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CESA Comments on DEBA Guidelines

Additional submitted attachment is included below.

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California Energy Commission
Docket Unit
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<u>Docket 22-RENEW-01 - CESA Comments on DEBA DER GFO Draft Solicitation Concept</u>

I. Introduction

The California Energy Storage Alliance (CESA) appreciates the opportunity to comment on the Draft Solicitation Concept - Distributed Electricity Backup Assets Program Distributed Energy Resources for Reliability (hereafter "draft solicitation concept"). CESA acknowledges the efforts of the California Energy Commission (CEC) to mitigate the risks California's electric grid faces today and consider the different tools available for deployment over the coming years. CESA appreciates the hard work and collaboration of Energy Commission staff in developing the DEBA and Demand Side Grid Support (DSGS) Programs. CESA has organized our comments as responses to the questions posed in the draft solicitation concept.

II. Response to Questions Provided by CEC Staff

1) *Are the minimum and maximum award amount funding levels and match requirements appropriate for each Group?*

The maximum funding levels are much greater for projects qualifying under Groups 2 and 3 than those for Group 1, at $95 million each and $20 million, respectively. Though not explained in the draft solicitation concept, the project maximum funding amounts seem to be tied directly to the minimum application capacities, which are 6 MWs for Group 1 and 15 MWs each for Groups 2 and 3. This difference is also not explained. CESA recommends that the project capacities and maximum award amounts be reexamined and equalized across groups. In addition, the maximum funding levels for each group may lead to a "winner take all", or "winner take most" result, when also considering the maximum funding allocated to each group. Assuming that the maximum project awards are realized, this means a maximum of three projects from Group 1, and one each for Groups 2 and 3. This funding is important for market transformation and as such a "winner takes most" approach will not allow for more than one technology solution in each group to be materialized. CESA is concerned that a winner takes most approach is also risky since the entire budget for the group will be held by one bidder. If these projects fail or underperform there is no mitigation and by the time the budget is reallocated, precious time has been lost. As such, CESA recommends reconsidering the project minimum capacity amounts, along with the maximum and minimum per project funding amounts to allow.

For the minimum application size, CESA recommends adjusting the megawatt (MW) minimums to better align for the $1 million (M) minimum. A 2 MW/8 MWh storage device could be a reasonable minimum that better aligns with the proposed minimum funding amounts.

	Minimums ($ & MW)		**Maximums ($)**	
Group	Existing	Proposed	Existing	Proposed
1	$1M/6 MW	No change	$20M	No change
2	$1M/15 MW	$1M/2MW	$95M	$20M

The more serious issue is the funding match percentages for Groups 1 and 2, which are set at 50% of total project costs net of ITC apart from DAC projects, coupled with prohibitions on collecting other revenue streams. Non-LSE parties would propose and develop projects in these groups and would have no practical way to make up the remaining percentage of project costs. It is unclear to CESA how these projects will be financed – where does the missing money come from? An obvious pathway for these projects is long-term contracts for resource adequacy, energy and ancillary services wherein these products are bundled together. However, it is quite rare for LSEs to sign long-term or short-term contracts 6 years in advance of their actual need. When asked about this at the DEBA workshop, staff explained that they expect a value stacking opportunities with other services. Other grid services beyond capacity and energy are simply not available revenue streams for storage projects. As such, the expectation that storage projects can monetize grid services beyond these existing programs is not a realistic or viable assumption.

Limiting DEBA match to 50% of project costs *net* of ITC is also inconsistent with the state's primary storage deployment program, the Self Generation Incentive Program (SGIP). SGIP allows for incentives from sources other than itself, so long as the total incentives do not exceed 100% of the project cost. Customers with SGIP systems are also eligible to participate in VPP aggregations and demand response programs using their own load.

To be clear, CESA is not requesting 100% of project costs be covered by DEBA, for a five-year program. That's not reasonable for any project type, in any category under DEBA as these resources will persist after the current sunset of the program. CESA recommends, instead, adopting the funding match for projects benefiting DACs for all projects in Categories 1 and 2 – which is 50% of project costs gross of ITC. Further, DEBA resources should be permitted to participate in existing non-deployment programs.

