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Microgrid Resources Coalition Comments on DEBA Draft Guidelines

Additional submitted attachment is included below.

August 31, 2023

California Energy Commission
Docket Unit MS-4
715 P Street
Sacramento, CA 95814

RE: Docket 22-RENEW-01 Microgrid Resources Coalition Comments on Proposed Draft Guidelines for the Distributed Electricity Backup Assets (DEBA) Program

I. Introduction

The Microgrid Resources Coalition ("MRC") is an association of leading microgrid owners, operators, developers, suppliers, and investors formed to promote microgrids as energy resources by advocating for policy and regulatory reforms that recognize and appropriately value the services that microgrids offer, while ensuring non-discriminatory access to the grid for various microgrid configurations and business models. We work for the empowerment of energy customers and communities.

The MRC respectfully submits these comments on the Distributed Electricity Backup Assets ("DEBA") proposed draft program guidelines and staff workshop held on August 15, 2023. The MRC appreciates the efforts of the California Energy Commission ("Commission") to incorporate diverse stakeholder input and lessons learned from its previous experiences in program development with the issuance of these draft guidelines. The MRC applauds the Commission for explicitly including microgrids as eligible resources and appropriately recognizing the value microgrids can provide to meet grid needs and enhance electric system reliability.

Building on the Commission's solid foundation, the MRC offers several recommendations for the final guidelines that are meant to further enhance customer accessibility and expand participation in DEBA. As discussed further herein, by adopting a more standardized approach to issuing incentives under the DEBA program, the Commission would greatly accelerate the deployment of the new Distributed Energy Resources ("DER") projects that meet state reliability needs in a more equitable and distributed fashion, thereby enabling the Commission to expeditiously achieve its statutory objectives and successfully advance numerous other energy policy goals.

II. Comments on the DEBA Draft Guidelines

i. AB 205 directs the creation of an incentive program, not a grant program.

Pursuant to Assembly Bill ("AB") 205, the energy trailer bill enacted in 2021, the California Legislature authorized the creation of DEBA to *incentivize* the construction of cleaner and more efficient DERs that can serve as reliability assets to mitigate the risk of power outages and provide support to the electricity system during emergencies.[1] The statutory intent of AB 205 clearly

[1] AB 205 Article 2, Section 25791 (a)(b)1-2 https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202120220AB205

directs the Commission to create a *program* that will provide funding for these resources so they can provide energy supply and/or load reduction promptly to meet electric system reliability needs. However, the draft DEBA guidelines propose that "initial funding for the DEBA Program… be awarded through one or more grant funding opportunity ("GFO") solicitation processes."[2] While the guidelines state that DEBA is a "program," if implemented as currently proposed, DEBA would in practice, function as a grant solicitation process and not an incentive program. The MRC is concerned that the Commission's proposal to issue funding through the grant solicitation process does not comply with the legislative directives of AB 205.

GFO solicitations are best reserved for research and development ("R&D") of new innovations or for piloting demonstration projects and technologies that are not yet commercially available in the market and need proof-of-concept. In contrast, the reliability resources that would be eligible for funding under DEBA are available off the shelf to provide the needed reliability services – but only if the program is designed correctly and its incentive levels are set to encourage wider and more immediate customer participation. An incentives-based programmatic approach will thus maximize commercialization opportunities for DER technologies that can deliver the load reduction and reliability services that California's electricity system desperately needs to reduce the risk of power outages.

The MRC encourages the Commission to create a true incentive program for commercially available DERs that can demonstrably provide the reliability services called for by AB 205, rather than a grant program with a solicitation process that is not appropriate for incentivizing rapid, wide-scale deployments of commercially available technologies.

ii. *Adopting an incentive program, rather than a grant solicitation process, will enhance administrative efficiency and result in faster project deployment.*

Creating a performance-based incentive program with a standardized methodology for allocating funding will result in faster deployment of DEBA projects and yield more reliable capacity and system benefits sooner. Neither the proposed GFO structure, nor the concomitant evaluation criteria are currently set up to catalyze the development of DEBA assets on an expedited timeline to meet immediate grid reliability needs.[3] The GFO solicitation process would be demonstrably less efficient with its one-off evaluation of each project and therefore less effective in achieving the program's intended results. Under the proposed process, DER development would occur more slowly, in a piecemeal fashion, and without clear standards for reliability performance.[4] Conversely, creating more readily available incentives for DERs – so long as they can meet a clear set of standardized performance requirements – would enable the program funding to be issued more quickly, efficiently, and widely, to projects across the state.

