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Comments of Advanced Energy United on draft DEBA Guidelines

Additional submitted attachment is included below.

ADVANCED ENERGY UNITED™

August 31, 2023

California Energy Commission

1516 Ninth Street

Sacramento California 95814

Re: Docket 22-RENEW-01 – Distributed Energy Backup Assets Draft Guidelines

Comments of Advanced Energy United

Introduction and Summary

Advanced Energy United (United) appreciates the opportunity to provide input on the draft Distributed Energy Backup Assets (DEBA) program published August 11. United is a national business association representing over 100 companies across the advanced energy sector, including those within the distributed energy resource (DER) space, including but not limited to distributed energy storage developers, microgrid developers, energy efficiency and demand response providers, electric vehicle charging hardware and software providers, DER aggregators, and other technology solution providers at the grid edge.

United recognizes the Commission's recent efforts in implementing the Strategic Reliability Reserve, including approving the updated DSGS program and to move swiftly to launch the DEBA program. United appreciates the Commission's objective to implement DEBA in a way that maximizes near-term deployment of clean, reliable resources that can be depended on to provide emergency electricity supply and load reduction. In order to achieve this goal of rapidly deploying a large amount of responsive resources, Advanced Energy United makes the following recommendations:

1. Technology-specific Grant Funding Opportunities are likely to be slower, more cumbersome, and less effective at deploying capacity at scale. United joins other commenters in urging the Commission to quickly implement an "open incentive" program of standardized subsidies for common technologies with proven emergency

grid resource capabilities. If the Commission proceeds with a GFO structure, United suggests two GFO models that unlock more projects, more quickly: an "All-Source" GFO, and a "Program of Activities" GFO.

2. Move swiftly to create an "open incentive," first-come, first-served subsidy or rebate program with a fixed $-per-kWh (or kW) incentive for common technology types or use cases, such as behind-the-meter storage or diesel backup generator replacement. Administered by a third-party program administrator, the program architecture could be constructed quickly and then standardized technology incentives added serially.
3. Conduct an "All-Source" Grant Funding Opportunity (GFO) that invites a broad spectrum of technologies by using broad scoring criteria and applying either standardized, established performance requirements or allowing unique performance proposals.
4. Consider a "Program of Activities" GFO that invites proposals for a coordinated, targeted campaign of efforts by a company to recruit sites and participants for DEBA-funded resource.
5. Performance requirements should be positively defined as soon as possible. The Commission should declare that participation in DSGS, ELRP, or BIP will automatically qualify as required performance for appropriate technologies, and that alternative performance requirements may be allowed or created if necessary for a technology (or jurisdiction) for which DSGS, ELRP, or BIP are not feasible.
6. To be financeable, most projects will require a greater percentage of awards to be payable at earlier stages in the development process. United recommends that 50% of awards be payable at project completion, with no more than 50% withheld dependent on performance.
7. United emphasizes the importance of value stacking of compensation for different value streams provided by a project. United welcomes the Commission's attention to promoting the ability of DEBA-funded projects to provide Resource Adequacy (RA) value when not needed for emergency response and would encourage the Commission to convene stakeholders to more precisely identify how and when this value can be realized.

Detailed Comments

1. Grant Funding Opportunities

The draft Guidelines provide a very broad outline for the DEBA program, but leave almost all details to individual Grant Funding Opportunities (GFOs) that would be defined at a later date. It is unclear from the draft Guidelines how broad or specific a GFO may be or how many GFOs are imagined. Neither scoring criteria nor performance requirements are defined. Despite the limited information, Advanced Energy United members are concerned about a GFO process, and believe it will be unnecessarily slow, cumbersome, and less effective at deploying at scale.

Narrow, technology-specific GFOs may be slow and contentious to develop. Prior to a GFO, companies have little insight into what may be required, and once issued GFOs leave little time for many companies to develop project proposals, especially for more complex or programmatic project types. GFOs may completely exclude projects that require any level of forward-looking owner/participant recruitment and negotiation. These weaknesses to the GFO structure could leave the majority of near-term, large-scale potential capacity unrealized.

United recognizes the Commission's desire to incentivize individual large-scale projects that can deliver substantial capacity benefits in a small number of projects. Yet even in this circumstance, the interests of speed would be served by a single GFO that invites a variety of project types. The Commission can set a high minimum project size (perhaps 1 MW/1 MWh or larger) and broad scoring criteria, evaluated through a competitive process to identify the biggest "bang for the buck".