2) *Is the proposed timeline in the solicitation, including application submission windows, reasonable to accommodate project proposals for project group?*

CESA interprets the proposed application submittal window as approximately 2 months, based on proposed solicitation release in April and project selection in June. If correct, the proposed application submission window is reasonable across groups. Should the solicitation release be pushed later, the project selection timing must be adjusted later as well, to ensure a minimum of 2 months for potential DEBA participants to prepare and submit quality proposals. It is unclear why there is a month between submittal of projects benefiting Disadvantaged Communities (DACs) and those that do not. Further, CESA recommends that both project types – DAC and non-DAC – be eligible for submittal under the same application. Allowing for a blend of project sites within a single application is important to both ensure capacity minimums and ensure quality applications. Finally, aligning the application submittal deadlines will reduce administrative complexity. The CEC staff can apply scoring criteria to select DAC projects from a signle solicitation, with an eye also to overall program goals.

3) *Is it reasonable to allow project proposals that do not have all sites or customers pre-identified at the time of application? Are there any concerns with this approach?*

Yes, it is reasonable. CESA recommends development of a mechanism that reallocates funding to another project if the projects selected do not meet its milestones within a certain timeframe. A similar approach is taken in the Self Generation Incentive Program (SGIP).

4) *To mitigate the risks of funding multiphase projects, staff have proposed minimum deployment targets for multiphase projects under "Project Readiness" (25% by June 1, 2025, 50% by June 1, 2026, and 100% by June 1, 2027). Are these proposed deployment targets reasonable? What measures should the CEC take in the event of a deployment shortfall?*

CESA is concerned with the proposed requirement for multiphase projects that at least 25% of the capacity be on-line by May 1, 2025. Assuming the proposed schedule, 25% of the project would have to come online approximately 8 months following final DEBA award. This is a very short timeframe to close financing, begin construction or resource deployment including customer aggregation, complete and energize a substantial portion of construction or resource deployment. CESA recommends pushing the first milestone out by one year, to May 1, 2026. The CEC could consider increasing the percentage completion requirement simultaneous to extending the first deadline to increase overall deployment. Of course, projects that come online earlier than this deadline would not be penalized. Further, it is critical that Group 1 and 2 projects are not *required* to be multi-phase but, rather, have the *option* to do so.

5) *Is the proposed payment structure, with 50% of the award disbursed during project development, and 50% disbursed annually based on successful performance, adequate to ensure successful performance by DEBA assets, including during emergencies?*

Considering all elements, and particularly the proposed prohibition on program participation, the answer to this question is no. CESA recommends reframing this question to investigate whether the proposed program structure is 1) incremental to or duplicative of existing programs; 2) a net benefit considering other programs and overall DEBA administrative lift; and 3) sufficient to drive investment by third parties.

The proposed DEBA structure sets up an entirely new insular program framework, with options that mirror those of existing programs, while disallowing participation in those programs. CESA previously expressed its appreciation that DEBA awardees are not required to participate in any specific program[1]. We retain that position. The draft solicitation concept goes too far in this regard, however, as it proposes to prohibit participation in any existing program.

As discussed in response to Question 10, a simpler approach would be to allow DEBA participants the option of either a) demonstrating capacity via a demonstration pathway, as laid out in the draft solicitation concept, or b) participating in such programs as the Emergency Load Reduction Program (ELRP), the Demand Side Grid Support (DSGS) Program, or other DR

[1] *Comments of the California Energy Storage Alliance on Distributed Energy Backup Assets Program Draft Guidelines, First Edition.* August 31, 2023.

program participation. Such an approach would reduce the complexity of managing an entirely new program structure, which should in turn allow for more projects to flourish in DEBA if project capacity and funding limits are also modified. It is unclear why a resource cannot, at a minimum, participate in DEBA and DSGS or ELRP.

6) *This GFO proposes to amend the DEBA Program Guidelines, First Edition, to grant eligibility under Group 1 to projects connecting to the transmission grid behind-the meter at a load center not receiving distribution service. Please comment on whether this use case is of interest and, if possible, describe potential proposed projects and the reliability benefit they would offer.*

   CESA has no comment on this issue at this time.

7) *Are the Project Group definitions and requirements clear and adequate to sufficiently target DER technologies and projects capable of supporting statewide grid reliability?*

The description of the group definitions and requirements are clear in the Draft Solicitation Concept. Group 3 is unique and its creation somewhat of a mystery. It stands apart from both other groups as it is designed for LSEs, will cover 100% of project costs, and existing equipment is eligible for funding even though such equipment is not incremental to any load control equipment that exists today and associated load reductions taken off the top of resource adequacy forecasts. It is entirely unclear to CESA that any LSE would not or could not create new load shift programs and submit them to their governing body – whether the CPUC or otherwise – for rate recovery. In fact, they can and do just that for all of their existing programs. Group 3 is quite clearly not appropriately placed in this program. Its structure is discriminatory, quite likely duplicative and the funding of such a program is entirely unnecessary. CESA strongly recommends that this category be deleted, and its associated capacity and funding allocated equally to Groups 1 and 2.

