DOCKETED	
Docket Number:	22-RENEW-01
Project Title:	Reliability Reserve Incentive Programs
TN #:	255104
Document Title:	Microgrid Resources Coalition Comments on DEBA Draft GFO Solicitation
Description:	N/A
Filer:	System
Organization:	Microgrid Resources Coalition
Submitter Role:	Public
Submission Date:	3/15/2024 3:16:10 PM
Docketed Date:	3/15/2024

Comment Received From: Microgrid Resources Coalition
Submitted On: 3/15/2024
Docket Number: 22-RENEW-01

Microgrid Resources Coalition Comments on DEBA Draft GFO Solicitation

Additional submitted attachment is included below.

March 15, 2024

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

RE: Docket 22-RENEW-01 Microgrid Resources Coalition Comments on the Distributed Electricity Backup Assets (DEBA) Grant Funding Opportunity (GFO) Draft Solicitation Concept

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") Grant Funding Opportunity ("GFO") Draft Solicitation Concept and workshop held on March 5, 2024. The MRC greatly appreciates the California Energy Commission's ("Commission") efforts to launch this second GFO for distributed energy resources ("DERs") expeditiously and collaboratively.

II. Summary of Comments

a. All available funding should be allocated to the development of new DER <u>assets</u>. DEBA was created by the legislature with the intention to fund new projects, not programs.

b. Eliminate the 3 different project groups to simplify the program design, streamline the application process, and remove the guardrails that place unnecessary limits on funding levels.

    i. Group 1 and Group 2 should be consolidated, and Group 3 should be eliminated.

c. DER projects should have a minimum capacity requirement of 1 MW instead of 6 MW to facilitate the deployment of a more diverse portfolio of projects.

d. The solicitation should clarify in its description of the reliability performance demonstration pathways that "dispatch" and/or "load reduction" are both eligible methods of providing capacity during emergency events or for other power system needs.

III. Questions for Stakeholders

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

No. The intent of the DEBA program, as its name indicates and the enabling statute clearly states, is to fund the construction of new DER *assets* that can serve as reliability resources and provide capacity to the electricity system when called upon for emergencies or other power system needs. As proposed, Group 1 has an inappropriately low level of funding relative to the other groups in the draft solicitation given the statutory intent of the DEBA program pursuant to AB 205.

The draft solicitation greatly overcomplicates the administration of individual project grants, and the DEBA program as a whole, by proposing 3 different "project groups", each with their own buckets of funding and award amounts. Multiple project groups are unnecessary and the proposed program design is confusing for applicants. The MRC requests that the Commission consolidate or eliminate the different project groups for ease of grant application review and ongoing program administration by the Commission.

As discussed further below in Question 7, the MRC suggests that Group 3 be eliminated, as it is not funding the construction of new DER *assets*, and that funding should be reallocated to Group 1. Group 2 could easily be combined with Group 1 to form one bucket of funding for all new DER assets. Applicants seeking to develop VPPs could simply note that in their application and explain in the project narrative that they are applying for funding for the collective portfolio of DER assets that will form the VPP.

All $250 million in funding should be allocated to new DER assets and applicants should explain the details of their project proposals in the GFO project narrative. There is no need to create 3 separate project categories with different funding levels. The scoring criteria laid out in the DEBA guidelines and solicitation will determine which projects receive funding under the grant.

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

The MRC believes the proposed timelines are reasonable to accommodate the development of applications for project proposals but suggests that there should not be a separate application process for DAC projects and general projects. The MRC recommends that all projects apply for DEBA funding at the same time and that projects that propose to be sited in or provide demonstrable benefits to DACs be given a higher score under the GFO scoring criteria. There is no reason to set aside dedicated funding for DAC projects or have a separate application window in the solicitation. Consolidating the submittal deadlines will also reduce administrative complexity. The scoring criteria should simply allocate more points to project applications that clearly demonstrate how they will achieve equity outcomes and provide quantifiable decarbonization benefits to DACs.

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?***

No. The GFO application should require that all sites and customers be identified to be eligible for DEBA funding. An application cannot be properly scored and assessed fairly based on hypothetical customers and/or unsecured sites. All applications should clearly articulate the customers and sites identified in their proposals.

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?***

The MRC is concerned with the proposed requirements for multiphase projects that at least 25% of the capacity be online by May 1, 2025. This is a very short timeframe that is likely not feasible for any new projects to comply with and would discourage any applicants from pursuing multiphase projects. New DER projects would have to apply for funding and wait for acceptance of their application before they could commence development and construction. Even if that process were expedited significantly, getting interconnection and receiving PTO from the distribution utility before May 2025 is extremely unlikely for any new DER projects, given the current estimated timelines and backlog of delays in the interconnection queue.

