

DOCKETED

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California Energy Commission
Docket Unit, MS-4
715 P Street
Sacramento, CA
Via docket submission

Re: Docket No. 22-RENEW-01 - Reliability Reserve Incentive Programs – Generac Power Systems’ Comments on Proposed Draft Distributed Energy Backup Assets Program Guidelines and August 15th Workshop

Dear Vice-Chair Gunda and Commission Staff,

Generac Power Systems (Generac) appreciates the opportunity to comment on the Draft Distributed Energy Backup Assets (DEBA) Guidelines and respectfully submits the following comments on the proposed program. Generac is a leading resiliency provider with over 60 years of experience manufacturing and deploying solutions for residential and commercial needs alike. With our full product offerings Generac is leading in creating a cleaner, more resilient grid that is nimble in responding to real-time conditions and resilient in all circumstances. Generac provides batteries, smart thermostats, and software applications that can augment the existing asset base to work better together.

Generac has been anticipating the California Energy Commission’s (Commission) DEBA implementation since the program was authorized by the Legislature via AB 205 (Ting, Chapter 61, Statutes of 2022). AB 205 created DEBA to “incentivize the construction of cleaner and more efficient distributed energy resources that would serve as on-call emergency supply or load reduction for the state’s electrical grid during extreme

events,” and the Legislature authorized a program budget of \$595 million.¹ We are happy to see the Commission set forth a timeline and process to deploy DEBA funding with the recent release of the Draft Guidelines followed by the public workshop on August 15th.

The DEBA program has incredible potential to provide the grid and the Independent System Operator access to distributed energy assets (resources) during times of grid stress, while also providing customers with the improved resiliency that they desire. Distributed energy resources played a key role in preventing blackouts during the intense summer heat event in 2022 and can support a much more resilient grid in the future. It was with this goal in mind that the Legislature empowered the Commission to design and launch a significant new statewide program with a substantial budget.

Generac appreciates the work that has gone into the first draft of the DEBA guidelines, and we limit our comments here to the initial question regarding program design posed to stakeholders during the workshop. While we echo the concerns raised by the California Solar and Storage Association (CALSSA), Advanced Energy United, California Efficiency + Demand Management Council (CEDMAC), and “Grid Resiliency In Transition” (GRIT) on the grant funding opportunity (GFO) structure and encourage the Commission to explore their proposed alternative incentive structures, these comments will focus largely on improvements to a potential GFO process. The goal of these comments is to identify improvements that will enable rapid deployment of grid supportive technologies that may involve capital intensive projects. If a GFO process is utilized, our recommendations would provide a more effective pathway to direct funding toward deployment of cleaner and more efficient distributed energy resources.

¹ Funding for DEBA was authorized under AB 180 (Ting, Chapter 44, Statutes of 2022) and AB 102 (Ting, Chapter 38, Statutes of 2023).

Q1: Program Design: 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?

A1: The GFO structure should allow third party developers or aggregators to propose their own programmatic offerings on a first-come, first-served basis to increase program effectiveness and ensure widespread DEBA participation.

Generac requests that the Commission include, in a subsequent version of the Guidelines, a new GFO process that will better enable third-party solution providers to maximize capacity enrollment in DEBA. To streamline the application process and clearly set expectations for projects that provide the highest value to the grid, we recommend that the Commission accept programmatic proposals for the GFO process within categories of highest need. Aligned with Advanced Energy United's recommendation of a "Program of Activities" GFO, Generac proposes that the best approach to balance the need for a rapid deployment of new assets while leveraging the Commission's existing GFO infrastructure is a GFO process. As we envision it, an improved process would allow solution providers to propose potential programmatic offerings and funding allocations that meet the DEBA criteria. We describe the details of a potential framework for this approach below.

Under a "Program of Activities" GFO, third party aggregators and solution providers would be allowed to propose a program with a set time duration, size, scope and target segment that meets the DEBA guidelines. This proposal assumes that third parties would be allowed to apply on behalf of future participants (project owners/operators) and be grant recipients, eventually disbursing funding to participants. We propose that the Commission would assess these proposals on a first-come, first-serve basis for a given tranche of funding, with a 20% cap on the amount that could be awarded to a single solution provider. Applications would outline how they address each of the Commission's scoring criteria, as well as including the following elements:

- **Recruitment period:** start and end for approving applications
- **Size:** number of customers and aggregate MW/MWh targeted

- **Participant or customer segments:** location/region, type, size, class, use case, income level, etc.
- **Eligibility criteria:** rate structures, site characteristics, dual participation exclusions, etc.
- **Technology:** type deployed, unit sizing, applicability of funding
- **Incentive structure:** upfront (\$/kwh or \$/kW), ongoing, \$/kW-yr
- **Administrative funding:** fixed and variable funding requirement
- **Sample agreement structure:** template of participant/site agreement language
- **Program plan:** description of how program will meet implementation requirements (as outlined in Chapter 2: Sections C and D of the Proposed Draft DEBA Program Guidelines)
 - Roles and responsibilities of all contractors
 - Program milestones
 - Success criteria
 - High-level process flow
- **Funding justification:** description of how DEBA funding would create additionality and meet the goals outlined by the Legislature and the Commission.

