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Joint CCA Comments on the DEBA DER GFO Draft Solicitation Concept

Additional submitted attachment is included below.

March 15, 2024

California Energy Commission
Docket Office
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RE: Joint Community Choice Aggregator Comments on Distributed Energy Resources for Reliability Draft Solicitation Concept under the Distributed Electricity Backup Assets Program; Docket No. 22-RENEW-01

Dear Commissioners, Board Members and Staff,

Ava Community Energy ("Ava"), Clean Power Alliance of Southern California ("CPA"), Marin Clean Energy ("MCE"), Peninsula Clean Energy ("PCE"), San Diego Community Power ("SDCP"), San Jose Clean Energy ("SJCE"), and Silicon Valley Clean Energy ("SVCE"), collectively "The Joint Community Choice Aggregators (CCAs)", are encouraged by the California Energy Commission's ("CEC" or "Energy Commission") work in tackling energy system reliability. As Load Serving Entities ("LSEs"), CCAs are highly motivated to further the grid reliability goals of the Energy Commission and appreciate the opportunity to submit these comments on the Distributed Electricity Backup Assets ("DEBA") program. In these comments, the Joint CCAs respond to a select number of questions for stakeholders included in the Distributed Energy Resources for Reliability Draft Solicitations Concept ("Draft Solicitation"), published on February 23, 2024.

I. Responses to Questions for Stakeholders

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

The Energy Commission presented a sense of urgency regarding the deployment of DEBA resources in their March 5, 2024 workshop: "To help meet grid needs as quickly as possible, the draft places a heavy emphasis on the speed of deployment. Successful projects are expected to

deploy DER resources quickly…".[1] The Joint CCAs are supportive of expeditiously improving California's grid reliability and DEBA will serve as a valuable tool in meeting those needs. Many CCAs are already working on developing customer programs and energy resources that can support grid reliability and stand ready to work with the CEC under this DEBA solicitation.

In general, the Joint CCAs support the overarching timeline for the DEBA solicitation and project deployment with minor modifications. The Joint CCAs believe the Draft Solicitation proposes a reasonable application submission window outlined in the table in Section C. "Key Activities and Tentative Dates" with the solicitation to be released in April and applications due in June.[2] However, that timeline could become condensed and unreasonable due to the vagueness of simply stating "April" and "June" instead of providing specific dates. As Energy Commission staff selects specific dates for the application submission window, the Joint CCAs recommend ensuring a minimum of 60 days between the release of the final solicitation and the deadline to submit applications.

Further, the Draft Solicitation recommends all DEBA projects must be completed and online no later than May 1, 2027.[3] It is reasonable to assume that DEBA projects or programs could launch in Q1 of 2025 following grant agreement negotiations, if DEBA awards are confirmed at the CEC's September 2024 Business Meeting (as proposed in the table in Section C). This gives award winners approximately two and a half years to deploy projects (including initial program design and roll-out). The Joint CCAs believe this timeline is ambitious but plausible for a large majority of projects. However, some of the largest non-residential DEBA projects may have longer development timelines as further elaborated in response to Question 4 below. Hence, the Joint CCAs recommend that proposed projects should be completed and online no later than May 1, 2028.

Question 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?

While the Joint CCAs acknowledge the urgency in improving grid reliability by rapidly deploying reliability resources, the DEBA solicitation must also establish realistic and achievable

[1] Recording of March 5, 2024, Public Workshop for the Distributed Electricity Backup Assets (DEBA) Program – Distributed Energy Resources for Reliability Draft Solicitation Concept ("March 5, 2024 DEBA Workshop"), at 00:10:19; found at: https://www.energy.ca.gov/event/workshop/2024-03/public-workshop-distributed-electricity-backup-assets-deba-program. See also Presentation - Distributed Electricity Backup Assets (DEBA) Program March 5, 2024, Workshop; PDF download: https://efiling.energy.ca.gov/GetDocument.aspx?tn=254880, Slide 10

[2] Draft Solicitation at p.4

[3] Draft Solicitation at p.12

timelines to prevent establishing hurdles to participation in the solicitation. As currently drafted, the proposed minimum deployment targets for multiphase projects are unreasonable and will likely set applicants up for failure.