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?***

The MRC is not opposed to the proposed payment structure as outlined in the GFO. However, we are concerned that the DEBA GFO solicitation is creating an overly complicated and subjective approach to measuring and evaluating reliability performance. This makes the creation of a clear and simple compensation mechanism that is supposed to be based on performance outcomes difficult to accomplish under the proposed GFO framework and unnecessarily frustrating to potential applicants who will likely struggle to secure financing for the unfunded portion of any new DEBA project. The GFO evaluation criteria could determine success by using a clear set of standards and performance guidelines that all DER projects must abide by to receive funding, in which case 50% upfront and 50% annual payments for performance is adequate.

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.***

This seems to be, at best, a fringe use case with limited applicability. In order to facilitate expeditious deployment of DER projects under this GFO, the MRC recommends not amending the DEBA guidelines at this time. The Commission should focus on allocating funding to DER projects that are already able to comply with the existing guidelines.

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 MRC believes that the Group definitions and requirements could be simplified to focus solely on facilitating the deployment of new *DER assets* that provide additional capacity through dispatch or load reduction during emergency events. Projects that are eligible under Group 1 and 2 should be prioritized in this GFO solicitation as having the clearest pathway and greatest ability to support immediate statewide grid reliability needs under the program guidelines. However, there is no need to bifurcate the funding for these assets into separate groups. The applicant should simply specify whether the DER will be part of a VPP aggregation or not in the project narrative of the GFO application.

Group 3 seems to not be an appropriate category for DEBA, as the funding for this proposed group would not be allocated to DER *assets.* It is unclear why Group 1 has such a small allocation of funding proposed, relative to Groups 2 and 3, even though the definition of eligible resources and requirements of Group 1 are most closely aligned with the DEBA program guidelines and its statutory intent to deploy new DER assets that can support grid reliability pursuant to AB 205.

Accordingly, the MRC recommends that Group 3 be deleted, and Group 2 be consolidated with Group 1. This would form a single funding category that is solely focused on distributing all $250 million towards the deployment of new DER assets, which would simplify the application process, streamline program administration, and accelerate project development across the state by distributing the funding more expeditiously. New DER projects will be awarded grants based on the scoring criteria outlined in the DEBA guidelines. It is unnecessary to create separate project groups or place further limits on funding.

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

The MRC recommends that the Commission reduce the minimum capacity requirements for new DER projects to 1 MW instead of the proposed 6 MW. If set too high, the minimum application capacity requirement will limit the number of awards in any category. The DEBA program should seek to fund a diverse portfolio of new DER assets that can provide reliability support in emergencies and the funding should be spread out enough such that a variety of projects can be deployed under the program.

While a higher capacity requirement would limit the number of applicants, and perhaps seemingly simplify the administration of the program, it would result in large chunks of funding going to a few select projects, rather than facilitating the development of a robust portfolio of DER assets that are deployed widely across the state for reliability. This "winner take most" approach is contrary to the intent of the DEBA program to improve statewide grid reliability. Funding only a handful of larger projects under this program would not be a prudent use of taxpayer dollars. The Commission should be focused on maximizing the number of projects that can be deployed under this program. Therefore, the minimum capacity requirement should be lowered so that more projects of varying sizes can be developed.

The MRC suggests 1 MW as a reasonable minimum capacity requirement for new DER projects. Eliminating the 3 different project groups and focusing on funding new DER assets will streamline program management and reduce the administrative burden on both applicants and Commission staff.

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

The MRC recommends revising eligible project costs to include demand flexibility software and other digital energy solutions. These resources can be part of microgrids or virtual power plant aggregations and are important for DER project operations and resource optimization.

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 solicitation should clarify in its description of the reliability performance demonstration pathways that "dispatch" and/or "load reduction" are both eligible methods of providing capacity during emergency events or when called upon for other power system needs. This is articulated in the evaluation criteria under #2 contribution to reliability but the MRC requests that this be more clearly defined and specified in Sections 10 and 11 of the solicitation as well.

11) ***What data should be required from DEBA Program participants for measurement and verification purposes as well as other public reports and initiatives?***
12) ***Are the metering and telemetry requirements for projects sufficient for measurement and verification purposes and determining performance of DEBA funded projects?***
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?***

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?

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?

The MRC suggests that the Commission require applicants to clearly demonstrate how a proposed DAC project will provide measurable benefits that can be quantified and verified to qualify for bonus points. Quantifiable evidence should be included in the application. This could include estimates of GHG and criteria air pollutant emissions reductions that would result in those communities, whether or not the DER projects are sited in those locations, number of jobs created, number of low-income customers served, or other supportive data.

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?

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

The MRC suggests that the definition of "new" projects be clarified to include new DER assets that may be installed to replace existing DERs that might be slated for decommissioning during the DEBA program period.

IV. Conclusion

The MRC appreciates the opportunity to provide comments on the Commission's GFO draft solicitation and workshop. The MRC looks forward to continued collaboration with the Commission on the deployment of new DER projects at scale to improve energy system reliability in a cost-effective and expeditious manner, while maximizing the value and co-benefits for customers and the state.

Respectfully submitted,

Allie Detrio

Senior Advisor
Microgrid Resources Coalition
1211 Connecticut Ave NW, Suite 650
Washington, D.C. 20036
allie@reimagine-power.com