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California GRIT Comments on Distributed Energy Back Up Asset (DEBA) Program Guidelines Draft

Additional submitted attachment is included below.



August 31, 2023

Comment letter submitted via electronic commenting system

California Energy Commission
Docket Unit, MS-4
Docket Number 22-RENEW-01
715 P Street
Sacramento, California 95814

Re: California GRIT Comments on Distributed Energy Backup Assets (DEBA) Program Guidelines (Docket No. 22-RENEW-01)

The above identified companies, representing themselves as members of California GRIT, “Grid Resilience in Transition” (GRIT) appreciate the opportunity to provide comments on the California Energy Commission’s (CEC) proposed Distributed Energy Backup Asset (DEBA) Program Guidelines as released on August 11th, 2023.

GRIT is an ad-hoc coalition of leading flexible generation and microgrid companies including Enchanted Rock, Generac, Peterson Power Systems, and Wartsila, each focused on providing products and services in support of grid reliability and resiliency throughout California.

GRIT strongly supports the goals of the DEBA program, as outlined in the August 15 workshop (“Workshop”), to deliver new emergency electrical capacity to Californians through increased bulk power efficiencies and additional distributed resources that serve as on-call emergency supply or load reduction. The use of General Fund dollars in support of this effort is critical as existing ratepayer programs to provide these resources are inadequate and currently under-enrolled. To support these new megawatts, inclusion of a wide spectrum of resources and leveraging General Fund dollars against existing ratepayer programs will maximize program impact and the megawatts procured through DEBA. Additionally, GRIT commends the CEC for its focus on ensuring that the state’s environmental justice goals are addressed by committing twenty-five percent of its funding to projects geographically located in, or providing direct benefit to, disadvantaged communities. These communities are often disproportionately harmed during outage events or grid emergencies--issues that clean, flexible, and dispatchable generation as well as distributed resources can directly remediate.

The Workshop presented three questions for feedback, and we submit responses to one of those questions within these comments.

Question for Feedback 1: Are the proposed GFO payment structures effective and adequate to spur development of a project and ensure participation during an emergency event? Should alternative approaches be considered?

No. A grant funding opportunity (GFO) process and the proposed payment structure and schedule for distributed assets is commercially challenging and, we believe, will draw a tepid response from industry for several reasons, including:

- There is no clear technical scoring weighting or detailed criteria with which distributed asset developers can ascertain a probability of receiving an award, making the time and effort to apply a questionable utilization of resources;
- There is no certainty with respect to incentive amounts that could be awarded, irrespective of the amounts requested by the applicant, making it very difficult to market and price a project for a customer who would host the asset;
- The disbursement schedule for Distributed Resource incentive dollars provides too small an up-front incentive and would be better aligned with the Bulk Grid Assets structure; and,
- Typically, on-site generation projects move at the speed of the customer’s timeline, not the restrictive GFO windows as proposed. A time-limited application window will severely narrow the scope of opportunities that developers will have to bring forward shovel-ready project proposals.

Given these concerns, GRIT suggests a programmatic incentive framework that identifies a clear set of requirements, offers a clear pathway to upfront capital for the deployment of new on-site generation, and provides a monetary value that provides a clear market incentive to displace fossil fuel back-up technologies.

A programmatic incentive framework should include: a clearly identified minimum size threshold either as a single resource or an aggregation of resources; requirements for asset speed to market, and performance requirements like those already in place for existing California Public Utilities Commission (CPUC) and CEC demand response and reliability programs. As the CEC considers DEBA sufficiency thresholds, we recommend it look at existing enrollment rates and incentive levels in the CPUC Base Interruptible Programs (BIP) as a guide. While CPUC jurisdictional programs have been moderately successful, there are clear indications that the incentives provided by BIP alone are insufficient to attract or retain needed demand response and on-site generation response¹.

¹ [PG&E's Full Proposal and Testimony in 22-05-002](#) - PG&E is seeking CPUC approval for higher BIP incentive rates due to “attrition and low enrollment.”

**TABLE 3-3
EX ANTE: AUGUST PEAK**

Line No.	Item Detail	2017	2018	2019	2020	2021	2022
1	Enrollment	330	362	421	512	308	268
2	MWs	300	221	254	236	183	170

Note: 2016-2021 Load Impact Evaluation of California Statewide BIPs for Non-Residential Customers: *Ex-post* and *Ex-ante*. Report Enrollments reflect the program count captured for the April filing of the respective year. MW estimates reflect the average of Portfolio-Adjusted hourly ex ante load impacts (MW) under utility 1-in-2 weather conditions from 4 to 9 p.m. during the August peak.

