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Additional submitted attachment is included below.

March 15, 2024

California Energy Commission

Docket Unit

715 P Street

Sacramento, CA 95814

RE: NineDot Energy Comments on DEBA DER GFO Draft Solicitation Concept 22-RENEW-01

Introduction

NineDot Energy, LLC ("NineDot") appreciates the opportunity to comment on the California Energy Commission ("CEC")'s Distributed Energy Resources ("DER") for Reliability draft solicitation concept under the Distributed Electricity Backup Assets ("DEBA") program. NineDot commends the CEC for continuing to develop these important programs that will mitigate reliability risks, while also seeking feedback from stakeholders to ensure that they are designed as efficiently and effectively as possible.

NineDot builds community-scale energy systems that support a more resilient electric grid, deliver economic savings, and reduce carbon emissions. NineDot has constructed and is developing projects in the New York City area, which is moving fast in deploying urban clean energy solutions. We are leading the way to urban clean energy, with a goal of building and operating over 400 MW of projects across a range of technologies, with an emphasis on battery storage. NineDot hopes to bring their experience working with front-of-meter ("FTM"), distribution connected projects in dense urban areas to the California market and believes the DEBA programs are a promising opportunity.

Leveraging our urban development experience, NineDot recommends several improvements and clarifications to the draft solicitation that would lead to a more successful program, particularly in disadvantaged communities. These improvements include:

1. Increasing the amount of available funding allocated to Group 1 projects;
2. Allowing for additional time for bid formulation and project construction for projects located in Disadvantaged Communities ("DACs");
3. Providing additional guidance regarding future grant funding opportunities ("GFO");
4. Allowing for Resource Adequacy participation in all months of the year;
5. Providing clarity on the match share for Group 1 projects located in a DAC that have received support from a local environmental justice organization.

To provide additional context for each of these recommendations, NineDot responds to a select number of the questions posed by the CEC in the draft solicitation below (numbered as they appear in Section VI of the draft solicitation).

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

The CEC has proposed in the draft solicitation to allocate only 24% of the total funding available in this solicitation to Group 1 (New Large DER Installations) and 76% of the funding to Group 2 (VPPs with New DER

Installations) and Group 3 (Load Flexibility Aggregation Programs) projects. CEC has further split the Group 1 funding allocation by setting aside $30 million (or 12% of the total available funds) for projects in DACs, leaving only $30 million for Group 1 projects in the General Application, which could be consumed by as few as two projects. Allocating a higher percentage of funding to Group 1 projects would result in a more cost-effective and reliable program for the following two reasons:

- Larger energy storage systems, included in Group 1, are cheaper on a $/MW and $/MWh basis than smaller systems, which may be included in Groups 2 and 3. Deploying more funding toward these larger projects would therefore result in a higher number of MW and MWh, increasing the cost-effectiveness of the program. In the Appendix, we have included an excerpt from Lazard's recent "Levelized Cost of Storage[1]" analysis to illustrate this point. Although Lazard excludes 6 MW distributed projects, there is a clear trend of larger projects having lower LCOS.

- From a reliability perspective, performance from Group 1 assets will be more predictable and sustainable than Group 2 and 3 assets which are impacted by customer behavior, load patterns, and other opportunities for optimization (e.g. demand charge management). The performance of a Group 1 asset depends on the large DER being operational and responding to dispatch, which is entirely in the control of the asset operator whose sole focus is on performance. The performance of a Group 2 or Group 3 assets could also depend on a customer's behavior, whose primary concern is not energy. BTM assets often require customers to take action in addition to asset operators, particularly if there is a system issue (e.g. schedule a technician to visit their residence if their DER isn't functioning properly, manage their load, etc.). Moreover, if a customer moves, the fate of the Group 2 or 3 project is unclear.

Therefore, NineDot encourages the CEC to increase the available funding for Group 1 projects. NineDot recommends that the CEC increase the total Group 1 funding by 100%, allocating an additional $30 million in the General Application and an additional $30 million in the Disadvantaged Community Set-Aside.

