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SB Energy comments on DEBA draft guidelines

Please find our comments attached. Thank you.

Additional submitted attachment is included below.

BEFORE THE ENERGY COMMISSION
OF THE STATE OF CALIFORNIA

In the matter of: Distributed Electricity Backup Assets Program (Assembly Bill 205, 2022)	DOCKET NO. 22-RENEW-01 Re: DEBA Program Guidelines

COMMENTS OF SB ENERGY ON THE DISTRIBUTED ELECTRICITY BACKUP ASSETS (DEBA) PROGRAM GUIDELINES

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OF THE STATE OF CALIFORNIA

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COMMENTS OF SB ENERGY ON THE DISTRIBUTED ELECTRICITY BACKUP ASSETS (DEBA) PROGRAM GUIDELINES

SB Energy appreciates this opportunity to comment on *Distributed Electricity Backup Assets (DEBA) Program Guidelines* ("Guidelines") and the associated workshop hosted by the California Energy Commission ("CEC") on August 15, 2023 ("Workshop").

I. INTRODUCTION

SB Energy is a fully integrated renewable platform focused on utility-scale solar, storage, and high-value renewable energy projects with a large California portfolio and pipeline. SB Energy has an operating portfolio of approximately 2 gigawatts ("GW") of solar projects, a construction portfolio of 1 GW of solar projects, and a development pipeline of 15 GW solar and 44 GWh storage across the U.S. In California, SB Energy operates more than 650 MW of solar projects, and its pipeline in the state includes over 3 GW of solar and storage projects. We are committed to continue working with the CEC and other state agencies to develop and build clean and reliable energy resources.

SB Energy commends the CEC and staff for their work in developing and implementing the DEBA program. The Guidelines offer a robust program framework for the efficient distribution of the substantial funding allocated to DEBA under Assembly Bills ("AB") 205, 180 and 102. In these comments, SB Energy suggests a few key clarifications and improvements to the Guidelines. Mainly, the Guidelines should state that adding storage capabilities onto an existing solar energy plant would qualify for funding as an eligible project under both Category 1: Bulk Grid Assets ("Category 1") and Category 2: Distributed Resources ("Category 2"). SB Energy also suggests revising the anticipated DEBA funding allocation for both categories and revert to the budget proposal of $150 million for Category 1 laid out in the January 27, 2023

workshop ("January Workshop"). Finally, SB Energy provides answers to the questions set forth for public comment and feedback in the Workshop and related materials.

II. DISCUSSION

1. Retrofitting Existing Solar Power Plants by Adding Storage Should Qualify for Funding under the Program as both Category 1 and Category 2 Eligible Projects

The Guidelines outline two categories of eligible projects. Category 1 covers efficiency upgrades, maintenance, and capacity additions for existing power generators. Projects under this category should increase nameplate capacity or power output for an existing facility. Category 2 encompasses new low-emission technologies like fuel cells and energy storage for existing or new facilities.[1] Retrofitting battery storage onto existing solar projects presents a significant opportunity for rapidly expanding clean energy resources to serve state's electrical grid during extreme events, and it should be an eligible project for funding under DEBA for both bulk grid assets and distributed resources.

With California's existing operational solar capacity standing at 33 GW as of 2021,[2] the potential to rapidly deploy storage as an upgrade or capacity addition for those plants is considerable. Storage retrofit projects can be swiftly brought online by leveraging existing solar resources, sidestepping prolonged site control and interconnection procedures. Additionally, because solar facilities have relatively low capacity factors, storage retrofit projects would optimize utilization of an existing solar project's point of interconnection, while also potentially reducing solar curtailment.

DEBA could also serve as a key source of funding to upgrade existing solar power plants by adding storage capacity. Renewable energy projects depend on the sale of Resource Adequacy ("RA") and other environmental attributes to become economical. However, retrofit storage projects are difficult to finance because the added storage capability is typically ineligible for RA, as the existing solar resource (and its offtaker) retain the RA benefit. Qualifying for RA is not only time consuming but also depends on deliverability studies that assign RA value to the paired resource as a whole and not to the individual components (i.e.,

[1] CEC, *Proposed Draft Program Guidelines, Distributed Electricity Backup Assets (DEBA) Program Guidelines, First Edition*, p. 2 (Aug. 2023) [hereinafter "Guidelines"].
[2] CEC, 2021 Total System Electric Generation, *available at*: 2021 Total System Electric Generation (ca.gov) (last visited Aug. 31, 2023).

solar and storage units). Thus, a project to retrofit a solar facility may not be economically viable without RA value because it would depend entirely on revenues from energy arbitrage. However, the availability of funds through DEBA could help developers overcome the financing shortfall and facilitate the realization of such projects.

