

DOCKETED

Docket Number:	22-RENEW-01
Project Title:	Reliability Reserve Incentive Programs
TN #:	252073
Document Title:	California Municipal Utilities Association Comments - on the Distributed Electricity Backup Assets Program Draft Guidelines
Description:	N/A
Filer:	System
Organization:	California Municipal Utilities Association
Submitter Role:	Public
Submission Date:	8/31/2023 2:40:30 PM
Docketed Date:	8/31/2023

*Comment Received From: California Municipal Utilities Association
Submitted On: 8/31/2023
Docket Number: 22-RENEW-01*

**CMUA Comments on the Distributed Electricity Backup Assets
Program Draft Guidelines**

Additional submitted attachment is included below.

STATE OF CALIFORNIA ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

In the Matter of:

Reliability Reserve Incentive Programs

Docket No. 22-RENEW-01

**COMMENTS OF THE CALIFORNIA MUNICIPAL UTILITIES ASSOCIATION
ON THE DISTRIBUTED ELECTRICITY BACKUP ASSETS (DEBA) PROGRAM
GUIDELINES, FIRST EDITION**

The California Municipal Utilities Association (CMUA) respectfully provides the following comments to the California Energy Resources Conservation and Development Commission (Energy Commission) regarding the Distributed Electricity Backup Assets Program Guidelines, First Edition (Draft Guidelines).¹

CMUA is a statewide organization of local public agencies in California that provide essential public services including electricity, water, and wastewater service throughout California. CMUA’s membership includes publicly owned electric utilities (POUs) that operate electric distribution and transmission systems that serve approximately 25 percent of the electric load in California, and public water and wastewater agencies that serve approximately 75 percent of California’s water customers. California’s POUs and public water and wastewater agencies are committed to, and have a strong track record of, providing safe, reliable, affordable, and sustainable electric, water, and wastewater service.

I. INTRODUCTION

CMUA appreciates the opportunity to collaborate with Energy Commission staff during the planning process for the DEBA program. The DEBA program can serve as an important source of support that can move a project forward. In response to the publication of the Draft Guidelines, CMUA offers the following comments, which we expand on below:

¹ Spivey, Hudson, Ashley Emery, Erik Lyon, and O’Shea Bennett. August 2023. Distributed Electricity Backup Assets Program: Proposed Draft Guidelines First Edition. California Energy Commission. Publication Number: CEC-300-2023-005-D.

1. CMUA supports the commitment to allocate 25 percent of DEBA funding to projects in POU service territories.
2. Incremental capacity receiving incentives from the DEBA program should be authorized to serve as a Resource Adequacy (RA) resource.
3. The Draft Guidelines should clarify that possible infrastructure costs associated with project development are eligible for DEBA funding.
4. Delaying DEBA program disbursement will increase project cost.
5. DEBA funding commitments should be firmly established upon award.
6. Initial funding for distributed resources should match the 50% of award as described for bulk grid assets.
7. The grant funding opportunity (GFO) solicitation process for DEBA award and disbursement should be objective and straightforward.

II. COMMENTS ON DEBA PROGRAM DEVELOPMENT

1. CMUA appreciates and supports the commitment to allocate 25 percent of DEBA funding to projects located in POU service territories.

CMUA supports the Draft Guidelines' commitment to allocate at least 25 percent of available DEBA funding to projects located in POU service territories. This commitment is important to achieving equitable funding distribution across the state. California's POU's serve approximately 25 percent of the state's electric load, serving customers from diverse economic backgrounds. The service territory of most of the state's POU's include disadvantaged communities and as such, POU's are well suited to identify resources that will benefit such priority communities.