8) *Are the minimum project capacity requirements for each Group reasonable or should they be adjusted?*

As articulated more fully in our response to Question 1, the minimum per application capacity requirements appear high for storage projects and aggregations in Groups 1 and 2. The minimum application capacity requirement will certainly limit the number of awards in any category which, while this would simplify administration of the program, it would result in a "winner takes all" approach that is not necessarily beneficial for the program or the industry. Relatedly, CESA recommends equalizing the maximum awards across groups by lowering the maximum awards for Groups 2 and 3 to equal that of Group 1.

9) *Are there any additional eligible technologies that should be included, or any currently eligible technologies that should be excluded?*

CESA recommends revising eligible project costs for Group 2 to include new load flexibility technologies – controls, SCADA systems, demand flexibility software. These software and systems are integral to virtual power plant aggregation, dispatch and optimization. CEC Staff mentioned in the March 5th DEBA workshop that this was an accidental omission.

10) *Are the proposed performance pathways sufficient and flexible enough to accommodate the variety of eligible technologies and project groups targeted by this solicitation?*

CESA suggests that the first question here is not whether the proposed performance pathways can accommodate technologies, but whether the performance pathways are BOTH 1) appropriately designed and sufficient to achieve the desired result of the DEBA program, and 2) administratively simpler and more effective than existing programs, particularly for BTM resources. Our response focuses both on the original question and on this alternate examination.

It is unclear from the draft solicitation concept whether each project within an application may select its own performance demonstration pathway, or whether all projects within an application must use the same performance demonstration pathway. CESA advocates in favor of flexibility to select different performance demonstration pathways for differently situated resources within an application.

The hourly dynamic pricing pathway specifies that eligible rates are hourly dynamic rates - "*...hourly dynamic pricing rate or tariff that reflects hourly marginal costs based on current wholesale energy prices and other grid capacity utilization levels, such as the hourly dynamic rates offered in IOU pilots based on CPUC's California Flexible Unified Signal for Energy (CalFUSE) framework.*"[2]. CESA has and continues to support the eventual rollout of a widely available and durable dynamic hourly rate framework. This does not yet exist. The state is arguably far from adopting such a framework, and likely will not within the timeframe of the

[2] DEBA Draft Solicitation Concept, pages 19-20.

DEBA program. There are limited pilots in IOU territory authorized by the CPUC. Expansion of the broader CalFUSE framework to a more durable program has not yet been posited or decided by the CPUC. As such, this category must be modified to specify participation in existing and established rate structures and not limited to pilots. CESA recommends that the "electrification" rates at each IOU be eligible for this option, should this option remain.

The market integrated pathway for behind-the-meter resources is the Proxy Demand Response (PDR) resource pathway, which only measures load reduction and not the performance of the BTM resource. The draft solicitation concept requires that any IFM or BTM DEBA resource that chooses this pathway to always be available during availability assessment hours (AAH) and capable of dispatching for four hours when called.[3] What is described here is a must offer obligation (MOO), which only applies to resources providing resource adequacy capacity. The framework proposes to prohibit participation in RA while receiving DEBA incentive payments. Should the prohibition remain, any market integrated DEBA resources will be providing energy only, which does not carry a MOO, or ancillary services participation, which correlates with distinct availability requirements. Finally, the description of the market integrated pathway inappropriately conflates an interconnection standard – the wholesale distribution access tariff (WDAT) with a project type. The WDAT is required for projects participating in the wholesale market. The projects required to interconnect via WDAT would use the Distributed Energy Resource Provider (DERP) model. Most distribution interconnected front of meter projects on the grid are interconnected under Rule 21 tariffs.