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

The CEC has proposed in the draft solicitation to have two application periods, a General Application period in June 2024 and a Disadvantaged Community Set-Aside application period in July 2024, where the July DAC application period would only be available to Group 1 projects located in or benefiting DACs. In NineDot's experience, it takes a significant amount of time to build a trusting and successful relationship in a host community. This is particularly true in communities which have been historically marginalized by infrastructure projects and in communities where larger infrastructure is going to be sited. For our inaugural energy storage project in the Bronx, NineDot built a strong partnership with a nearby school. Under the guidance of a local artist, students from the school painted a mural that hangs on the fencing of the project. In addition, NineDot employees also held after-school STEM programming sessions for the students. From start to finish, it took about a year to begin and strengthen NineDot's relationship with the local community. It should also be said that each community is different with differing needs and concerns and so there will likely not be a one-size fits all approach to community engagement.

NineDot appreciates the CEC's proposed timeline, which gives bidders of Group 1 projects in DACs additional time to build relationships with the communities where they are seeking to site projects. However, a single additional month is insufficient.

[1] April 12, 2023 https://www.lazard.com/research-insights/2023-levelized-cost-of-energyplus/

This is especially important as the CEC's draft solicitation provides an opportunity for projects to secure more than 50% match funding if the project in a DAC can provide a letter of support from an environmental justice community-based organization from the local community. This incentive (which NineDot applauds and provides further commentary on below in response to Question 15) could be critical to attracting projects to DACs, particularly in dense urban areas, and ensuring that the program meets its goal of awarding 25% of funding to projects that benefit DACs. However, securing a good faith letter from an environmental justice community-based organization will likely be a lengthy process, which should include educating and soliciting feedback from members of the community. Rushing this process to meet the proposed solicitation deadline could potentially create distrust in the community and potentially hurt the viability of projects which are unable to secure support in such a short amount of time.

NineDot believes that an additional six months would be appropriate to ensure that project developers can bid into the solicitation with projects that they are confident will have community support.

Second, based on our experience developing projects in New York City, developing projects in dense urban areas requires additional time to implement due to siting, permitting, and interconnection complexities. While NineDot recognizes the urgency of the reliability issues that California is facing, the implementation timeline proposed in the draft solicitation may be difficult to achieve for projects located in these urban areas, potentially preventing a significant number of resources from taking advantage of this funding and benefiting densely populated areas, including DACs. Therefore, NineDot recommends flexibility in project implementation timing for projects located in urban areas, particularly in urban areas that are also DACs. While developers should have to hit certain key milestones to demonstrate progress, they should have until 2028 to COD if their project is located in a DAC. The CPUC's recent decision[2] to allow long-lead time resources to have a Commercial Operation Date as late as 2031 demonstrates a recognition of the complexity involved in project development, and that granting extra time in the near-term could benefit long-term outcomes.

Lastly, the CEC should make clear the expectation for future rounds of solicitation. Understanding the full timeline of potential future GFOs will allow developers to more optimally bid their resources in the absence of a "open-incentive" (which would have an open enrollment period as suggested by multiple parties in response to the August 15, 2023 DEBA Program Workshop). Without a complete understanding of future GFOs, project developers may bid into a solicitation prematurely, as developers may see this as their only opportunity to participate in the DEBA program. This could result in significant project attrition later. The CEC should only award projects that can be built successfully and on time. By opening this solicitation in isolation, the CEC risks an influx of more risky projects, increasing the burden in determining which projects are more likely to be successful and potentially jeopardizing the overall success of the program.

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

The ability to co-participate in other value streams, including resource adequacy, will be essential for the development of Group 1 assets as the solicitation funding, by design, will not cover the full cost of developing the asset. As covered by many parties in their comments in response to the August 15, 2023 DEBA Program Workshop, including the California Energy Storage Alliance[3], NineDot believes that all DEBA resources should be allowed to provide resource adequacy in all program months, consistent with treatment for Category 1 resources. NineDot will not reiterate those arguments here but believes that the ability to stack value from other programs will allow the CEC to maximize the usage funds through this program by bringing on additional projects. Each MW that is allowed to participate in resource adequacy will require less support from the DEBA program, as they are already receiving

[2] February 15, 2024 https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M525/K918/525918033.PDF
[3] August 31, 2023 https://efiling.energy.ca.gov/GetDocument.aspx?tn=252061&DocumentContentId=87063

compensation from the competitively run resource adequacy process. If the CEC does not change their proposal that limits the ability of these resources to participate in other programs, NineDot would recommend that the CEC consider increasing their portion of match share to make up for these lost value streams.

