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DEBA DER GFO Draft Solicitation Concept

Additional submitted attachment is included below.

April 12, 2024

California Energy Commission
Docket Office
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RE: Peninsula Clean Energy Supplemental 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,

Peninsula Clean Energy ("PCE"), as a member of the Joint Community Choice Aggregators ("CCAs"), submits these supplemental comments on the Distributed Energy Resources for Reliability Draft Solicitations Concept ("Draft Solicitation")[1] under the Distributed Electricity Backup Assets ("DEBA") program as recommended by staff of the California Energy Commission ("CEC"). PCE offers a few additional comments to supplement the Joint CCAs initial comments submitted on March 15[2] and provides a summary of recommendations in track changes to the Draft Solicitation document.

I. Supplemental Comments

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?

In their initial comments, the Joint CCAs had argued in response to question 7 that the CEC should clarify that the focus of Group 3 are hardware, software, and incentive solutions that engage any type of end-load flexibility. The Joint CCAs recommended that the CEC avoid specifying which technologies could be controlled (e.g. smart thermostats, heat pump water heaters, EV chargers, batteries, etc.) in the solicitation, but instead allow any customer end-use that can be connected to a load flexibility platform or respond to a dynamic price signal.

Relatedly, the Joint CCAs would like to confirm that eligible costs under Group 3 are intended to include incentives, fees or other costs paid to 3rd party aggregators and/or service providers for the licensing and deployment of LSE-sided demand flexibility software. In the Draft Solicitation,

[1] Published on February 23, 2024.
[2] Joint CCA Comments on Distributed Energy Resources for Reliability Draft Solicitation Concept under the Distributed Electricity Backup Assets Program; Docket No. 22-RENEW-01, submitted on 3/15/2024

demand flexibility software and demand response aggregation are listed as eligible technologies in section III.B.7.a, but not referenced explicitly in section III.B.7.c. as eligible projects costs.

The Joint CCAs provide proposed modifications to the Draft Solicitations (in track changes) in recommendation 4 below.

Question 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 Joint CCAs provide three specific recommendations to support project development in disadvantaged communities ("DACs"), or more broadly in "Environmental and Social Justice ("ESJ") Communities",[3] under DEBA.

First, the Joint CCAs recommend broadening the definition of an ESJ Community under DEBA to also include low-income communities. The Draft Solicitation currently only provides a budget goal and set aside, as well as increased incentives, for projects located in or benefiting *DACs*.[4] The Joint CCAs strongly recommend that those same allowances should be extended to projects located in or benefiting *low-income communities* per AB1550 (2016, Gomez) and the California Department of Housing and Community Development (i.e., census tracts with median household incomes at or below 80 percent of the statewide median income). Both DAC and low-income communities can be identified via the "California Climate Investment Priority Populations" tool developed by the California Air Resources Board ("CARB").[5]

This broader definition of an ESJ Community aligns with the definition under California's Environmental & Social Justice ("ESJ") Action Plan,[6] as well as other current CEC grants such as the Equitable Building Decarbonization ("EBD") Direct Install program[7] and the Community Energy Reliability & Resiliency Investment ("CERRI") program.[8] It would also enable reliability projects for customers in low-income communities who cannot afford to make such investments without public funding support and who have traditionally been underserved by existing energy programs in California. Finally, broadening the definition to both projects benefiting or located in DACs and low-income communities aligns with the Draft Solicitation's proposed scoring criteria under which both projects located in DACs and low-income communities would receive additional "preference points" in the evaluation of the application.[9]

[3] As defined under California Environmental & Social Justice Action Plan, Version 2, p.2
[4] See Draft Solicitation at p. 5-6
[5] See at https://gis.carb.arb.ca.gov/portal/apps/experiencebuilder/experience/?id=6b4b15f8c6514733972cabdda3108348
[6] See California ESJ Action Plan, Version 2, at p.2
[7] See Equitable Building Decarbonization Direct Install Program Guidelines, Chapter 2, section C, "Community Eligibility" at p.8-9.
[8] See CERRI GFO Application Manual, section II.B.4 at p.3. Find
[9] See Draft Solicitation at p.35

Second, the Joint CCAs recommend that projects located in or benefiting DACs and low-income communities in *any DEBA group* should be eligible for an increased DEBA award and/or customer incentives. At this time, the Draft Solicitation only provides an increased DEBA award for *Group 1* projects located in or benefitting DACs.[10] The Joint CCAs see no reason why Group 2 projects located in or benefiting DACs (and low-income communities) should not be afforded the same increased DEBA award as Group 1 projects (i.e., 50% (or higher) of the total eligible project costs gross tax credits). DEBA proposals that include multiple installations or customers sign-ups would receive two levels of DEBA awards on a per customer basis – the base incentive of 50% of total eligible project costs net tax credits for "general market" customers and the increased incentive of 50% (or higher) of the total eligible project costs gross tax credits for customers located in DACs or low-income communities. Similarly, DEBA awardees should be able to offer increased customer incentives for any customers located in DACs or low-income communities under a Group 3 program proposal.

