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Enchanted Rock, LLC Response to DEBA Draft Solicitation Concept

Additional submitted attachment is included below.

March 15, 2024 Comment letter submitted via electronic commenting system

California Energy Commission
Docket Unit, MS-4
Docket Number 22-RENEW-01
715 P Street
Sacramento, CA 95814

Re: Enchanted Rock Comments on Draft Solicitation Concept –Distributed Energy Backup Asset (DEBA) Program Distributed Energy Resources for Reliability

Enchanted Rock, LLC. (Enchanted Rock) appreciates the opportunity to provide comments on the California Energy Commission's (CEC) proposed Draft Solicitation Concept –Distributed Energy Backup Asset (DEBA) Program Distributed Energy Resources for Reliability (Draft Solicitation) as released on February 28, 2024.

Enchanted Rock is a resiliency microgrid developer, owner, and operator with over 1,000 MW in operation, under construction, or in development nationwide, of which 200 MW is in California. Our generation technology meets the ultra-low emissions levels required by the California Air Resources Board (CARB) Distributed Generation (DG) Certification Program - the cleanest local emission standard for power generation in the nation. Through the supply of renewable natural gas (RNG), our technology can provide net zero or net negative carbon emissions for both resiliency and grid services.

In addition to answering the questions raised by the CEC in their Draft Solicitation, Enchanted Rock believes that the available funding balance between Group 1 and Group 2/3 projects undervalues the best opportunity to substantially meet the goals of the DEBA program, that is, through the addition of New Large DER Installations. By providing less than one quarter of available CEC dollars to Group 1 projects, the CEC fails to acknowledge the capital-intensive nature of New Large DER Installations and their unique ability to provide front of the meter and behind the meter resiliency at scale. We propose the CEC invert its available funding levels between Group 1 and Group 2/3 and therefore substantially invest in quick-to-market, reliable, back-up generation technologies with proven track records of performance.

Our specific responses to the questions on pages 37 and 38 of the Draft Solicitation are found below:

Solicitation Requirements

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

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For Group 1 The minimum and maximum award amount funding levels are sufficient to support accelerated deployment of distributed energy back-up asset projects in line with the goals and requirements of AB205 (2022). Further, the match share of 50% (net of credits) for Group 1 projects is appropriate so long as language regarding the ability to utilize existing emergency grid reliability programs as noted in the Evaluation Criteria 1.a. (Page 29) in conjunction with a Group 1 project is clarified against language that appears to prohibit such utilization[1].

We do note that the CEC stipulates that 50% of available funding is to be located within a State of California Disadvantaged Community (DAC) (Section II.A). Section II.B requires that a Group 1 Large DER Installation located within a DAC obtain a letter of support from an "environmental justice community-based organization" to qualify for 50% funding of project costs gross of tax credits. It would be helpful for the Energy Commission to specify what organizations within the State of California qualify as an "environmental justice community-based organization" or what qualifications an organization must demonstrate for their letter of support to meet this requirement.

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

See response to question 3. It will be extremely difficult to bring projects within the proposed timelines if flexibility is not allowed on submitting applications for projects that are not pre-identified,

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?

Enchanted Rock supports this approach as it encourages project developers to utilize identified technologies and allows companies to efficiently pursue opportunities on a portfolio basis without requiring locations to be identified in advance of an accelerated timeframe. This approach will support greater uptake in the program. We do suggest the CEC clarify that aggregating multiple distinct sites into one project proposal may be done for reasons other than meeting the minimum capacity requirements of 6MW of incremental rated capacity (Section III.B.5.b). For example, an application might include multiple sites that are owned and operated by the same entity.

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?

[1] Special Terms and Conditions (Section III.B.9.d) Project "Must not be sited at a service account enrolled in another load reduction program, including supply-side demand response or the Emergency Load Reduction Program (ELRP) or Demand Side Grid Support (DSGS) programs…"

Enchanted Rock believes that for larger DER projects, a reasonable timeline for implementation projects would be roughly 16-18 months after the initial CEC award. Timelines for smaller projects may fit more easily into the proposed timeline for the initial tranche of ready projects, but there is a risk that an overly aggressive timeline may serve to narrow the field of applicants to only those projects far along in development that the CEC incentives are not truly attracting incremental investment in megawatts. A way to incentivize speed to operations by incremental MWs that come in direct response to the DEBA program would be to prioritize projects that can get online the fastest while creating an eligibility milestone to ensure projects that are already on track to be developed without DEBA grants are unable to jump into the program.

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?

Enchanted Rock offers no comment.

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.

Enchanted Rock notes that the proposed eligibility criteria further support the suggestion that more funding be allocated to Group 1 projects. Transmission-connected projects or projects behind transmission-connected load will necessarily be large and capital intensive.

