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Catalyze Comments on Proposed DSGS Guidelines, Fourth Edition

Catalyze thanks the California Clean Energy Commission for the opportunity to provide comments on the proposed Fourth Edition of the Demand Side Grid Support (DSGS) Program. Our comments focus on the proposed baselines for non-residential projects utilizing Option 3: Market-Aware Behind-the-Meter Battery Storage Pilot.

The proposed Fourth Edition of the DSGS Program would apply 7.4% performance baselines to all projects utilizing Option 3. Catalyze opposes applying the proposed baselines to non-residential projects because the baselines will interfere with current projects, worsen project economics for new projects, and result in fewer behind-the-meter energy storage projects going online.

First, we have confirmed that if these proposed guidelines are approved, they will apply to projects that have already been accepted into the program. Projects already participating in the program were financed under the assumption that revenue from the DSGS Program would be 100% of a batteryâ€™s performance, whereas the baselines would reduce this revenue to 92.6% of a battery's performance. This significant reduction in program revenue places a burden on existing projects.

Additionally, reducing program revenue by 7.4% will ultimately result in fewer projects participating in the program. There are few revenue streams for commercial energy storage projects, so projects depend on revenue from the DSGS Program in order to make the economics work and secure financing. Reducing this revenue will result in fewer projects securing financing and therefore participating in the program.

Finally, these baselines were established to reduce state revenue going to projects participating in multiple programs, primarily the Self-Generation Incentive Program (SGIP). Adopting these baselines for commercial projects does not accomplish that goal because most new commercial projects are no longer eligible for SGIP. The proposed 7.4% baseline is over twice the current 2.8% baseline for commercial projects that received SGIP incentives. Furthermore, the current 7.4% baseline is only for residential projects, which have different project economics than commercial projects. Baselines for residential projects should not be applied to commercial projects, and baselines should not be applied to projects that do not receive funding from SGIP.

Catalyze respectfully submits these comments.