This modification is reasonable because the CEC is clearly targeting Equity projects under Group 2 and Group 3 proposals. The Draft Solicitation sets a spending goal of 50% of the total DEBA award (or $125 million) for projects located in or benefitting DACs.[11] However, increased incentives are only provided to Group 1 projects which are limited to a total budget of $60 million. The CEC thereby is effectively encouraging $65 million in investments in DACs under Group 2 or Group 3 without providing any additional DEBA award for those projects. It is unreasonable to assume that such projects will materialize under Group 2 or Group 3 projects without increased incentives or budget set asides.

Third, if the CEC would like to further encourage projects located in DACs or low-income communities under Group 3, the Joint CCAs recommend that eligible project costs may include marketing, education and outreach ("ME&O") costs, including payments to Community Based Organizations ("CBOs") who support DEBA awardees in recruiting customers located in DACs or low-income communities into the program. Partnerships with CBOs have shown to be an integral part of energy programs in ESJ Communities due to the CBOs' close connections to community members and the trust they have built in those communities.

The Joint CCAs provide proposed modifications to the Draft Solicitations (in track changes) in recommendations 7, 8 and 9 below.

II. Summary of Recommendations

In their initial comments submitted on March 15,[12] the Joint CCAs proposed certain modifications to the Draft Solicitation to facilitate the participation of applicants under the DEBA solicitation while maintaining its goal of ensuring load reductions during emergency events. As requested by CEC staff, PCE summarizes the Joint CCAs' recommendations below

[10] Id at p.5-6
[11] Id at p. 5.
[12] Joint CCA Comments on Distributed Energy Resources for Reliability Draft Solicitation Concept under the Distributed Electricity Backup Assets Program; Docket No. 22-RENEW-01, submitted on 3/15/2024

again and proposes specific track changes to the Draft Solicitation. The justification for the proposed modifications can be found in the initial comments submitted by the Joint CCAs, as well as section I above.

Recommendation 1: Ensure a minimum of 60 days between the release of the final solicitation and the deadline to submit applications.

The Joint CCAs propose the CEC update the table in the "Key Activities and Tentative Dates" section of the Draft Solicitation (section I.C, p.4) accordingly.

Recommendation 2: Proposed projects should be completed and online no later than May 1, 2028.

The Joint CCAs propose the following track changes to the Draft Solicitation (section III.B.3, p.12):

> Proposed projects must be completed and online no later than May 1, 2028~~2027~~.

Recommendation 3: Remove the mandatory minimum deployment targets for multi-phase projects but rather develop goals for deployment targets as follows:

- ***25% by June 1, 2026***
- ***75% by June 1, 2027***
- ***100% by June 1, 2028***

The CEC should not establish automatic repercussions if deployment targets are not met but should rather work with DEBA awardees to mitigate the reasons for the delayed deployment and establish potential repercussions on a case-by-case basis.

The Joint CCAs propose the following track changes to the Draft Solicitation (section III.B.3, p.12):

> All project proposals are expected to provide best available estimates of project completion date. Projects that are multi-phase involving multiple installations or customer sign-ups should target ~~must demonstrate~~ at minimum 25 percent of total project capacity installed and online by May 1, 2026~~5~~, 50 percent by May 1, 2027~~6~~, and 100 percent by May 1, 2028~~7~~, and in each subsequent year. If a DEBA awardee fails to meet the deployment goals, the CEC will work with the awardee to mitigate the reasons for the delay. The CEC will consider potential repercussions on a case-by-case basis.

Recommendation 4: Allow control systems that enable the optimized dispatch of any type of distributed energy resource behind a customer's meter (including, but not limited to, energy storage resources, other distributed generation technologies, and the managed charging of EVs) under Group 3. Confirm that eligible costs under Group 3 include the costs of a centralized, LSE-sided demand flexibility software (such as a Distributed Energy Resource Management System ("DERMS")).

The Joint CCAs propose the following track changes to the Draft Solicitation (section III.B.7.a., p.15-16):

Eligible Technologies

Eligible project proposals must include the purchase and deployment of new load flexibility technologies, which are hardware and software to enable load flexibility (must be commercial ready, TRL 9 or greater).

Examples include but are not limited to:

i. Load flexibility controls, automation, and communications (smart thermostats, pump controllers, water heater controllers, managed charging, etc.).

ii. Supervisory control and data acquisition (SCADA) systems.

iii. Demand-response aggregation or demand flexibility software, including centralized solutions such as Distributed Energy Resource Management Systems ("DERMS")

iv. Building energy management systems (BEMS).