Project Requirements

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

Enchanted Rock suggests that merely meeting BACT requirements may be insufficient to protect community health and that a DEBA funded project should be required to meet the more ambitious CARB Distributed Generation local emission standards.

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

The Draft Solicitation currently requires the minimum project capacity for a Group 1 storage project to meet a minimum duration of two hours. Given the grid circumstances experienced by the state in July 2020 and again in September 2022 the CEC should consider a longer duration requirement to meet the actual operational needs of the system.

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

Enchanted Rock offers no comment.

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

Broadly speaking, none of the proposed Performance Demonstration Pathways allow for a behind the meter distributed energy asset to be compensated for their ability to serve their attached load, thereby reducing overall grid demand by an equal number of megawatts. This fails to recognize the unique capabilities of a behind the meter generation demand response asset to not only the customer but also to the grid at-large. We encourage the CEC to revisit its requirements for Pathways 1, 2, 3, and 5 that currently require the export of energy capacity to the grid as a condition of eligibility.

Specific to Pathway 2, the predetermined $100/MWh strike price does not adequately support technologies that can meet the goals of the DEBA Program. A mechanism that allows for a dynamic compensation level based upon market conditions and technology-specific cost variables would be more appropriate to ensure viable participation.

Specific to Pathway 3, the CalFUSE pilot rates are not yet available from the California Public Utilities Commission thereby not allowing an adequate review of whether the Pathway framework is viable.

Specific to Pathway 5, it is unclear what the compensation per MWh would be for a participating entity.

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

A DEBA Program participant should be able to provide, at an interval required by the CEC, generation meter data at a level of granularity necessary to demonstrate megawatt hours delivered and run times. Further, the CEC should consider requiring the submittal of applicable air emissions data as reported to the jurisdictional air quality district as proof of the generation asset meeting locally required air emissions thresholds.

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

Enchanted Rock offers no comment.

Miscellaneous

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?

Enchanted Rock offers no comment.

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?

Overall Enchanted Rock believes the proposed evaluation criteria are reasonable and sufficient to achieve the aims of funding DER projects that meet the state's objectives. However, we also

believe that the CEC could add specificity and more detailed requirements to the evaluation criteria and to the preference point categories and provide greater clarity and transparency as to how evaluation criteria points will be awarded. For example, the Draft Solicitation has a requirement for projects to be live no later than June 1, 2027; we suggest additional preference points for projects able to be deployed sooner, with a sliding scale providing increasing points the earlier a project indicates completion with historical company data supporting those timelines. Additionally, the Evaluation Criteria for "Supporting Clean Energy and Climate Goals" as found in Section V.D.7.b should specifically provide full points to projects employing a California Air Resources Board Distributed Generation (CARB-DG) technology solution alongside a renewable fuel such as renewable natural gas, providing for significant local community air benefits and the overall reduction of greenhouse gas emissions in support of the SB32 goals established by the state.

For transparency and clarity, Enchanted Rock requests the Commission to provide a weighting, or other means of transparency to how each individual sub-criteria within the evaluation framework will be evaluated. Specifically, the Evaluation Criteria as found in Section V.D.1-8 and Preference Points Criteria as found in Section V.E.9-10 do not explicitly indicate the weighting assigned to subsection within the Evaluation Criteria or Preference Points Criteria as listed. For example, in Section V.E.2.a-d it is unclear how the twenty-five points assigned to V.E.2 will be awarded.

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?

While we strongly support the DAC and Publicly Owned Utility requirements, we do ask for clarification from the CEC as what defines an "environmental justice community-based organization?" Existing statute (California Penal Code Section 14300(b)(3)) defines a "Community-based organization" as "an organization that engages directly and regularly with residents of identified communities or neighborhoods or that works to enforce environmental laws on behalf of disadvantaged communities, low-income residents, and other populations that are disproportionately burdened by pollution." If this definition is the one to be adopted by the CEC, Enchanted Rock supports that effort and encourages it to broadly interpret these definitional requirements when evaluating projects and their eligibility for the DAC set-aside funding.

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?

Enchanted Rock offers no comment.

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

Enchanted Rock offers no comment.

In closing, we are encouraged that the CEC is moving forward expeditiously on distributing these important DEBA Program dollars to support grid resiliency across California and want to thank the

Commission for providing this opportunity to offer comment on the Draft Solicitation. Overall, however, the program as presented is overly complicated, does not appropriately direct program dollars to distributed energy assets that can provide the maximum impact to California's resiliency efforts, and with its restrictions on resource adequacy participation, unnecessarily limits the ability of these assets to provide long-term value to California.

Though time is of the essence to provide the most substantive impact to resiliency efforts in the summer 2025 and 2026 seasons, we strongly urge the Commission to substantively revisit its funding allocations amongst groups 1 and 2/3 and overall program design to create a framework that will deliver meaningful megawatts throughout California.

Sincerely,

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