

DOCKETED

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LACI Comments: 2018-2020 Triennial Investment Plan

Additional submitted attachment is included below.



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Project Title: Development of the California Energy Commission Electronic Program Investment Charge 2018 – 2020 Triennial Investment Plan

LACI Comments on 2018 – 2020 EPIC Triennial Investment Plan

ABOUT LACI

The Los Angeles Cleantech Incubator (LACI) is a private non-profit organization helping to accelerate the commercialization of clean technologies by offering flexible office space, CEO coaching, mentoring, and access to a robust network of partnerships and capital. LACI was founded in 2011 as a cluster-driven economic development initiative supported by the City of Los Angeles, the Los Angeles Department of Water & Power (LADWP) and the Community Redevelopment Agency of Los Angeles. Recognized as one of the most innovative business incubators in the world by UBI, LACI identifies local entrepreneurs across multiple cleantech business sectors and guides them to market, creating jobs that advance LA's green economy. In just five years, LACI has helped 67 companies raise \$123M in funding, created 1,300 jobs, and delivered more than \$293M in long term economic value for the City of Los Angeles. LACI operates out of the La Kretz Innovation Campus with satellite offices in Northridge, CA and Silicon Valley and is founder of the Network for Global Innovation (NGIN).

COMMENTS

The Energy Commission's work through the two initial Triennial Investment Plans has played a critical role in transforming California into a clean energy economy better prepared to meet the state's future energy, economic, and resiliency needs. Judging by the eight Themes proposed for the 2018-2020 Triennial Investment Plan, the Energy Commission recognizes that California's clean energy innovation economy has matured beyond nurturing purely R&D projects to now including "downstream" entrepreneur and ecosystem supports in order to best support the accelerated commercialization of new clean technologies.

As a stakeholder in California's growing clean energy innovation economy, LACI would like to share some additional thoughts for the Energy Commission to consider as it finalizes its 2018 – 2020 Triennial Plan.

Ecosystem Capacity Building

- ***Invest in People and Relationships to Create a Culture of Clean Energy Innovation*** – Ultimately, individual marketplace actors make the decision to pursue a research topic, become an entrepreneur, pilot a new technology, or purchase a new clean energy product or service. While educating individual stakeholder groups will always be a critical element in the decision-making process, it is really only the first step in someone's journey towards embracing new clean energy technologies. In fact, regardless of a technology's TRL level, a new product or service offers market and technical risks along with its purported benefits. And the best way to reduce perceived risk is to directly connect actors to those with the experience and expertise necessary to allay educate them and allay their concerns.

Therefore, LACI encourages the Energy Commission to continue to support local stakeholder networks and engagement opportunities – especially inclusive, place-based engagement strategies – as a means to decrease market risk and support a culture shift towards clean energy. In addition, by investing in



efficient connections among people and networks, the Energy Commission is effectively creating a core, “backbone” program that can act as the state’s clean energy ecosystem’s foundational infrastructure that other clean energy funders (foundations, industry, other state agencies, the federal government, etc.) can build upon to develop and execute their own complementary initiatives. Unlike, project-by-project funding where the project benefits are limited to the scope of the project itself, investments in network infrastructure can be leveraged to quickly transform an initial modest investment by the Energy Commission into multi-stakeholder, long-term environmental, economic and social impacts.

- ***Encourage New Business Practices at Later TRL stages that Facilitate Clean Energy Innovation Adoption*** – Years of Energy Commission investment in energy R&D and a more recent focus on supporting early stage clean energy companies have helped increase the number of clean energy products and services in the California marketplace. However, without a corresponding *culture shift in customer businesses practices and assumptions*, this progress towards creating a clean energy economy will falter at the later TRL stages. Therefore, we recommend the Energy Commission take a holistic approach to energy stakeholder engagement that includes engaging and supporting market adoption among key clean energy customer segments (beyond the utilities) and encourages customers to adapt their decision-making practices and investment / purchasing processes take advantage of California’s clean energy innovation economy.
- ***Leverage the Regional Energy Innovation Cluster Program*** – Through the Energy Commission’s Regional Energy Innovation Cluster program, Sacramento now has (1) an efficient communication and programming channel to the state’s energy stakeholders and (2) a programmatic platform upon which other programs can be layered in. This infrastructure should be leveraged to maximize the state’s investment.