Furthermore, the GFO solicitation process would be overly burdensome for all stakeholders seeking to participate in the DEBA program if the administrative guidelines are adopted as written. These grant-making processes are often resource intensive and time consuming for applicants, requiring them to bear significant risk when attempting to secure a grant. As such, the GFO solicitation approach tends to be inherently inequitable and leaves out many customers and

[2] Distributed Electricity Backup Assets (DEBA) Draft Program Guidelines at pg. 1
[3] Id pg. 4-8
[4] Id pg. 9

communities that cannot afford to seek a grant. The issuance of DEBA incentives should not be delayed further, nor limited to a subset of customers, by virtue of its program design.

The MRC strongly encourages the Commission to develop the DEBA program in a manner that promotes administrative efficiency, enables broader customer participation, and incentivizes project deployment on a much broader scale across California. As discussed further below, the MRC suggests that the Commission adopt a DEBA incentive program structure that provides a base incentive for DERs that can perform reliability services and allocates additional incentive value in the form of "adders" to projects that provide other co-benefits. Doing so will enable the creation of an efficient DEBA program that not only incentivizes key reliability performance metrics, but also other important policy outcomes – such as equity, decarbonization, or resiliency – in a manner that accords weight to these priorities in a standardized fashion.

iii. The Commission should adopt a set of standardized reliability services requirements and clear performance metrics that all DEBA assets must meet to receive incentives.

The Commission should adopt a clear set of standardized project performance requirements and metrics that all projects must meet to receive DEBA incentives. Most project screening and technical criteria outlined in the Commission's proposal could be modified and standardized for this purpose. However, as written, the draft guidelines are ambiguous with respect to defining the technical requirements for meeting the state's electric reliability needs, setting measurable performance standards and program goals, and ensuring adequate project performance during emergency events.

Electric system reliability has universally accepted and understood standards and metrics for measuring performance. The Commission should leverage their existence and not "reinvent the wheel." At the very least, the Commission should design a reliability reserve incentive program with clear and commonly understood performance requirements. Furthermore, no incentives for electric reliability should be dependent on specific technologies or be "tailored with each GFO solicitation." The Commission must ensure any projects funded under DEBA are technically capable of performing electric reliability services, such as providing firm capacity or load reduction when needed, and project performance should be clearly measurable against a definitive set of metrics and well understood by applicants.

The Commission should craft the DEBA program requirements in a manner that specifies the desired reliability outcomes and pairs them with performance-based incentives to encourage new projects that achieve those outcomes. There are many behind-the-meter ("BTM") resources that can provide valuable load reduction and reliability services to the electric system in times of emergency events, local and regional grid stress, or when called up to support other power system needs. The MRC strongly encourages the Commission to be more inclusive and specify that all BTM resources that can provide the necessary emergency grid support and perform the reliability services specified in the final guidelines will be eligible for a base level of funding under DEBA.

The basic DEBA incentive program structure could be based upon DER reliability performance, calculated as a function of load reduction or firm capacity (measured in Megawatts ("MW") and/or Megawatts-hours ("MWh")) provided over a certain number of hours, to determine

the base reliability incentive value for DEBA assets. Each additional hour of load reduction service and/or reliability performance from a BTM resource is increasingly valuable to the electricity system during emergency events or increased grid stress that may be caused by any number of reasons on a local, regional, or state basis. Accordingly, the longer the BTM resource can perform the reliability service needed by the system, the higher the compensation it should receive based on its ability to meet reliability needs and actual performance during an event. Such a structure would be simple and easy for customers, BTM developers, and regulators alike to understand. It would thus go a long way toward generating significant DEBA participation when the electric system needs reliability support.

iv. The Commission should adopt a set of standardized incentives that value co-benefits to incentivize maximally beneficial DEBA projects.

The MRC mostly agrees with the project screening and technical scoring criteria outlined in the draft guidelines but encourages the synthesis and reincorporation of those criteria into the incentive program structure itself. The Commission should adopt standardized incentive values for co-benefits and allow for the value stacking of these incentives. Doing so will encourage the development of maximally impactful DEBA projects that provide more holistic benefits to California's communities and will accelerate the achievement of other state policy goals.

