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**Docket 22-RENEW-01; Bloom Energy Comments on the Draft
Distributed Electricity Backup Assets (DEBA) Program Guidelines**

Please see attached document

Additional submitted attachment is included below.



August 31, 2023

Via web-based docket system

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

Re: Docket 22-RENEW-01; Bloom Energy Comments on the Draft Distributed Electricity Backup Assets (DEBA) Program Guidelines

Bloom Energy Corporation (“BE”) greatly appreciates all of the work that the California Energy Commission (“CEC”), including its staff, has devoted to enhancing the reliability of California’s energy supply, while advancing the sustainability and equity goals of the clean energy transition. The CEC’s efforts to stand up the Distributed Electricity Backup Assets (“DEBA”) Program is a fine example of that work, and if implemented quickly can provide a meaningful step forward towards a more reliable, cleaner energy system.

Notwithstanding our admiration and appreciation, however, DEBA itself- and the legislation that authorized it- must be seen as a canary in a coal mine. California has been struggling to keep its energy system reliable and the costs of its system affordable while it makes progress towards a net-zero future- and yet it is just at the precipice of far more challenging times to come. With rates among the highest in the country, and customers of all classes facing repeated and often prolonged outages, the Governor and the Legislature found it necessary to augment rate-based revenues with an infusion from the state’s budget- a nearly unprecedented off-balance-sheet approach to shoring up reliability that was made possible by the states’ fortunately flush budget surplus. However, the expenditures necessary to achieve California’s extremely important climate, equity and other environmental and social goals have just begun their projected steep climb, as the Commission’s SB 100 work has shown. The impacts of severe weather and our changing climate have only begun to stress our aging and less-than-well maintained energy supply, transmission and distribution systems. All of this is occurring at a time when California businesses and residents are more reliant on reliable electric energy for their most essential needs, from clean water and the food supply to heating and cooling and transportation. And, it must be said, at a time when California’s budget cannot be depended upon to continue to make up the difference between rate revenues and energy system investment needs. DEBA, rather than a mark of other programs to come, may represent the best opportunity the Commission has to make investments in a smoother, more reliable and more successful energy transition, with decreased climate and criteria emissions in the interim as we progress towards ultimate goals.

In this context, DEBA- and all other California expenditures on energy- cannot simply provide backup “bandaids” to cover over the most immediate and obvious needs- i.e., net peak system capacity shortfalls. Every dollar spent must be stretched to meet California’s overall needs to assure reliability in the face of foreseeable reliability challenges, including “renewable droughts,” extended Public Safety Power Shutoffs (PSPSs), the likelihood of increasing transmission and distribution system failures, and other disruptions. Failure to take a broader view of reliability challenges and to optimize resource deployment to address the range of likely disruptions will inevitably result in a disastrous combination of unsustainably rising overall energy costs and decreasing reliability- and, ultimately, in policy failure when energy and environmental policy success is most desperately needed.

We therefore urge the Commission and its extremely dedicated, hardworking and talented staff to use DEBA and all other mechanisms at their disposal to build reliable, resilient *bridges* to California's energy future- and not invest in limited-capability, short-term backup resources that have no realistic ability to help support the range of risks California's changing energy system must bear, if it is to finally remove its reliance on the most polluting resources and retire them, as had long been the state's policy.¹

For these reasons, BE suggests that the Commission focus less on whether the proposed grant funding opportunity ("GFO") structure would spur investment (we believe the proposal would do so) or on whether the GFO structure would attract resources that would qualify for federal benefits co-investment (it would, with respect to fuel cells). Rather, we believe the Commission, and its success in wielding the DEBA program, would be best served by prompting investment in resources that will ***meaningfully contribute to assuring reliability in the near term in the face of all reasonably foreseeable challenges; reduce climate and criteria emissions in the near term; reduce energy system water use; and contribute to a smoother, more reliable, more resilient and more cost-effective transition to California's energy future.***

