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**Eddy Energy, LLC Comments on the Draft Clean Energy Reliability Investment Plan (CERIP) Report, Docket #21-ESR-01**

*Additional submitted attachment is included below.*

California Energy Commission  
Docket Unit, MS-4  
Docket No. 21-ESR-01  
715 P Street  
Sacramento, CA 95814

**Subject: Eddy Energy, LLC Comments on the Draft Clean Energy Reliability Investment Plan (CERIP) Report, Docket #21-ESR-01**

Eddy Energy, LLC (“Eddy”) appreciates the opportunity to comment on the California Energy Commission’s (CEC) Draft Clean Energy Reliability Investment Plan (CERIP) Report, issued February 9, 2023 (“CERIP Report”).

**About Eddy Energy**

Eddy is a U.S. distributed energy storage development platform. Eddy works with land-owners, communities, and load-serving entities to develop fleets of stand-alone storage projects that efficiently deliver needed local reliability benefits along with peak energy-shifting necessary to integrate renewables. Eddy is based in San Francisco, CA.

**Recognition of Reliability Challenges**

The CEC’s CERIP report recognizes the major reliability challenges facing the state as a result of a number of ongoing trends, from local interconnection backlogs to global climate change. Eddy supports this focus and framing from the CEC and believes that grid reliability is one of the central challenges of the clean energy transition.

The need for reliability solutions in California was brought into sharp relief last September, when the state experienced a heat-induced record grid peak that threatened widespread blackouts. On September 6<sup>th</sup>, 2022, the Governor’s Office issued an emergency order asking users to decrease their electricity use as a last-resort measure to prevent a grid shutdown. This order was effective in reducing load by over 2 GW within the hour, avoiding any large blackouts. CAISO CEO Elliott Mainzer stated that this emergency load-reduction “made an enormous difference in our efforts to keep the power flowing, and I cannot thank the public enough.”<sup>1</sup>

When emergency public announcements from the Governor are needed to keep the lights on in California, initiatives like CERIP are a timely and appropriate means for parties to implement solutions. Eddy submits that the events of last September, while amply demonstrating the reliability problem, also suggest how it can be solved.

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<sup>1</sup> <https://www.canarymedia.com/articles/grid-edge/californians-saved-the-grid-again-they-should-be-paid-more-for-it>

## **New Pathways Needed for Distributed Resources**

Eddy agrees whole-heartedly with the CEC's intention to use CERIP to increase the participation of 'demand side' resources in grid reliability. As the draft report states, "new strategies are needed to increase demand flexibility of existing resources and to enable pathways for the integration of many more. The state needs more market opportunities that advance demand reduction, including pathways that expand aggregation of many resources into virtual power plants." The state is indeed sorely in need of reforms to incentivize the deployment of distributed energy resources (DERs), and it's key that any reforms don't result in narrow carve-outs but rather encompass the full suite of DERs, from responsive load, aggregated behind-the-meter resources, microgrids, 'community-scale' front-of-meter assets, and more.

California, long a leader in renewable energy, has become a laggard when it comes to the DER space. One of the main reasons is the lack of pathways for these resources to provide reliability. Other ISO markets, such as NYISO and ISO-NE, have strong DER development environments driven in large part by market and tariff mechanisms that directly credit local resources for their peak dispatching/shifting, which bring both system reliability as well as T&D infrastructure deferral benefits.

New York's Value of Distributed Energy Resources (VDER)<sup>2</sup> program best exemplifies how an investable signal can drive distributed asset development. Through VDER, the New York State Public Service Commission provides a value stack to distributed projects that is made up of:

- Energy Value
- Capacity Value
- Environmental Value
- Demand Reduction Value
- Locational System Relief Value

Three of these components—the capacity value, demand reduction value and locational system relief value—compensate resources for their peak-reducing behavior, recognizing the intrinsic value of distribution-connected assets to the grid.

In California, there is no VDER-like program, and grid reliability investments are dictated by the Resource Adequacy (RA) program, which itself is driven by the singular concept of deliverability. Deliverability is a CAISO assessment that determines whether a given resource can deliver its output over the transmission system to system load, as well as what network upgrades are required to do so. To be counted as an RA resource, a project must be deemed 'fully deliverable' by CAISO. The problem is, deliverability is a transmission-oriented methodology that makes little sense for DERs in load-pockets that don't need the transmission system in the

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<sup>2</sup> <https://www.nyserda.ny.gov/All-Programs/NY-Sun/Contractors/Value-of-Distributed-Energy-Resources>

first place. Deliverability views all assets as injections ‘upward’ into the transmission system, and this leads to often-absurd results, such as when DERs within constrained areas are deemed to have zero RA value when in fact their operation would meet the local peak and help mitigate the transmission constraint itself. Furthermore, deliverability studies are paired with the large interconnection cluster and from a cost and timing perspective are overly burdensome on much smaller projects.

With no workable path to receive RA credit, distribution-side resource development languishes. Developers can’t invest in the development of projects that won’t realize a large piece of their operational value, and load-serving entities can’t contract and design programs around projects that don’t ultimately help them meet their state-mandated RA procurement targets. This is a shame. As the events of last September demonstrated, net load reduction is a key contributor to statewide grid reliability, and is especially needed in the context of a constrained and long-cycle bulk grid environment.

Eddy thus urges the CEC to use CERIP to help develop a new pathway that provides credit to a wide range of DERs for their reliability benefits, which in turn would incentivize their development in the first place. Some approaches that have been suggested include:

- A Net Value Billing Tariff (NVBT) that would give credit for both capacity and T&D benefits of distribution projects. This is being discussed as part of the community solar proceeding, and could be expanded to look similar to a VDER structure for DERs.
- An expansion of the CEC’s load forecasting process to incorporate a wide range of distributed assets in an LSE’s service territory, thereby reducing RA requirements which are based on these load forecasts.
- Modifications of the RA program itself to create pathways for distribution-level resources that do not use the transmission system.

As in other markets, any ‘demand-side’ policies should be inclusive of all resources that can shift net load on the distribution system, across technologies and both behind and in front of the meter. Overall, it is critical that we maximize our use of the distribution grid infrastructure to deliver reliability, just the same as we do on the transmission side.

### **DEBA as Interim Mechanism**

While California needs reforms that stimulate DERs, this process is likely to take some time as stakeholders assess options and ensure that new programs are well-crafted. However, as the CERIP report makes clear, the state faces near-term reliability needs. For this reason, Eddy supports the use of CERIP funds as additional funding for the Distributed Electricity Back-up Assets (DEBA) program. While the rules and implementation of DEBA are still being finalized, the program is aligned directly, and broadly, at the state’s reliability crisis, and the use of distributed resources to alleviate it. We believe that DEBA has great potential to support the development of valuable distributed resources in the near-term while wider reforms begin to take place.

Respectfully submitted,

*Sam Maslin*

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