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on the Proposed Scope for the RPS Eligibility Guidebook, 10th ed

Additional submitted attachment is included below.

November 1, 2024

California Energy Commission
Docket Unit, MS-4
Docket No. 21-RPS-02
715 P Street,
Sacramento, CA 95814

RE: Comments of the California Municipal Utilities Association on the Notice and Request for Comment on the Proposed Scope for the Draft Renewables Portfolio Standard Eligibility Guidebook, Tenth Edition [CEC Docket #21-RPS-02]

Dear Commissioner Gallardo and Commission Staff,

The California Municipal Utilities Association (CMUA) respectfully submits these comments to the California Energy Commission (Commission) on the *Notice and Request for Comment on the Proposed Scope for the Draft Renewables Portfolio Standard Eligibility Guidebook, Tenth Edition* (Proposed Scope), issued on October 18, 2024. CMUA greatly appreciates staffs' efforts to identify areas for potential modifications to the RPS Guidebook and generally supports the proposed scope as identified in the notice, but notes that many of the topics identified raise complex challenges that will require careful deliberation. CMUA therefore urges the Commission to hold multiple workshops and provide ample opportunity for stakeholder input.

In these comments, CMUA supports the consideration of amending the treatment of energy storage devices and recommends that the Commission eliminate the reduction of a renewable generating facility's output to account for energy storage losses. CMUA also recommends that the scope of potential changes be expanded to include clarifying that publicly owned utilities (POUs) are not required to report e-Tag data for pseudo-tied resources.

I. COMMENTS ON THE PROPOSED SCOPE FOR THE 10TH EDITION OF THE RPS ELIGIBILITY GUIDEBOOK

A. The Commission Should Consider Eliminating the Reduction for Losses Currently Applied to Renewable Generating Facilities that Have an Integrated or Directly Connected Energy Storage Device.

Under the requirements of the current edition of the RPS Eligibility Guidebook, an eligible renewable generation facility that has an energy storage device either integrated into the facility or directly connected to the facility has its eligible generation quantity reduced by the losses associated with the round trip efficiency of the storage device. This adjustment should be eliminated because it (i) is inconsistent with state goals, (ii) serves to disincentivize configurations that may provide more reliability benefits, (iii) results in inconsistent treatment, and (iv) is unnecessarily complicated resulting in costs for both the utilities and the Commission. Instead, the RPS Guidebook should clarify that the output of any renewable generating facility is measured before any losses associated with an energy storage device are applied.

1. *Applying Energy Storage Losses to Renewable Generation is Inconsistent with Statewide Goals.*

The Commission's 2023 Integrated Energy Policy Report identifies that California will need to greatly expand the deployment of energy storage in order to meet its environmental goals:

> [t]o achieve 100 percent renewable and zero-carbon electricity by 2045, annual grid-scale solar and wind build rates need to triple compared to the prior decade, and ***battery storage installation rates need to grow by nearly eightfold relative to 2020***."[1]

The scale of this deployment poses many challenges, including the ability to site, permit, and study that quantity of storage facilities, in addition to challenges associated with constructing the necessary infrastructure for interconnecting these resources to the grid. Integrating a utility-scale storage facility into an existing or planned generating facility will be an essential strategy to meet this goal. Pairing storage with generation leverages the existing costs associated with the land, permitting, and upgrades already necessary for the renewable generation, which reduces costs and shortens development timelines. There may also be added grid reliability benefits associated with interconnecting storage directly to intermittent renewable generators. In light of the role that storage systems paired with renewable generation will play in meeting California's clean energy goals, the Commission's regulations must not artificially disincentivize or inhibit these projects.

[1] Bailey, Stephanie, Jennifer Campagna, Mathew Cooper, Quentin Gee, Heidi Javanbakht, and Ben Wender. 2023. 2023 Integrated Energy Policy Report. California Energy Commission. Publication Number: CEC-100-2023-001-CMF at 15.

For most current battery storage technologies, the expected round trip efficiency is approximately 85 percent, which means under the Commission's current rules, any integrated renewable generating facility will lose approximately 15 percent of its renewable output. This represents a substantial financial loss and will clearly disincentivize integrated storage and generation systems. However, there is no meaningful generation or environmental benefit associated with separating the energy storage device from the generation. A standalone storage device will still charge and discharge from the grid and will result in similar losses as an interconnected system. Separating the two systems does not increase the renewable generation that is available to the broader grid.

Further, installing sufficient long duration storage devices will be essential to meeting the State's longer term environmental goals, particularly in the later 2030's and into the 2040's. However, many long duration energy storage technologies have efficiency factors between 40 and 70 percent.[2] If the Commission's rules eliminate all renewable generation associated with losses, then these regulations could functionally prohibit long duration energy storage devices from being paired with renewable generation.

Therefore, the Commission's current rules create disincentives to the actions that will be necessary to meet California's zero carbon goals without creating any corresponding benefits.

