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# AlphaStruxure Supplemental Comments on Distributed Energy Resources for Reliability GFO

*Additional submitted attachment is included below.*

AlphaStruxure

April 1, 2024

California Energy Commission
Docket Unit, MS-4
715 P Street
Sacramento, CA
*Via docket submission*

**Re: Docket No. 22-RENEW-01 – Comments and Questions Regarding the Public Workshop for the Distributed Electricity Backup Assets (DEBA) Program – Distributed Energy Resources for Reliability Draft Solicitation Concept**

California Energy Commissioners and Staff:

AlphaStruxure is a leading Energy as a Service microgrid provider that designs, builds, owns, operates, and maintains energy infrastructure. AlphaStruxure empowers organizations to achieve ambitious, tailored energy transformations — without the CapEx or complexity. As a steadfast innovator in the new energy landscape, AlphaStruxure's unique joint-venture model combines Carlyle's financial backing and Schneider Electric's 185+ years of energy expertise.

AlphaStruxure appreciates the significant attention the California Energy Commission ("CEC") and its staff have given to developing the Distributed Electricity Backup Assets (DEBA) program, specifically around the Draft Solicitation Concept on Distributed Energy Resources for Reliability. We recognize the significant amount of time and effort that has gone into creating this program and appreciate the opportunity to share comments and questions.

On March 28, 2024, AlphaStruxure met with the CEC staff and provided the following comments and provided feedback during our discussion. The CEC staff respectfully requested we place our feedback in writing and submit our feedback in the docket.

**Responses to CEC Questions**

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

AlphaStruxure is supportive of the minimum and maximum funding levels proposed for each Group, however we recommend that Group 1 have a higher proportion of funding relative to Groups 2 and 3. As the draft GFO is currently written, Group 1 has a lower level of funding relative to the other groups whereby just a few large projects could quickly and easily max out the allotted $60M budget. If the DEBA program aims to provide more reliability and resilience to the California electric grid, the GFO should allocate more resources towards larger-scale projects that provide firm, dispatchable output with extremely high availability and guaranteed performance. Of all the solutions solicited, Group 1 projects will provide highest quality capacity to alleviate stress on the grid (as the output is not dependent on customer operations or behavior change nor is it dependent on aggregation and management of many customers or technologies) and should be allocated funding accordingly. **AlphaStruxure recommends increasing the $60 million target to more than $100 million** – this allocation would still allow the CEC to apportion ample funds to Group 2 & 3 projects but prioritize funding for larger installations that provide the most dependable, highest quality reduction in system-level peak demand. The CEC may also consider eliminating Group specific funding allocations entirely and simply administer total program budget across all application Groups. Should the GFO not change the funding allocations proposed in the draft GFO, AlphaStruxure supports the CEC in maintaining its authority to reallocate funds depending on the number, type, and quality of applications received.

Regarding Group 3, the CEC should contemplate whether they could amplify DEBA funding by limiting utilities from accessing funds. A utility could design such a program in a separate docket focused on load flexibility programs. If it was separate, the utility could seek cost recovery for the program through a dedicated rider. Permitting utilities to receive funding with a 0% match reduces the impact of the DEBA program. Regardless of the CEC's decision on utilities receiving funding through the DEBA program, we believe that the GFO should require a 50% match for Group 3 to mirror the requirement of Groups 1 and 2. By requiring a match it will allow CEC funding to stretch twice as far, delivering a greater impact to the California electric grid.

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

As mentioned in our previous comments, we commend the CEC and its staff in its pursuit to bring new resources online as quickly as possible. Given that the program is new and projects can't already be commissioned, we would appreciate the CEC clarifying whether there are requirements for projects already in the interconnection queue. Interconnection of projects can take varying amounts of time, often multiple years, and we encourage the CEC to allow flexibility with regard to interconnection requirements, timing, and process.

***Question 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?***

AlphaStruxure is supportive of the CEC allowing project proposals that do not have all sites or customers pre-identified at the time of application; however, we recommend that sites with pre-identified and committed customers be prioritized through appropriately designed evaluation and scoring criteria. We suggest that the CEC develop an additional set of guidance in the GFO on how they'll review these projects in comparison to projects that are more advanced or fully formed. We recognize that projects are at different stages of development and the CEC should be open to hearing about all potential projects that could benefit the reliability of the electric grid. AlphaStruxure would also recommend that for any project that does not have sites or customers pre-identified, that the applicant demonstrate they have sufficient financial support lined up to ensure the project can be funded when sites and customers are identified.