Access to Funding Among Early Stage Clean Energy Startups

- ***Early Stage Company Equity Funding*** – Although the Energy Commission cannot at this point facilitate direct equity investments into clean energy startups, the Energy Commission could contribute by regularly convening stakeholders, raising awareness of the clean energy sector, hosting workshops to educate interested investors about clean energy, and publishing case studies and technical “roadmap” reports that inform investors about the state and future of the clean energy sector in California. These “ecosystem” efforts would help reduce the perceived market and technical risks of new investment in clean energy, without the Energy Commission making actual investments. Early stage investor networks (ex: Angel groups) tend to be highly local, so the Energy Commission should work with a network of local organizations to engage investors rather than try to manage it from Sacramento or outsource it to a single entity.
- ***Early Stage Company Non-Dilutive Funding*** – Through the recently launched CalSEED program, the Energy Commission has already started to contribute significantly to this gap. We hope to see an acceleration in follow-on investment and deployment for CalSEED grantees.



- **Early Stage Company Working Capital Funding** – Through LACI’s incubator program, we have observed promising early stage companies just entering the marketplace struggle to secure the cash necessary to fulfill customer orders. The startups’ youth (less than three years old), lack of profitability (although revenue generating), and lack of collateral shut them out of traditional bank lending and leave the entrepreneurs with few sources of reasonably-cost loan capital. LACI is developing a pilot program that works to fill this loan capital gap and the Energy Commission could contribute by supporting the administrative back-office costs, marketing and public awareness, and program scaling and replication (the EDA does something similar through their i6 grant).

Engaging Disadvantaged Communities (DACs)

- **Recognize the Unique Challenges of Working in DACs** – Clean energy innovation more naturally flows through the marketplace to wealthier, well-informed customers. In order to build a more equitable clean energy ecosystem, the Energy Commission needs to recognize the unique challenges in DACs that have historically stymied innovation in those communities, including:
 - o Lack of physical infrastructure
 - o Lack of capital
 - o Lack of access to knowledge networks
 - o Lack of experience with cleantech evaluation and deployment

Therefore, in order to bring innovation and its benefits to DACs, we recommend the Energy Commission:

- o Explore supporting organizations or partnerships that have a specific focus on and method of funneling clean energy innovation into DACs. Generally, entities interested in this space are either a technology-focused organization or a community-focused organization. Organizations and coalitions in the best position to serve DACs are a mix of both – community- AND technology-focused – and focus on their core strength and mission.
 - o Recognize that effective work in DACs requires organizations to embrace a “high touch” engagement model and to make a long-term investment in a community. Short project timelines and underinvestment in the people / network aspects of this work will likely result in less successful, less sustainable projects.
 - o Build infrastructure and a mechanism for follow-on scaling and replication support after a successful DAC pilot. Since every DAC is so unique (including even the predominant language spoken!), a successful pilot in one community does not immediately translate to broad DAC market adoption. Therefore, we recommend the Energy Commission consider supporting programming that will facilitate post-pilot replication and scaling to other DACs, mostly likely through a “backbone” organization or coalition. This DAC pilot ecosystem “infrastructure” investment will be a useful platform the Energy Commission can leverage when it looks to expand its DAC programming into other areas.
- **Additional Thoughts on Community-Based Organizations in DACs** – As with early stage entrepreneurs, working with small grassroots community-based organizations presents its own unique set of benefits and challenges. As a way to compensate for some of the challenges, the Energy Commission could consider:



- Eliminating the 10% invoice retention requirement for multi-year projects for smaller community-based organizations
- Employing a two-step application process (similar to the DOE's) to reduce proposal preparation workload and administrative burdens (This would also be a way to educate organizations on the Energy Commission's priorities and preferred project approaches.)
- Reducing or eliminating the match requirement for small community-based organizations (Perhaps by creating a tiered match requirement system based on the size of the organization's annual budget?)
- Evaluating the tenure, background, and experience of nonprofits' Boards of Directors as one method (of many) of gauging an organization's commitment to a DAC
- Encouraging programs to build a robust community feedback loop - with opportunities to shift the project approach - between project partners and DAC residents to ensure the concerns and needs of DAC residents are being addressed
- Structuring future grant opportunities such that community-based organizations are encouraged to do what they do best – educate, support, and represent residents in DACs – while the innovation sourcing, vetting and management falls to experienced innovation partner organizations.