2. The Commission's Current Rules Result in Inconsistent Treatment of Similar Facilities.

In early 2022, Commission staff held a workshop on the treatment of energy storage devices and requested comments from stakeholders. In the stakeholder comments, both Pacific Gas and Electric Company (PG&E) and the Large Scale Solar Association (LSA) noted that a common solution to loss of renewable output due to energy storage losses was to utilize a "co-located" configuration. In a co-located configuration, the renewable generating facility and storage facility are located behind the same grid interconnection point but have separate resource IDs and are separately dispatched and scheduled. Both LSA and PG&E state that in these co-located configurations, 100 percent of the renewable generation is available to the purchaser and there is no offsetting of the generation for losses. This is true despite the fact that the storage facility will primarily be charged with the renewable facility exactly the same as in an integrated system.

Based on these comments it appears that the Commission's rules are resulting in different treatment for similarly situated facilities without any justification for this difference. This harms projects and/or stakeholders that are not able to utilize a co-location structure. The Commission's rules should be consistently applied.

[2] *See* U.S. Department of Energy, Pathways to Commercial Liftoff: Long Duration Energy Storage, Mar. 2023, at 13.

3. Increases in Grid Charging Will Make the Application of the Commission's Current Rules Much More Complex and Costly.

The federal Investment Tax Credit (ITC) for energy storage devices required that the energy storage device be exclusively charged by renewable generation during the initial five years of operation. The subsequent Production Tax Credit (PTC) does not impose this same restriction. As storage devices that utilized the ITC cross this five year threshold and as storge devices that obtained the PTC come online, there is likely to be a substantial increase in the number of integrated renewable and storage facilities that will be utilizing grid charging. Accurately measuring and accounting for the impacts of grid charging will likely require significant additional time and effort for both the utility staff counting this generation for RPS compliance and for Commission staff verifying the accuracy of this data. Counting all generation from the renewable facility as eligible avoids the need for accounting for the impacts of grid energy and would simplify the reporting and verification process.

For the reasons described above, CMUA recommends that the Commission consider modifying the existing treatment of energy storage devices to no longer reduce the output of a renewable generating facility to account for the losses associated with the energy storage device.

B. <u>The Commission Should Amend the Guidebook to Clarify that POUs are not Required to Provide E-Tags for Pseudo Tie Resources.</u>

Chapter 7.B.1(a) of the current RPS Guidebook specifies that POUs must provide e-Tag data demonstrating that electricity from a generating facility that is not interconnected to a California Balancing Authority (CBA) was actually scheduled into a CBA. It is CMUA's understanding that Commission staff have interpreted this provision as requiring e-Tag data for all dynamically transferred facilities, even where the dynamic transfer is accomplished through a pseudo tie agreement between the host balancing authority and a CBA. This interpretation is unduly burdensome or potentially infeasible to comply with. It is also inconsistent with the California Public Utilities Commission's (CPUC) requirements for retail sellers. The CPUC's Portfolio Content Category Eligibility Guidebook provides useful background and a description of why the CPUC's Energy Division determined that e-Tag data is not required for these resources:

> [T]here are two distinct types of dynamic transfers that each merit special treatment.
>
> The first type of dynamic transfer agreement that can be used to deliver electricity into a CBA is a pseudo tie agreement. Pseudo-ties are a special type of inter-balancing authority transaction whereby a generator that physically resides outside the contiguous boundaries of a CBA is linked to a CBA so that the point transfer for the generation is analogous to a direct interconnection to the CBA. Under a pseudo tie agreement, the CBA assumes <u>all</u> responsibilities as scheduling coordinator for the facility.

> The second type of dynamic transfer agreement that can be used to deliver electricity into a CBA is a dynamic scheduling agreement. Dynamic Scheduling occurs when two balancing authorities are linked, allowing them to request and acknowledge desired schedule changes and is able to dynamically transmit a revised schedule as changes (planned or unplanned) in energy production or demand occur. With a dynamic schedule agreement, the CBA does not assume a responsibility as the scheduling coordinator for the facility, and electricity will only reach a CBA if the retail seller, the generator, or a third party is responsible for scheduling the electricity into the CBA. Consequently, the RPS eligible electricity will not actually reach the CBA unless the energy is scheduled.
>
> **Therefore, Energy Division staff has determined that a Pseudo Tie Agreement demonstrates sufficient interconnection to a CBA, and an hourly meter/e-Tag analysis is not necessary**.[3]

CMUA agrees with the interpretation of Energy Division and urges the Commission to add this topic to the scope of potential changes to consider for the 10th edition of the RPS Eligibility Guidebook.

II. CONCLUSION

CMUA appreciates the opportunity to provide these comments to the proposed scope for the 10th Edition of the RPS Eligibility Guidebook and thanks the Commission for its consideration of these comments. CMUA also looks forward to reviewing other stakeholder comments and engaging with Commission staff and stakeholders on revisions to refine and improve the RPS Eligibility Guidebook.

[3] CPUC, Portfolio Content Category Classification Review Process Handbook, at Appendix C (emphasis added).