The Commission should layer these incentives on top of the baseline reliability performance incentives. Doing so would serve as the foundation of the DEBA incentive program structure articulated earlier in these comments. Incentivizing specific performance outcomes in this manner would standardize and streamline program administration, ensure electricity system reliability in the short- and long-term, and encourage the deployment of maximally beneficial DEBA projects in communities throughout California. MRC's proposal for DEBA incentive program design is detailed below.

III. MRC's Proposal for DEBA Incentive Program Design

The Commission should adopt a program design framework that creates a base incentive for reliability services and value stack of "co-benefits" incentives for DEBA with the following elements:

- An upfront capacity-based incentive to quickly spur the development of new DEBA projects that can provide firm capacity, emergency load reduction, or perform other reliability services for extended durations.
- Incentive "adders" that can be layered or stacked on to the base incentive for projects deployed under DEBA that provide additional co-benefits beyond the core emergency reliability services required by AB 205; and
- Expansion of Commission-approved "market-aware" price signals for BTM resources that can perform needed grid support and reliability services for more than 4 hours in duration.

Incentive Level	Attribute	Requirement
$/kW upfront incentive	Base incentive for capacity + availability	Projects must provide reliable capacity during extreme events via participation in an emergency load reduction or grid support services program

+ 10-15%	Project Readiness	Projects that can be constructed, interconnected, and ready to serve as emergency resources prior to September 1, 2025, and September 1, 2026, respectively.
+10%	Locational	Projects that are sited in local reliability areas or transmission-constrained areas that need new capacity and can relieve grid congestion locally
+10%	Resiliency	Projects sited at critical, essential, and community-designated facilities that can provide ***both*** emergency grid support and backup power to maintain important public operations & community services
+10%	Equity	Projects located in low-income, disadvantaged, and/ or rural communities.
+5%	Resource Longevity / Diversity / Flexibility	Projects with long anticipated useful lifespans, can switch to renewable fuels without technology replacement in the future, improve position in the loading order over time, and enhance the overall diversity of the resource portfolio of projects participating in the Strategic Reliability Reserve.

The Commission should expand the DSGS "market aware" price signal to incentivize longer duration BTM resources and appropriately value reliability services provided during extended emergency events.

The MRC encourages the Commission to consider expanding eligibility for the newly approved Demand Side Grid Support ("DSGS") "market aware" price signal to include all BTM resources, not just batteries. Further, the Commission should incentivize longer duration reliability performance by assigning greater values for dispatchable capacity and/or load reduction services that can be provided for extended time periods by new DER assets that are installed under the future DEBA program.[5]

The BTM "market aware" price signal was created to incentivize batteries with shorter discharge durations (<4 hours) to dispatch power during emergency events. The same framework for valuing the dispatch capabilities of short-duration batteries could be easily adapted to incentivize other BTM resources that can provide reliability support services for extended time periods (>4 hours) and appropriately value the reliability performance of long- duration BTM resources during emergency events. The emergency capacity provided by BTM resources that can continue providing grid support services after the 4-hour "tipping point" becomes even more valuable to the electricity system over time, as ensuring reliability becomes more challenging for grid operators with each hour that passes during an emergency event.

[5] Demand Side Grid Support (DSGS) Final Program Guidelines approved on July 26, 2023 https://efiling.energy.ca.gov/GetDocument.aspx?tn=251195

As explained in a previous MRC proposal,[6] expanding the "market aware" price signal will incentivize longer duration resources to achieve greater reliability performance results. The MRC encourages the Commission to adopt the proposal to expand the BTM market aware price signal for new DER deployments installed under the DEBA program, assigning proper value for reliability services provided by projects during emergency events, while maximizing their overall electric system benefits.

IV. Conclusion

The MRC applauds the CEC for embracing microgrids and DERs as a reliability solution and appreciates the opportunity to provide comments on the Draft DEBA Program Guidelines. The MRC looks forward to continued collaboration with the Commission to deploy decentralized clean energy assets that improve electric system reliability in a cost-effective and expeditious manner, while maximizing the value and co-benefits for customers and the State of California.

Respectfully submitted,

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[6] MRC Proposal for DSGS price signal for longer duration energy storage and reliability support services, filed on May 11, 2023 https://efiling.energy.ca.gov/GetDocument.aspx?tn=250128&DocumentContentId=84851