Further, per the CAISO tariff, and to transition to a discussion of the market informed pathway, front of meter projects that are under 1 MW are not required to participate in the CAISO wholesale market[4]. Even so, the Draft Solicitation Concept prohibits projects from choosing this pathway, and without explanation.[5] Due to the lack of discussion in the framework, it appears that front of meter projects would be excluded from this pathway whether or not they are in CAISO service territory. Front of meter projects above 1 MW in CAISO territory have several key barriers that make participation in the CAISO wholesale market, and by extension - resource adequacy, very difficult. The two barriers are the interdependent issues of a difficult interconnection process, lack of deliverability capacity to allocate to DER projects

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[3] DEBA Draft Solicitation Concept, page 18.
[4] CAISO Tariff, Section 4.6.3.2.
[5] DEBA Draft Solicitation Concept, page 18.

needed to demonstration delivery of electricity to the wholesale market and charging availability for standalone storage resources. These three barriers, taken together, mean that it is extraordinarily difficult to develop front of meter distribution interconnected projects in California – so much so that CESA is unaware of any such capacity DERP resource that come online in the last few years that is successfully participating in the CAISO market today. Finally, a proposed decision was just issued in the CPUC's community solar application docket that would deny a potential pathway for these resources. All of this taken together points to the need for a bridge for front of meter resources to the CAISO market to allow for these barriers to be addressed. That bridge is, and should be, DEBA. CESA strongly recommends that this be amended, and that projects under 1 MW in CAISO territory be allowed to demonstrate performance using the market aware pathway.

CESA recommends amending the framework to allow participation in existing programs for BTM resources and resource adequacy for IFM and BTM. The performance pathways can be amended with specific reference to their existing programmatic options, where these exist. Assumed programmatic counterparts for each proposed performance demonstration pathway follow:

Pathway	Demonstration Type	Program(s)
1	Market Integrated	DSGS Option 2
2	Market Aware	ELRP, DSGS Options 1 & 3
3	Hourly Dynamic Pricing	N/A currently – electrification rates if modified
4	Daily Dispatch	Forecast-embedded program or rate
5	Emergency Dispatch	BIP, RDRR

11) *What data should be required from DEBA Program participants for measurement and verification purposes as well as other public reports and initiatives?*

CESA recommends that the CEC look to other programs for measurement and verification practices, starting with its own DSGS, and not reinvent the wheel here.

12) *Are the metering and telemetry requirements for projects sufficient for measurement and verification purposes and determining performance of DEBA funded projects?*

CESA recommends that the CEC look to other programs for metering and telemetry requirements practices and not reinvent the wheel here. As a practical matter, any market integrated project already has metering and telemetry requirements. CESA further generally recommends against adopting more stringent metering requirements than what already exists.

13) *What are the key performance indicators (KPIs) or metrics that should be used to evaluate and score VPP and Load Flex Aggregation projects and assess whether they will be reliable DEBA assets?*

CESA reiterates its response to Questions 11 and 12 and encourages the CEC to look to other programs. It is unclear why KPIs beyond the criteria set forth in the draft solicitation concept are necessary.

14) *Are the proposed evaluation criteria, including preference points criteria, reasonable and sufficient to achieve the aims of funding DER projects that best bolster grid reliability in the state?*

As discussed elsewhere in these comments, it is unclear to CESA how a combination of either DAC and non-DAC projects, or those that select different performance demonstration pathways, within a single application, will be evaluated. CESA strongly urges one application window, in which both project types may be submitted either seperately or within one application. The CEC staff can then apply scoring criteria to select DAC projects, with an eye also to overall program goals.

15) *Are the provisions for supporting projects that either benefit or are located in DACs sufficient? What other application components could facilitate greater participation from projects located in or benefiting DACs?*

Given minimum application capacities, it is critical to ensure that a single application can include sites both in and outside of DACs. It is unclear how to go about this in the application process and how such an application will be evaluated.

16) *What are the potential pathways for DEBA-funded projects across different Balancing Authorities and LRAs to continue to provide reliability value after the conclusion of the DEBA program?*

All storage projects in both Groups 1 and 2 could provide supply-side (aka. market integrated) resource adequacy capacity, wholesale energy, and ancillary services. Behind the meter storage projects in Group 1, and projects in Group 2, could provide customer level services to an extent such as load shifting, and time of use bill management, which lowers the overall reliability obligations of load serving entities. There are no other viable pathways to provide reliability or other grid services[6].

17) *Are there any other recommended improvements or necessary clarifications for the CEC to consider for this draft solicitation concept document?*

CESA has no comment on this topic at this time.

Respectfully Submitted,

Rachel McMahon

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[6] Despite the Distribution Investment Deferral Framework (DIDF) and Partnership Pilots to provide distribution level services from distributed energy resources, only a couple of projects have been selected. The CAISO also has not further developed its Storage as a Transmission Asset concept. Thus, CESA does not consider provision of wires services – either for transmission or distribution – as a viable grid services pathway.