However, the greatest potential cost-effective capacity is likely to be found in a greater number of smaller projects. United suggests the Commission prioritize these projects by creating a program of "open incentives" – fixed rebates for common technologies and use cases that can be quickly deployed and participate in established performance requirements. Finally, the Commission may want to consider a GFO process to invite proposals for "Program of Activities" efforts by companies to pursue targeted DEBA deployment.

2. Open Incentive / First-come-first-serve

United believes that the biggest "bang for the buck" is likely to be an open incentive program that unlocks the broad opportunity of commercial technologies and developed use cases through a substantial, standardized deployment incentive. This open incentive, structured like a product rebate, and offered on a first-come first serve basis would have the simplicity to encourage speed and scale to clean energy deployment. Set at a pre-defined dollar amount per unit of capacity and allocated on a first-come-first-serve basis until the tranche was expended, the program would afford the kind of certainty that project applicants need to conduct outreach and marketing to customers, design customer offerings, and construct and install projects at customer sites.

Projects would meet minimum size thresholds (for example 100 kWh) made up of individual installations or aggregations of systems operated as a VPP or other aggregation. Companies could submit multiple projects of 100 kWh or more.An open incentive would utilize a standardized rebate amount per unit of capacity. Substantial cost data exist, for instance in the SGIP database, to inform standard incentives.

This proposed program structure is like any number of successful, proven open incentives used in California to quickly deploy clean capacity and established technologies. Examples include CSI, SGIP, CVRP, CALeVIP, and the Energiize Fast-Track funding lane. Like those programs, a DEBA rebate program would be administered by a third-party program administrator to handle applications and payments.

United recommends that the Commission pursue an open incentive as soon as possible. The Commission can create the program architecture – including setting aside a funding tranche and securing a program administrator – first, and then design and add individual eligible technology opportunities over time. For example, United suggests that the Commission could create the program infrastructure and launch a a BTM storage lane by Q1 2024.

3. All-source GFO

Advanced Energy United understands that the Commission would like the DEBA program to help incentivize near-term and large-scale projects, and United supports this goal. Where relatively large projects have already been scoped or potentially designed but not funded, DEBA funding could make the difference and bring the project online.

In order to act quickly, gather the array of potential projects available, and identify the most significant near-term opportunities, United suggests the Commission issue an initial Grant Funding Opportunity that is as broad as possible. This "All-Source GFO" could use the example technical scoring criteria in the draft Guidelines, and projects would be competitively scored and awarded up to the available funding in the round. The existing DSGS, ELRP, or BIP programs could presumptively qualify as meeting performance requirements, with an opportunity for the applicant to propose equivalent requirements (for use in a POU territory for example).

4. Program of activities GFO

Advanced Energy United suggests that another alternative the Commission may wish to consider is a GFO inviting "programs of activity" from applicants. POAs would consist of a set of actions by a company to recruit customers and emergency response participants, design and install systems, and manage the resources and their participation in an emergency response program.

The GFO award would establish an account that would be drawn down by the winning company(ies) over a period of time as it brings on DEBA resources. Accountability would be enforced with a maximum program cap, regular reporting and benchmarks of performance,

and reversion of any unspent funds for nonperformance or at a time certain. Examples of potential POAs could include:

1. BTM storage targeted to certain customer classes or geographic areas
2. Diesel BUG replacement with clean generation or storage
3. Fleet charging with VGI

Like an open incentive, the benefit of a POA structure allows a company to have certainty in the DEBA payments and requirements, before conducting outreach to potential customers. A POA could encourage greater creativity in the resource technology and targeted customer segments or geographic areas, and could serve to directly address other state policy objectives including criteria air pollutant reduction or neighborhood resilience.

5. Performance requirements

Advanced Energy United encourages the Commission to provide more specificity regarding performance requirements in the draft Guidelines. The draft Guidelines emphasize that projects must participate as an on-call emergency electrical grid resource for the state during extreme events, but the draft Guidelines do not identify any specific program that would necessarily qualify as performance and instead propose that specific performance requirements will be developed and applied in each GFO funding round.