While implied in the current version, the Guidelines should unambiguously state that projects to upgrade existing solar plants by adding storage capabilities are eligible for DEBA funding not only as distributed resources under Category 2, but also as bulk assets under Category 1. In addition, the Project Evaluation and Administrative Screening guidelines should be amended to recognize the specific characteristics of paired storage and solar resources. In particular, when considering technical scoring criteria, the Guidelines should specify that these retrofit storage projects should be evaluated based on the ability of the new storage unit to provide power jointly with the existing solar resource up to the pre-existing capacity (or a lower level agreed with CEC under the DEBA program) at the interconnection point between the peak load hours of 4 p.m. to 10 p.m.[3] This would accurately reflect the technical capability of the paired resource to operate at a constant capacity level during the peak load hours, even as the solar resource diminishes when the afternoon transitions into evening, or in situations involving cloud cover or technical limitations resulting in reduced solar output.

2. The Program Funding Split Should Be Revised to Increase the Budget Allocation for Category 1 Projects to $150 Million as Proposed in the January Workshop

According to the Guidelines, the total five-year DEBA program budget is $595 million, with the bulk of the funding ($545 million) authorized in the Fiscal Year 2021-2022 and the remainder in future years. Of the total project budget, up to $100 million will be allocated to Category 1 projects and the remainder $445 million assigned to Category 2 projects.[4] This allocation decreases the funding for both categories by $50 million as compared to the amounts proposed in Preliminary Investment Plan presented in the January Workshop (which estimated $700 million for the whole program, with $150 million for bulk grid, $500 million for distributed

[3] *See* Guidelines, p. 6, Table 4 (providing examples of Capacity and Availability Criteria for Technical Scoring Criteria).
[4] Guidelines, pp. 1, 3.

resources, and $50 million for administrative costs).[5] While SB Energy understands that funding for the program overall decreased by about 15% since the January Workshop, the new split has a disproportional impact on Category 1 (which was reduced by 33%), compared to Category 2 (which only shrank 11%).

The funding allocation in the current version of the Guidelines overlooks the fact that bulk grid resources offer a more comprehensive solution for achieving the DEBA program's targets. Investments in bulk grid assets could rapidly amplify the impact of the program funding, since larger facilities can be constructed quickly and operated more efficiently than numerous smaller distributed energy resources. Category 1 assets would also provide a more stable and predictable power generation profile, which makes them ideal to serve as on-call emergency supply during extreme events. By focusing on bulk grid resources, the program can strategically allocate resources to areas with the highest energy demand, effectively utilizing the existing grid infrastructure. Finally, allocating more resources to bulk grid assets would reduce the administrative burden for the CEC, allowing it to concentrate on a smaller number of high-impact projects rather than a multitude of distributed projects for purposes of monitoring progress, managing incentives, and ensuring compliance with the Guidelines.

For the reasons stated above, SB Energy respectfully requests that the CEC reverts to the funding allocation for Category 1 (i.e., $150 million) proposed in the January Workshop. At the very least, SB Energy requests that the program funding reductions (15%) be proportionally applied to both categories.

3. Responses to Workshop's Questions for Feedback

In the Workshop, staff posed three questions for feedback. SB Energy provides its responses to those questions below.

- **Are the proposed [grant funding opportunity ("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 proposed GFO payment structures are likely to be effective and adequate to stimulate project development and fostering active participation. However, considering the status of the

[5] CEC, *Demand Side Grid Support Program and Distributed Electricity Backup Assets Program Presentation*, Lead Commissioner Workshop, Slide 48, *available at* https://efiling.energy.ca.gov/GetDocument.aspx?tn=248608 (Jan. 27, 2023).

program implementation, no award would be granted until late 2023. Based on this timeline, developing sizable projects capable of reaching Commercial Operation Date ("COD") by 2024 would be very difficult, if not impossible. For this reason, the DEBA program should award up to 50% of total project costs for projects that successfully achieve completion by 2025.

In addition, the Guidelines should provide assurances or otherwise address the creditworthiness of the award's five-year 50% balance. Project developers are likely to require upfront financing from other sources against the remainder of a committed DEBA grant, which is contingent upon performance. This strategic consideration will increase project viability since addressing creditworthiness of the grant will facilitate access to financing sources that will bridge the gap between the project development costs and the five-year grant award reimbursements.

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

SB Energy will require 1 to 2 months to respond to a GFO, depending on the complexity of the solicitation. We look forward to participating in the program.

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

SB Energy's retrofitted energy storage projects are highly likely to qualify for a federal investment tax credit, in most cases at the 30% level.

III. CONCLUSION

Thank you again for the opportunity to comment on the Guidelines and Workshop. We appreciate the CEC's efforts to accelerate the transition to a clean, reliable electricity grid in California. SB Energy is eager to continue to work with the CEC, the State, and stakeholders to advance California's clean energy and climate change goals.

Respectfully submitted,

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