The draft guidelines establish that "Projects that are multi-phase involving multiple installations or customer sign-ups must demonstrate at minimum 25 percent of total project capacity installed and online by May 1, 2025, 50 percent by May 1, 2026, and 100 percent by May 1, 2027, and in each subsequent year."[4] As a threshold question, the Joint CCAs ask the CEC to clarify if *any* proposal that includes multiple installations or customer sign-ups is considered "multi-phase" and must meet the proposed minimum deployment targets or if some multi-customer projects, for example under Group 1, could be considered within one single phase and would only have to meet the requirement to be installed by May 1, 2027 (or May 1, 2028 as proposed by the CCAs).

Further, the Joint CCAs are concerned about the reasonableness of the proposed minimum deployment targets. As noted in the Joint CCA's response to Question 2, the earliest launch date of any DEBA project or program would occur in Q1 2025. Awardees will therefore have less than six months to meet the 25% deployment target for multiphase projects by June 1, 2025. Assuming a minimum incremental capacity of 15 MW for Groups 2 and 3, that would be 3.75 MW of incremental capacity to come online in less than 6 months.

This is unreasonable for a variety of reasons. First, the simple logistics of rolling out a new project or program of such a scale (with many hundreds of installations or customer sign-ups) will take a few months. Awardees will need to establish customer outreach mechanisms, coordinate with project developers/ installers, and set up reporting structures (to just name a few). This "program launch period" will take at least 3 months, after which the installation or development of new resources would only begin.

In addition to setting appropriate time aside to allow for programs/projects to launch and to recruit customers, the CEC also must set realistic expectations about DER project development timelines. Various CCAs have been running energy storage programs over the last few years and have seen extended deployment timelines in both the residential and non-residential sectors. While some of the delays were related to supply chain issues due to the COVID-19 pandemic which have since been remedied, the Joint CCAs still expect a development timeline of at least 6 months for residential energy storage systems ("ESS"). For non-residential ESS, development timelines are significantly longer, usually exceeding 18 months. It is not unusual for a larger non-residential customer to take a year from initial outreach to contract signing, in addition to an ESS development and interconnection cycle of 18-24 months (for a total deployment timeline of up to 3 years).

An important factor driving many of the extended timelines are interconnection timelines – a lengthy process outside the control of the CCAs or the project developers. Since the beginning of 2022, average residential interconnection timelines across the investor-owned utilities ("IOUs") ranged from 8-11 weeks. Average non-residential timelines across the IOUs ranged from 19

[4] Draft Solicitation at p.12

weeks for SDG&E to 36 weeks for PG&E[5]. With these challenges in mind, it is likely that only new resources that are already in development and nearing completion/interconnection in early 2025 can possibly meet the June 1, 2025 deployment target for Group 2. As DEBA is a new funding concept, it cannot be expected that almost 4 MW of interconnected, and "ready-to-go" capacity are available immediately for the purposes of the program.

For Group 3, similar timeline challenges exist. While deployment timelines for load flexibility technologies like Building Energy Management Systems ("BEMS") are significantly shorter than for ESS, it will take time for LSEs such as CCAs to identify and recruit program participants. The Joint CCAs agree with CEC staff that there is a great potential for the installation of new load flexibility technologies on customers sites but unfortunately, it has proven challenging and time-consuming in the past to identify such customers and to recruit them into existing CCA load flexibility program offerings. CCAs generally do not know which of their customers install controllable devices such as smart control thermostats ("SCT"), heat pump water heaters ("HPWHs") or ESS. Due to this gap in data access, CCAs face challenges in identifying eligible resources in order to recruit them into a Group 3 DEBA program.