This approach unnecessarily creates risk and uncertainty among potential participants. United urges the Commission to instead proactively and positively identify emergency resource programs that will qualify as performance requirements for DEBA, while reserving the ability to add additional programs in the future.

Positively identifying DSGS, ELRP, and BIP as qualifying performance now is important for two reasons. It is critical to any company planning now, especially for gearing up to an open incentive or "program of activities" GFO (as described above), and important to preparing an all-source GFO. Moreover, these programs are already designed and functioning, with many important safeguards and accountability mechanisms in place.

United understands that the sustainability of funding for these programs may be one concern about positively identifying these programs as qualifying performance. However, it is likely to be more timely and cost-effective to adopt these programs as performance requirements now, and make any changes necessary if the programs' funding runs out, than to delay DEBA roll-out in order to design alternative performance requirements now.

6. Payment structure should offer more up-front incentive

Advanced Energy United members are concerned about the Draft Guidelines' suggestion that only 25% of a project award would be released upon the in-service date of the resource, and that the remaining 75% would be paid out in installments over 5 years. This structure is unworkable for the simple reason that carrying 75% of project costs, with some risk to those funds based on an as-yet-undefined performance obligation is not feasible or financeable.

United suggests increasing the percentage of funding available earlier in the development process. Specifically, United suggests that no more than 50% of project awards should be withheld pending performance, and that a proportion of funds (for example 25%) be payable at a milestone before project completion.

7. Cross-program eligibility and value stacking

In California's complicated policy environment, multiple programs affect clean technologies and their use in the energy system and it is necessary to specify which funding streams should be available to a specific technology or customer. United supports a clear distinction and clear rules that specify:

- "Double-dipping" funding from multiple programs for the same service should be prohibited. Though there may be instances where an "additional incentive" is authorized for certain purposes.
- "Value stacking" funding for different services should be allowed, as resources can provide multiple value streams and these should be compensated. Incentive programs can certainly recognize these multiple value streams and adjust incentive levels accordingly, but the existence or use of different funding for different services is a critical part of project finance and should not be prohibited.
- "Eligibility" for multiple programs (in the same jurisdiction) should not be a presumptive barrier to a project.

DEBA is clearly a deployment incentive. It exists to "incentivize the construction of cleaner and more efficient distributed energy assets," "capacity additions to existing generators," and "deployment of new zero- or low-emission technologies."[1] As a deployment incentive, DEBA may overlap with other deployment incentives, notably SGIP. United supports that an individual project should not receive deployment funding from both SGIP and DEBA. However, eligibility for one program should not disqualify a project from applying to the other, as there are myriad reasons one program may be a better fit for a particular project than another

[1] CA Pub. Res. Code §25791 (a); 25791 (b)(1); 25791 (b)(2)

program. For this reason, United is pleased to see that CEC removed its January proposal to exclude SGIP-eligible technologies.

Relatedly, DEBA as a deployment incentive is distinct from emergency electric resource capacity and supply. DEBA encourages the construction or deployment of resources, and the appropriate emergency resource program encourages the availability and participation of the resource. Indeed, value stacking between DEBA and an emergency resource program like DSGS or ELRP may be important for project financing. For this reason, United supports the allowing DEBA awardees to claim DSGS, ELRP, BIP, or other program funding for capacity or energy.

Lastly, United seeks more clarification regarding Resource Adequacy participation. We recognize that in many cases this may not be an issue - DSGS, ELRP, and BIP each have requirements prohibiting RA participation or requirements to ensure emergency response is incremental to RA. Further several resource types that could be funded under DEBA – notably BTM storage – are unable to claim RA value for energy export.

However, where possible it is desirable that resources are available for RA purposes in addition to being available for resource adequacy. The implementation of the DEBA program occurs at a sensitive time in California resources and reliability, with both an extremely tight resource adequacy market and needs for additional, incremental, separate emergency resources. Practically speaking, many resources can provide both, but careful design is necessary. United suggests that further clarification will be necessary, and would welcome a short workshop or working group process to generate options for allowing RA participation that is separate and incremental to emergency resource participation.

Conclusion

United welcomes the opportunity to provide these comments and looks forward to continuing work with the Commission to realize the potential of this program.

Signed,

/s/ Brian Turner

Brian Turner, Director

Advanced Energy United