***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?***

The timelines outlined above for multiphase projects under "Project Readiness" may be difficult to achieve for large DER installations. For example, a project that is multiphase may be capable of providing a small amount of onsite early in the project life cycle, but a full solution may not be capable of meeting the prescribed targets due to when a developer can procure, permit, install, and interconnect various generation or storage assets. Instead of setting a threshold across all projects, **AlphaStruxure recommends removing the 50% threshold by June, 1 2026 or allow applicants to propose their own timeline and deployment targets that can be analyzed during the evaluation period**. As opposed to defining a specific phasing requirements, the CEC should consider project phasing and implementation schedule as part of its evaluation criteria to determine whether the proposed timeline and deployment targets are reasonable and, as is consistent with the intent of the DEBA program, prioritize project applications that deliver more capacity sooner. In general, AlphaStruxure recommends that the program design provide as much flexibility as possible with regard to how projects are designed and implemented as overly prescriptive phasing requirements, for example, may have the unintended impact of disqualifying high-quality projects that are in line with the overall program objectives.

***Question 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?***

Under the initial design of the DEBA program, the award payment structure was established as a 25% payment made at the time of project commissioning with 75% of the remaining grant dispersed via performance payments over 5 years. In the draft GFO, the program was modified to provide 50% award disbursement made during project development with project costs being reimbursed via CEC-approved budget and eligible reimbursable costs starting after contract execution. While AlphaStruxure supports the increase in upfront funding and understands this approach may in theory allow funding to flow into projects sooner, it has the negative consequence of (1) creating additional administrative burden, (2) reducing flexibility in project design and implementation, and (3) adversely impacting project timelines and the ability for funding to support projects capable of being delivered before summer 2025. Reimbursement of expenses via budgets proposed at the time of application and approved during contracting requires specification of vendors, equipment, construction costs, schedule etc that are likely to change during the normal process of project development. Again, as a general philosophy, AlphaStruxure recommends that the CEC allow as much flexibility as possible with regard to project design and implementation as to provide the market the opportunity to deliver high quality projects that meet the CEC's goal of improving grid reliability and providing dispatchable capacity during times of peak demand. **AlphaStruxure encourages the CEC to revert back to its original program design of initial payment at commissioning and demonstration of system performance or, at the very least, make this option available to applicants who prefer a performance-based payment structure upon commissioning over reimbursement of development costs via CEC-approved budget**. Structuring the initial payment upon system commissioning and demonstration of performance would facilitate bringing more projects online sooner (and potentially in time for the 2025 summer season) as project development costs occurring now and through the end of this year would be indirectly and retroactively compensated for via performance payment upon system commissioning and demonstration of performance. Last but not least, performance payments are typically better for CA ratepayers as the funding is released only when demonstrable outcomes (tied to realization of system benefit) have been achieved vs potential scenarios where eligible expenses are reimbursed via CEC-approved budget but ultimately the outcome or system performance is not realized. In sum, allowing for upfront and ongoing performance-based payments would reduce overall administrative costs for the CEC and program participants, allow applicants more flexibility in terms of how projects are designed and implemented, and enable more projects to come online sooner—especially for the 2025 summer season given that the window for reimbursement of expenses occurring after contract execution is out of synch with the CEC's near-term deployment objectives.

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

For the CEC to evaluate the greatest number of projects that could provide value to the California electric grid, **AlphaStruxure recommends lowering the minimum threshold for group 1 Large DER installations to 3 MW instead of 6 MW**. For behind-the-meter microgrids, there may be numerous viable projects throughout California that would qualify under a 3 MW threshold but wouldn't be able to pull together multiple sites to meet the minimum 6 MW threshold. The draft GFO outlined that 6 projects with 1 MW each could be bundled together to meet the 6 MW minimum. If the CEC decides not to lower the 6 MW threshold, the CEC should clarify in the final GFO that projects with different clients at different locations across California could be bundled together by a developer to meet the minimum requirements.

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

One of the many benefits of constructing a microgrid is the ability to manage multiple distributed energy resources and other energy infrastructure. Our microgrid controller can provide both load reduction and supply. There is a single reference in the Evaluation Criteria inside the Draft Solicitation Concept – Distributed Energy Resources for Reliability, it states that a project will be scored based on its ability to "Support grid reliability during net peak load hours through providing load reduction or supply, or both." AlphaStruxure kindly requests confirmation that the CEC and its staff will allow projects that allow load reduction and supply within the same 4-hour window and can stack these capacity loads on top of one another such that a 4MW load reduction and 2MW supply can meet the 6MW of capacity minimum limit under Group 1: Large DER Installations.

**Conclusion**

AlphaStruxure appreciates the opportunity to provide feedback and we look forward to continued engagement with the CEC and staff to expand the deployment of distributed energy resources and microgrids in the state of California. We are encouraged by this program and appreciate all the time and effort that has gone into standing up this program. Please do not hesitate to contact me at Kevin.Marquardt@AlphaStruxure.com with any questions regarding our comments.

**Sincerely,**

/s/ Kevin Marquardt
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