For these reasons, the Joint CCAs recommend the Energy Commission revise the Draft Solicitation to remove the minimum deployment targets for multi-phase projects. There are sufficient incentives built into the draft solicitation to ensure accelerated deployment without development targets. For all Groups, awards are only disbursed based on incurred expenses and progress reports. This provision alone will incentivize awardees to develop resources expeditiously. Minimum deployment targets for multi-phase projects are not necessary to accelerate deployment and could prove to be prohibitive for market actors to participate in the solicitation.

If the Energy Commission is not amenable to removing deployment targets, the Joint CCAs then recommend moving the initial minimum deployment target for multi-phase projects out as follows:

- 25% by May 1, 2026
- 75% by May 1, 2027
- 100% by May 1, 2028

The Joint CCA's proposed development targets would still meet the CEC's goal of expeditious resource deployment while providing non-residential resources - which are likely the most impactful load flexibility resources - a reasonable timeline for participation.

In the instance the Energy Commission retains deployment targets, the Joint CCAs strongly recommend leaving flexibility in the Draft Solicitation for the CEC to adjust deployment targets and associated financial impacts for awardees as needed. For example, if an awardee fails to meet deployment targets due to factors outside of their control, CEC staff should have the ability

[5] See DG Stats Interconnection Project Sites Data Set at CaliforniaDGStats

to revise deployment targets and associated financial impacts for awardees on a case-by-case basis.

Question 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 Joint CCAs appreciate the CEC's intention with Group 3 to turn existing and new "uncontrolled devices" into flexibility resources that are responsive to a dispatch or dynamic price signal. The Joint CCAs agree that there is significant, underutilized potential for these resources in CCAs' service area.

The Draft Solicitation describes eligible technologies as including, but not limited to:

- Load flexibility controls, automation, and communications (smart thermostats, pump controllers, water heater controllers, managed charging, etc.)
- Supervisory control and data acquisition (SCADA) systems
- Demand-response aggregation or demand flexibility software
- Building energy management systems[6]

Section II.B.7.a also specifies that eligible projects "do not include the *purchase* [emphasis added] of energy storage, distributed generation technologies, or any other of the ineligible technologies listed in Section III.B.8."[7] The Joint CCAs agree. However, to achieve the targeted 15 MW capacity and make the most efficient use of DEBA funds, the Joint CCAs strongly recommend allowing the *control* of ESS, other distributed generation technologies, and managed charging of electric vehicles ("EVs") under Group 3. Both ESS and EVs present a significant capacity potential among residential customers that could otherwise be left uncontrolled.

More broadly, The Joint CCAs ask the CEC to clarify that the focus of Group 3 are hardware, software, and incentive solutions that engage end-load flexibility. To that end, the CEC could avoid establishing criteria for which technologies could be controlled (e.g. smart thermostats, heat pump water heaters, EV chargers, batteries, etc.) but instead promote any programmatic approaches that connect distributed resources to a load flexibility platform or dynamic price signal.

[6] Draft solicitation at p.15

[7] Draft solicitation at p.16

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

The Draft Solicitation establishes a requirement for a minimum of 15 MW of incremental rated capacity for Group 3.[8] The Joint CCAs believe that this is a sub-optimal requirement for a variety of reasons. First, the available capacity under these types of programs is highly variable, dependent on many variables including customer type, flexible load technology, weather and climate impacts, and geographic reach of a program. Second, as noted above, a CCA generally has only partial insights as to what flexible loads a customer owns, and must therefore engage in time-consuming outreach activities to identify eligible customer sites. Third, in the CCAs' experience, it has proven more challenging to recruit customers into programs that rely on load flexibility controls than those focused on the installation of a new asset like an ESS or EV. Finally, the CEC is seeking innovative ideas to engage existing flexible capacity, through performance pathways that are relatively untested (e.g. a dynamic price signal to connected devices as part of an hourly dynamic pricing rate or pilot). These are high value opportunities to make advancements in load flexibility and customer engagement, even if the capacity forecasts are less understood than they would be in a broader ESS or EV charging flexibility program.