2. Incremental capacity receiving incentives from the DEBA program should be authorized to serve as a RA resource.

CMUA appreciates that the proposed payment structure in the workshop presentation indicates that DEBA funded assets can contribute to RA, a complex and important issue. CMUA encourages the Energy Commission to take a broad approach to DEBA program development when it comes to RA. To this end, CMUA supports the proposal to authorize grid-level investments to participate in DEBA and for incremental capacity additions from these projects to serve as RA resources. For example, steam generator upgrades to existing facilities that increase capacity with no increase in fuel burn effectively provide an increase in clean RA resources while also supporting incremental increases in capacity, which would be valuable during periods of grid-stress. In addition to supporting grid-level resource expansion, DEBA funding of

distributed resources can provide both incremental RA value as well as generation that can serve the grid during grid emergencies. However, the guidelines appear to limit RA participation for distributed assets that are awarded a challenge grant. Authorizing all DEBA funded projects to serve as RA resources will moderate the resources needed in a strategic reserve. As such, projects that can serve as RA resources should be positively recognized in the GFO Technical Scoring Criteria.

One of California's challenges in reliably meeting the net peak during prolonged heatwaves is tightness and evolution in the RA market, an issue that CMUA documented in a letter to the Vice Chair on March 22, 2023. DEBA can be well-positioned to not only fund assets that serve as on-call resources during extreme events (a statutory requirement) but can also facilitate POU's efforts to develop resources that aid in contributing to RA solutions. However, the Energy Commission's current proposed approach would preclude distributed resources that receive any DEBA funding from participating in RA from May through October, where the need is currently greatest. One alternative approach that would allow DEBA to support both the Strategic Reliability Reserve and RA solutions during these summer months is to allow the share of the generation matching the share of the project funding supported by non-DEBA funding to participate as an RA resource. The balance funded by the DEBA program would become part of the state's reliability reserve. Nothing in the authorizing statute precludes this. For example, a project that is funded by DEBA at the 50% level would be split according to the funding shares. During the summer months, only the non-DEBA funded portion of the project would have the option to participate as RA. Such an approach would allow the DEBA program to add incremental capacity to the Strategic Reliability Reserve while coordinating with POU actions to meet their RA obligations. We recognize that the issue is complex and CMUA is interested in working with the Energy Commission and other stakeholders on this important matter to see if further refinements can be made to the draft guidelines.

3. The Draft Guidelines should clarify that possible infrastructure costs associated with project development are eligible for DEBA funding.

The clean distributed resources funded by the DEBA program may require additional grid modernization to best serve grid emergencies. CMUA encourages the Energy Commission to include potential upgrades to the local distribution system as part of its project evaluation. If

approved projects require grid upgrades, the Energy Commission should authorize DEBA funding to enable grid modernization to facilitate additional emergency resources.

4. Delaying DEBA program disbursement will increase project cost.

The Draft Guidelines outline a funding schedule for bulk grid assets that would provide a 50 percent payment only after a project is completed. The Draft Guidelines further establish that the remaining 50 percent of the DEBA grant be provided over a five-year period contingent on emergency performance. Such requirements will needlessly increase the cost of potential projects. The Draft Guidelines should be modified to indicate that at least 50 percent of the total award be disbursed when the project construction begins. The remaining disbursement could then be provided upon completion of emergency performance events. Since the DEBA guidelines also restrict funding to be no greater than 50 percent of total project costs, providing this share of DEBA funding up front will moderate the adverse impact that delayed funding would have on project costs. Such a commitment would also reduce overall project cost, by reducing the share of the project cost that would require external financing. Additionally, this would mitigate grant funding uncertainty that would increase the project financing costs. This is particularly important for the many California POU's serving sizable low-income and disadvantaged communities, where large project financing is difficult. In order for the DEBA program to best serve California's disadvantaged communities, disbursement should be developed so as to reduce the financing barriers facing many agencies serving California's disadvantaged communities.

