD PROVIDE AT LEAST THREE MONTHS FOR RESPONSES TO GFO SOLICITATIONS

The Guidelines should provide at least three months between a GFO solicitation issuance and the response deadline. The Guidelines state that each GFO solicitation will include its own schedule.[13] However, the target timetable presented at the DEBA Workshop proposes two months between the release of the first GFO solicitation and the due date for the first GFO applications.[14] Entities must design projects or programs catered to the specific objectives of the GFO and must receive internal approvals before submitting a proposal. CCAs' past experiences

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11 Workshop Presentation, at 34.

12 For example, the DEBA program could follow the example of the investor-owned utilities' Capacity Bidding Program (CBP) under which a penalty is assessed if aggregators fail to deliver their committed load reductions. The penalties vary based on the shortfall with larger penalties for larger shortfalls. *See* https://www.pge.com/tariffs/assets/pdf/tariffbook/ELEC_SCHEDS_E-CBP.pdf

13 Proposed Guidelines, Ch. 2, § A. 4., at 4.

14 Workshop Presentation, at 37.

designing projects or programs dictate that this entire process likely takes longer than two months. The Commission may also release several GFO solicitations simultaneously. In many cases, the program team working on a response that meets the needs of one solicitation may also be the same team working on a response to another solicitation with a completely different set of requirements. Furthermore, more complex projects or programs could take up to six months to be designed. For this reason, CalCCA requests that the Commission allow for six months to develop responses to more complex solicitations, and at a minimum, allow three months to develop responses to all other solicitations.

IV. CONCLUSION

CalCCA looks forward to further collaboration on this topic.

Respectfully submitted,

Evelyn Kahl
General Counsel and Director of Policy
CALIFORNIA COMMUNITY CHOICE ASSOCIATION

August 31, 2023