For these reasons, the Joint CCAs recommend lowering the minimum capacity requirements within Group 3 to half the minimum capacity requirement of Group 2, or 7.5MW of minimum incremental rated capacity.

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

Yes, the Joint CCAs support the performance pathways proposed in the Draft Solicitation and appreciate the CEC offering flexibility in the selection of a performance pathway under DEBA. While being generally supportive of the proposed performance pathways, the Joint CCAs propose one minor addition to the Draft Solicitation. As currently drafted, the Draft Solicitation only refers to hourly dynamic rates offered in IOU pilots under pathway 3 "Hourly Dynamic Pricing".[9] While it may be implied, the Joint CCAs recommend to *explicitly* include any hourly dynamic rates offered by CCAs in this participation pathway. Several CCAs are actively considering the development of hourly dynamic pricing pilots, in part to meet Load Management Standard ("LMS") compliance requirements by 2025. Hence, hourly dynamic pricing rates offered by CCAs can be an important performance pathway under DEBA.

[8] Draft Solicitation at p.16

[9] See Draft Solicitation, p.19-20

Question 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?

Every year, the CEC produces peak demand forecasts that are used to inform the CPUC's resource adequacy ("RA") obligations for LSEs. LSEs are required to submit their own year-ahead peak demand forecast in the spring of each year. Many CCAs with load modification programs include their program's contributions to peak demand reduction in this forecast. Through this process, the CCA's programmatic peak demand reductions can reduce their RA obligation. While the Joint CCAs understand that any project awarded under the DEBA solicitation cannot count for Resource Adequacy from May 1 to October 31 each year throughout the program term (i.e., through June 1, 2030), the CCAs expect to include incremental peak load reductions resulting from the resources during non-program months (i.e. Nov - April each year) and after DEBA program closure (i.e., post June 1, 2030).

Additionally, CCAs could use DEBA funding to support device integration in dynamic pricing rates and pilots. This would assist CCAs in complying with the LMS compliance requirements which in turn would ensure that customers with DEBA resources are incorporated into long-term dynamic rates pilots and programs offered by CCAs.

II. Conclusion

The Joint CCAs respectfully submits these comments on the DEBA program to **Docket No. 22-RENEW- 01** and look forward to ongoing collaborations with the CEC and stakeholders to advance California's grid reliability. As LSEs, the Joint CCAs are highly motivated to support the CEC in their goal to reduce load during peak times and are open to providing additional resources and complementary incentives to market actors to support the goals of the DEBA program, the Energy Commission, and the State as a whole. However, DEBA requirements must be set in a way to not stifle participation by LSEs and other market actors by setting unreasonable timelines or performance requirements that are challenging, if not impossible, to meet. To strengthen participation in the upcoming DEBA solicitation, the Joint CCAs recommend the following modifications to the Draft Solicitation:

1. Ensure a minimum of 60 days between the release of the final solicitation and the deadline to submit applications.
2. Proposed projects should be completed and online no later than May 1, 2028.
3. Remove the minimum deployment targets for multi-phase projects.
4. If the Energy Commission is not amenable to removing deployment targets, modify the targets as follows:
   - 25% by June 1, 2026
   - 75% by June 1, 2027
   - 100% by June 1, 2028.

5. In the instance the Energy Commission retains deployment targets, CEC staff should have the ability to revise deployment targets and associated financial impacts for awardees on a case-by-case basis throughout the DEBA program period.
6. Allow control systems that enable the optimized dispatch of energy storage resources, other distributed generation technologies, and the managed charging of EVs under Group 3.
7. Lower the minimum capacity requirements for Group 3 to 7.5 MW.
8. Explicitly include hourly dynamic rates offered by CCAs as an eligible option under performance pathway 3 "Hourly Dynamic Pricing".

Thank you for your consideration and attention.

Sincerely,

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