5. DEBA funding commitments for bulk grid assets should be firmly established upon award.

The Draft Guidelines establish that up to 50 percent of a bulk grid project's total costs may be eligible for DEBA funding, with this share being reduced to 25 percent, depending on project completion date. CMUA understands that this approach may have been designed to provide an incentive to accelerate project completion. However, the timeline established is far too short to have a material impact on project development. Project developers already have an incentive to bring projects online as quickly as possible. Further, as California continues to advance clean energy and electrification programs, the additional generation capacity developed

by DEBA funded programs will be just as valuable in 2026 as in 2024. As a result, CMUA encourages the Energy Commission to modify the Draft Guidelines to confirm, subject to continued DEBA funds availability, that the maximum eligible project support share will not decrease between 2024 and 2026.

If, however, the Energy Commission chooses not to modify this requirement, it should clarify that the funding limit is tied to the *project award date*, and not the project completion date. California's POUs work diligently to complete projects on or ahead of schedule. Given that the remaining 50% of the DEBA funding is provided in annual payments over a five-year period, project developers have a keen incentive to complete projects as quickly as possible. However, there are various reasons beyond the control of the project developer that a project completion may be delayed, including supply-chain disruption, and permitting delays. Linking a DEBA project award value to a result that may be beyond the control of the project developer introduces more funding uncertainty that will increase project costs and could act to chill interest in this important program.

6. Initial funding for distributed resources should match the 50% of award as described for bulk grid assets.

The Draft Guidelines establish that 25% of the DEBA award for distributed resources would be disbursed when the project is placed in service. The Energy Commission should modify this to match the approach for bulk grid assets, providing 50% of the award when project construction begins, with the remaining 50% being disbursed over the five-year period. Matching the project disbursement schedule for distributed resources with that of the bulk grid assets better standardizes the two components of the program, simplifying the DEBA process for both project developers and Energy Commission staff.

Additionally, as discussed above, given the existing incentives to complete these projects and place them in service as quickly as possible, the initial disbursement should be available when construction begins. Doing so will reduce the project finance costs and thus will lower the project cost. In addition to reducing overall ratepayer expenses, reducing project financing expenses will better leverage the available DEBA funding.

7. The grant funding opportunity (GFO) solicitation process for DEBA award and disbursement should be objective and straightforward.

The Draft Guidelines assign much of the detail in DEBA implementation to the GFO solicitation process. However, this introduces uncertainty and potential inconsistency in the implementation process. CMUA understands that some implementation details are best assigned to the GFO solicitation. However, the Energy Commission should look to establish as much of the implementation standards and expectations in the Guidelines instead of risking potential implementation challenges being address unpredictably or inconsistently in the GFO solicitation stage.

Further, given the urgent need for additional resources and the fixed timeline for the project award, CMUA encourages the Energy Commission to accelerate the traditional GFO solicitation timeline. The GFO process can take many months from the issuance of the solicitation to final approval by the Energy Commission. However, project developers may not be able to begin project construction until the final DEBA award is confirmed. This creates a significant challenge for these projects, and particularly for those bulk grid projects looking to be completed by the end of 2024. As such, CMUA encourages the Energy Commission to streamline the GFO award process, particularly for bulk grid projects whose award value may be contingent on such an accelerated timeline.

During the August 15, 2023, workshop on the Draft Guidelines, the Energy Commission outlined the schedule for the initial GFO, with the Draft Guidelines being considered for approval at the October 18, 2023, Business Meeting, a pre-application workshop to be scheduled in November, and the first GFO applications due in December 2023. Generally, the only POU projects that could meet this timeline will be those that have already been in process and approved by POU governing boards. In order to inform the development of additional projects, CMUA requests that the Energy Commission clarify the schedule for additional GFOs in the DEBA program.

III. CONCLUSION

CMUA appreciates the opportunity to offer these comments on the Draft Guidelines. The DEBA program presents a key opportunity to bring additional clean resources online. CMUA welcomes the opportunity to continue to collaborate with the Energy Commission and other stakeholders as the DEBA program is further developed and refined.

Dated: August 31, 2023.

Respectfully submitted,



FRANK HARRIS
Manager of Energy Regulatory Policy
California Municipal Utilities Association
915 L Street, Suite 1210
Sacramento, CA 95814
(916) 890-6869
fharris@cmua.org