How can DEBA undertake this weighty responsibility? By precisely signaling, through its selection criteria, the characteristics that California's energy system needs now, through the interim of the energy transition, and into the future. Many of those characteristics are present in the Draft Distributed Electricity Backup Assets Program Guidelines (the "Draft DEBA Guidelines") and were discussed in the DEBA Program Staff Workshop held on August 15, 2023 (the "August DEBA Workshop") – but many were not. In short, DEBA should fund new energy supply and demand reduction that (1) will assuredly be available when they will be needed in the range of reasonably foreseeable circumstances; (2) will assuredly be available for as long a duration as they are likely to be needed; (3) will be located in precisely those places where they will do the most good; (4) are both designed and operated to reduce emissions now (both with respect to greenhouse gas emissions ("GHGs") and the criteria pollutants that harm health and the environment, disproportionately burdening disadvantaged communities, and (4) either are realistically capable of switching to zero-emission operations or that reduce stranded asset risks through limited life spans and easy decommissioning.

With this in mind, we recommend that the Commission take a finer pen and provide more explicit, detailed criteria that will be used to weigh grant applications and determine which will best support near-term needs and a smoother energy transition. By providing more granular criteria, the Commission can not only be assured that DEBA grants will result in the performance that the Commission desired- it would also send a signal to the market that these characteristics are valued, and create a deployment response that would extend well beyond DEBA's capabilities to directly incent, given its limited funds. These criteria should include:

- Availability during anticipated stress conditions, based on demonstrated technology performance (while some investment in new, unproven technology may be supported by other Commission programs, this program in particular must actually result in enhanced reliability)
- Ability to provide sustained performance through the entire length of reasonably foreseeable stress condition periods, again based on demonstrated technology performance
- Deployment that provides reliable, resilient power for California's critical infrastructure, consistent with the prioritization of society's most urgent needs in the Governor's Executive Order N-33-20²
- Deployment in locations where reliability reinforcement is most needed, such as local capacity requirements ("LCR") areas or areas that have been subjected to repeated outages due to Public Safety Power Shutoffs ("PSPSs") or transmission or distribution weaknesses

¹ For a discussion of how California's reliance on such resources to maintain reliability in the absence of an effective approach to reduce emissions and maintain reliability during the transition period, see yesterday's article in Politico: Venteicher, "Newsom Embraces Dirty Energy in Bid to Stave Off Blackouts" (Politico, Aug. 31, 2023), available at <https://www.politico.com/news/2023/08/30/newsom-aliso-canyon-dirty-energy-blackouts-00113534>

² <https://www.gov.ca.gov/wp-content/uploads/2020/03/EO-N-33-20-COVID-19-HEALTH-ORDER-03.19.2020-002.pdf>

- Reduction in actual GHG emissions relative to the grid's current marginal emissions, combined with a demonstrated ability and commitment to switch to zero-emissions operations within ten years or a commitment to decommission within that timeframe
- Protection of disadvantaged and other communities through actual, demonstrated
 - Reduction of criteria pollutants
 - Avoidance of noise and visual blight
 - Avoidance of land use impacts that might conflict with community preferences
- Actual reduction or elimination of water use
- Capability to provide ancillary services and maintain power quality
- Capability to enhance increased deployment/grid incorporation of variable renewable resources
- Avoided or lessened transmission or distribution investments

In conclusion, we again thank the Commission and its staff for its exemplary efforts. While we hope that DEBA will be only one of many new programs that will be added to the Commission's toolbox to address reliability and reduce emissions throughout the energy transition, it must be assumed that DEBA will have to take on much of that work without additional assistance. It is therefore incumbent on the Commission to enable DEBA to help protect California and its energy system against disruptions from the full range of foreseeable reliability risks, and to reduce environmental and social impacts of the energy system while doing so. We look forward to working with the Commission and its staff to help DEBA and all of the Commission's programs achieve success.