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?

NineDot wants to express their support for the CEC's proposal in the draft solicitation to require a letter of support from an environmental justice community-based organization to propose a higher match share for a project in a DAC. This type of novel requirement guarantees that projects are working closely with community partners to deliver the maximum amount of benefit to the communities they are serving, which NineDot firmly believes is the cornerstone of a successful project.

However, in addition to the timing considerations elaborated on above in response to Question 2, NineDot believes that the solicitation would benefit from clarity on the limit, if any exists, of the CEC's contribution to the match share for a proposal that receives a letter of support from an environmental justice community-based organization. Currently, the CEC's draft solicitation states that the CEC's match share contribution could be higher than 50% but does not specify a cap on how much higher this share could be. To properly incent development in DAC's, NineDot recommends a 75% limit to ensure that projects in even the most difficult areas to access can still work with the CEC while still providing reasonable limits on the expected contribution from the CEC; however, any guidance on this matter will help developers as they put together their bids.

Conclusion

NineDot appreciates the consideration of these comments and looks forward to continuing to work with the CEC on the development, implementation, and success of this program.

Sincerely,

Lindsay Cherry

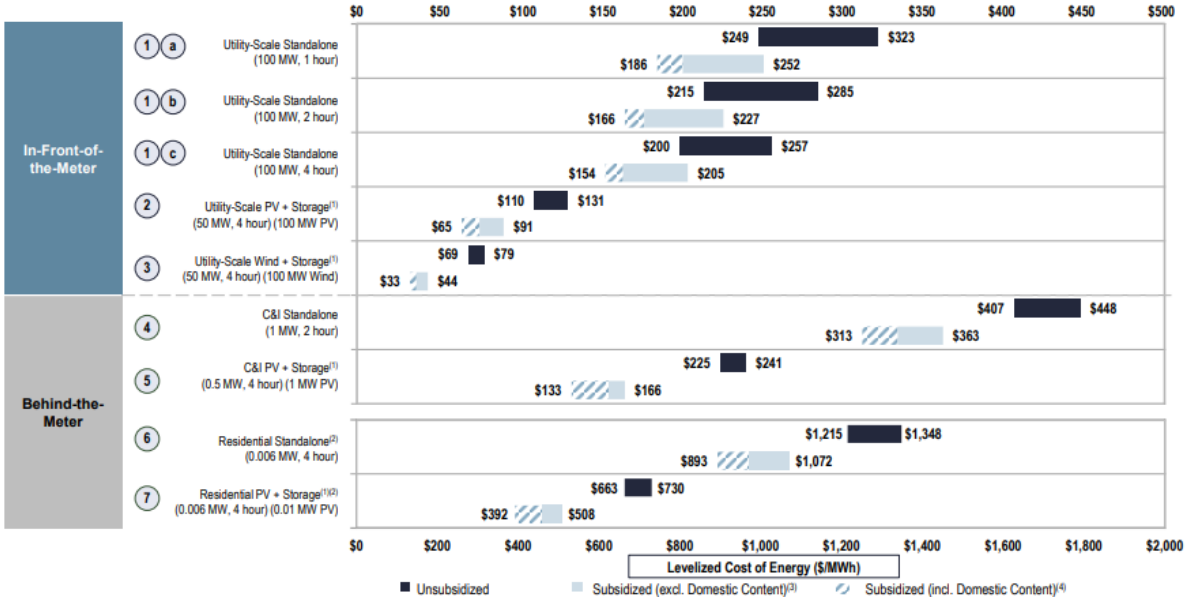
Director of Regulatory Affairs

NineDot Energy, LLC

Appendix

Levelized Cost of Storage Comparison—Energy ($/MWh)

Lazard's LCOS analysis evaluates standalone and hybrid energy storage systems on a levelized basis to derive cost metrics across energy storage use cases and configurations



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Levelized Cost of Storage Comparison—Capacity ($/kW-year)

Lazard's LCOS analysis evaluates standalone and hybrid energy storage systems on a levelized basis to derive cost metrics across energy storage use cases and configurations