We propose that Commission staff score projects based on the criteria within the guidelines. Staff would also prioritize diversity in solutions and segments targeted to ensure sufficiently broad coverage and to minimize overlap in programs (balanced against the need for participant choice and competition). Those that meet a decided-upon threshold would be given provisional approval to begin recruiting customers to the given offer.

Upon approval, a solutions provider would be assigned a Commission Agreement Manager (CAM) that would ensure that the provider maintains alignment with their proposal. The CAM (or their designate) would also then audit applications from participants to the provider on an ongoing basis to ensure sound and consistent implementation.

A program-centered GFO approach that leverages third party participation will maximize participation for distributed assets as opposed to a site-based GFO approach.

We believe this approach would be more effective than a traditional GFO for distributed assets as it mitigates many of the traditional barriers to their deployment. By crafting a GFO process centered on programs, not individual sites, DEBA will be able to address hard-to-reach segments more effectively and deliberately. Further, by leveraging the role of third parties, the Commission can realize efficiencies in program administration and maximize impact. This structure enables providers and aggregators to pursue creative solutions and will provide a valuable learning opportunity for the Commission in comparing proposed and realized program structures.

A site-based approach, where individual customers would apply for incentives prior to a grant award, would lead to high levels of uncertainty, risk, and complexity. Soft costs for Distributed Energy Resource (DER) installations are already at incredibly high levels in California when benchmarked against mature international markets (such as Australia and Europe), while adoption rates for demand flexibility programs continue to stagnate. Under a site-based GFO structure, as the current Draft Guidelines propose, a provider would need to reach out to a participant, have them apply to the program, then wait for the solution provider to apply as a part of the GFO, and finally wait for the approval process. After much expended effort, they could then find out that their application has been denied. Under the draft guidelines approach, if approved, the participant would then await disbursement of funds following CAM approval, and then receive the remaining funds over a period of five years. This creates a high level of uncertainty and potential delays. This level of risk would need to be priced into any customer offering from solutions providers, potentially resulting in prohibitive costs that inhibit customer uptake and thus program participation.

A program-based approach, as supported by Generac, Advanced Energy United, and CEDMC would avoid these issues by approving the providers and terms upfront. Like

the fast-track approach used by the Commission in its EnergIIZE program,² this approach would avoid driving unnecessary requirements down to enrolling customers. This approach is also mirrored in part in the Demand Response Auction Mechanism program, as implemented by CAISO. In creating the DEBA program, the Commission has an opportunity to take a lead in accelerating distributed resiliency solutions by providing a streamlined GFO process that can reach a diversity of participants and customer segments through a portfolio of solutions. In short, we encourage the Commission to consider a program-based GFO approach as a more effective way to grow capacity under this program and to roll out funding more quickly in 2024.

Conclusion

Generac appreciates the opportunity to comment on the Draft DEBA guidelines, as we have been keenly attentive to this program's development since authorized by the legislature in 2022. This program has a huge potential to support the grid during times of stress given its broad authority and significant budget. While our comments focus on recommended improvements to the Commission's proposed GFO structure, Generac echoes the concerns raised by CALSSA, Advanced Energy United, GRIT, and CEDMC on the exclusive use of a GFO structure and encourages the Commission to also explore the proposed alternative incentive structures detailed in other stakeholder comments.

Within a GFO structure, Generac firmly believes that enabling a programmatic approach will be the most effective and efficient use of program funds. A programmatic GFO approach, as outlined above, will enable more rapid deployment of distributed assets and maximize grid benefits by mitigating existing barriers to deployment and leveraging the role of solutions providers. We urge the Commission to consider our recommendations regarding the most effective pathway to deploy cleaner and more efficient distributed energy resources.

Generac also finds that the timing of final guidelines is of paramount importance. As mentioned by many parties, the GFO application and selection process will take time,

² <https://www.energiize.org>

and once awarded, third-parties like Generac will need time for customer outreach and enrollment. While we appreciate that the Commission has many priorities, including balancing further stakeholder input in finalizing the DEBA program, Generac encourages the Commission to prioritize finalizing the DEBA program in 2023, so that participants can be enrolled well in advance of Summer 2024. This will allow solutions providers and other entities to provide the maximum support possible to California's electric grid with dispatchable distributed energy resources.

Again, Generac appreciates the Commission's consideration of these comments, and we look forward to continued engagement with the Commission and staff to expand distributed energy resources in support of California's electric grid. Generac sees immense potential in this program to back-up the grid during emergencies and increase the resiliency of California businesses and homes. Please do not hesitate to contact me at Meredith.Roberts@generac.com with any questions about our recommendations.

Respectfully submitted,



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