There are no limitations regarding the type of distributed energy resource behind a customer's meter that can be controlled under a Group 3 proposal. However, e~~E~~ligible projects for Group 3 do not include the purchase [emphasis added] of energy storage, distributed generation technologies, or any of the ineligible technologies listed in Section III.B.8.

Eligible Project Costs

Costs incurred for the following activities are eligible for CEC reimbursement:

i. Incentives paid to third party aggregators and customers for the purchase and deployment of load flexibility technologies and program participation, as defined in this solicitation.

ii. Incentives, fees or other costs paid to 3rd party aggregators and/or service providers for the licensing and deployment of centralized, LSE-sided demand flexibility software

~~ii.~~iii. Administrative costs incurred to develop and implement a Load Flexibility Aggregation Program.

Recommendation 5: Lower the minimum capacity requirements for Group 3 to 7.5 MW.

The Joint CCAs propose the following track changes to the Draft Solicitation (section III.B.7.b, p.16):

Eligible project proposals in Group 3 must propose to install and/or aggregate a minimum of 7.5~~15~~ MW of incremental rated capacity over the period of program deployment consistent with the requirements described in Section III.B.3.

Recommendation 6: Explicitly include hourly dynamic rates offered by CCAs as an eligible option under performance pathway 3 "Hourly Dynamic Pricing".

The Joint CCAs propose the following track changes to the Draft Solicitation (section III.B.10, p.19-20):

> **Pathway 3: Hourly Dynamic Pricing**
>
> Projects, except FTM projects in Group 1, may elect this pathway, subject to tariff availability in the service area.
>
> Project proposals electing this pathway must enroll customer sites in an hourly dynamic pricing rate or tariff that reflects hourly marginal costs based on current wholesale energy prices and other grid capacity utilization levels, such as the hourly dynamic rates offered in IOU or CCA pilots based on CPUC's California Flexible Unified Signal for Energy (CalFUSE) framework.

Recommendation 7: Broaden the definition of an ESJ Community under DEBA to include both disadvantaged and low-income communities.

The Joint CCAs propose the following track changes to the Draft Solicitation (sections II.A, p.5):

> This solicitation seeks to award at least $125 million to projects located in or benefitting Disadvantaged Communities (DACs) or low-income communities. DACs are defined per California Environmental Protection Agency's CalEnviroScreen 4.0. Low-income communities are defined per AB 1550 (2016, Gomez) and the California Department of Housing and Community Development as census tracts with median household incomes at or below 80 percent of the statewide median income. Both DAC and low-income communities can be identified via the "California Climate Investment Priority Populations" tool [link] developed by the California Air Resources Board (CARB).
>
> $220 million is expected to be available for awards during the general application period, and an additional $30 million is expected to be set aside for awards during the subsequent application period available only for Group 1 projects (defined below) located in or benefiting DACs or low-income communities.

Recommendation 8: Projects located in or benefiting DACs and low-income communities in any DEBA group should be eligible for an increased DEBA award.

The Joint CCAs propose the following track changes to the Draft Solicitation (sections II.B, p.5):

> For Group 1: Large DER Installations and Group 2: VPPs, the DEBA award will be a maximum of 50% of the total eligible project costs net of tax credits.
>
> - For Group 1 or Group 2 projects~~Large DER Installations~~ located in a DAC or low-income community that have a letter of support from an environmental justice community-based organization, the DEBA award could be increased to 50% (or higher) of the total eligible project costs gross of tax credits.
>
> For Group 3: Load Flexibility Aggregation Programs, the CEC will award up to 100% of the requested budget for eligible project proposals. Group 3 proposals can include

increased customer incentives for customers located in DACs or low-income communities.

Recommendation 9: Group 3 eligible project costs should include ME&O costs to recruit eligible customers under the program, including payments to CBOs who support DEBA awardees in outreach and recruitment of customers in DACs and low-income communities. The Joint CCAs propose the following track changes to the Draft Solicitation (sections III.B.7.c, p.16):

Costs incurred for the following activities are eligible for CEC reimbursement:

i. Incentives paid to third party aggregators and customers for the purchase and deployment of load flexibility technologies and program participation, as defined in this solicitation.

ii. Incentives, fees or other costs paid to 3rd party aggregators and/or service providers for the licensing and deployment of centralized, LSE-sided demand flexibility software

iii. Administrative costs incurred to develop and implement a Load Flexibility Aggregation Program.

~~i.~~iv. Marketing, education and outreach (ME&O) costs to recruit eligible customers under the program, including payments to Community-Based Organizations (CBOs) who support DEBA awardees in outreach and recruitment of customers in DACs and low-income communities.

III. Conclusion

PCE respectfully submits these comments on the DEBA program to **Docket No. 22-RENEW- 01** and looks forward to ongoing collaborations with the CEC and stakeholders to advance California's grid reliability.

Thank you for your consideration and attention.

Sincerely,

/s/____Jana Kopyciok-Lande_____
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April 12, 2024