As the California Large Energy Consumers Association noted earlier this year, "...while these proposed increased incentives are a step in the right direction, the Utilities' proposals are inadequate to grow BIP participation at levels that align with the Utilities' stated goals."² The table below demonstrates that current enrollment in BIP programs across the investor owned utilities is less than fifty percent of current Reliability Cap of 3% of California Independent System Operator (CAISO) coincident peak demand as set forth in the Summer Reliability Rulemaking authorized by CPUC proceeding D.21-03-056.

IOU	Proportion of MW applied to Reliability Cap ³	2023 Summer Peak Average BIP Enrollment (June – October)	% of BIP Enrollment vs Reliability Cap
PG&E	512 MW	172 MW ⁴	34%
SCE	1,024 MW	486 MW ⁵	47%
SDGE	26 MW	0 MW	0%

The CPUC's BIP program currently requires a six-hour duration for potential emergency responses, with some limits on the frequency and total number of calls. The BIP program also excludes fossil fuel-based response from participation altogether. A CEC DEBA program already suggests a similar six-hour duration availability but, unlike BIP, does not include limits on the number of calls. This difference is appropriate but will only be effective if paired with an incentive level that exceeds BIP rates.

In consideration of the market challenges evident in BIP enrollment figures, CEC should strongly consider providing an up-front capital incentive for new generation projects set to at least one hundred twenty percent of the net present value of twenty years of BIP participation in the highest value area. By our approximate calculation, that would set the per kilowatt incentive to be greater than \$1,380. Within

² CPUC Application 22-05-002, July 23rd, 2023 Opening Brief of California Large Energy Consumers Association

³ 3% of all-time CAISO coincident peak demand as authorized by D.21-03-056

⁴ Table RR.1, Appendix RR: Pacific gas and Electric 2023 Analysis of Reliability Based Demand Response Capacity Eligible for Resource Adequacy Pursuant to D.10-06-034

⁵Table 11-1, Page 156, Appendix A, Southern California Edison Company's (U338-E) Compliance Filing Pursuant to Load Impact Protocol Filing requirements (Public Version); Order Instituting Rulemaking to Enhance the Role of Demand Resource in Meeting the State's Resource Planning Needs and Operational Requirements, R.13-09-011

investor-owned utility jurisdictions, allowing an applicant to stack the DEBA incentive on top of participation in BIP would reduce the required DEBA incentive to spur on new project development significantly (\$230/kW). Within publicly owned utility territories the DEBA program incentive would need to cover the full \$1,380/kW unless the incentive could be stacked with the CEC's Demand Side Grid Support program incentives. Stacking incentives, in this case, is not a "double compensation" for the same MWs—it is a policy initiative to spur on the development of new Distributed Resources MWs that have not been adequately incentivized under existing programs. Incentive stacking for Distributed Resources would be comparable to the CEC allowing or requiring the Bulk Grid Assets to provide Resource Adequacy.

Though we acknowledge the need for the CEC to ensure asset performance over the duration of the DEBA Program, the currently proposed twenty-five percent upfront capital payment and annual performance payment is overly conservative and will procure less MWs for the given budget. GRIT recommends that the CEC instead adopt an incentive disbursement schedule consistent with the proposed Bulk Grid Asset incentive to maximize project investment.

With respect to eligible technology considerations, the CEC should consider defining renewables to explicitly include consideration for renewable fuels, such as Hydrotreated Vegetable Oil (HVO) biodiesel or Renewable Portfolio Standard-certified biomethane. With respect to the Bulk Grid Asset program, "clean back-up generation" and "equipment upgrades" should include additional natural gas generation that can be added to existing sites, subject to a requirement that the technology be capable of burning at least 25% hydrogen by volume, equivalent derivative fuels (ammonia or methanol), or biomethane.

GRIT acknowledges the complexities of developing a program the size and scope of DEBA and commends the CEC for its efforts to make the most impact with state funding for emergency backup assets. GRIT appreciates the CEC's consideration and willingness to engage with stakeholders throughout development of the Draft Guidelines. GRIT is committed to supporting the CEC's ongoing efforts to strengthen the grid and looks forward to bringing needed assets online through the DEBA program.

Sincerely,

Joel Yu
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California GRIT Member Companies:

Enchanted Rock
Peterson Power Systems
Wartsila

cc: The Honorable David Hochschild, Chair, California Energy Commission
The Honorable Siva Gunda, Vice Chair, California Energy Commission
Mr. Drew Bohan, Executive Director, California Energy Commission
Ms. Deana Carrillo, Director, Renewable Energy Division, California Energy Commission
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