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Project Title:	Reliability Reserve Incentive Programs
TN #:	255118
Document Title:	Scale's Comments on DEBA DER Draft Solicitation
Description:	N/A
Filer:	System
Organization:	Scale Microgrids
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Scale's Comments on DEBA DER Draft Solicitation

Additional submitted attachment is included below.

March 15, 2024

California Energy Commission
Docket No. 22-RENEW-01
715 P Street
Sacramento, California 95814
[submitted electronically]

RE: Scale Microgrid Comments on the Distributed Electricity Backup Assets Program Distributed Energy Resources for Reliability Draft Solicitation

Scale Microgrids (Scale) appreciates the opportunity to submit comments to the California Energy Commission (CEC) on the Distributed Electricity Backup Assets Program (DEBA) Distributed Energy Resources for Reliability Draft Solicitation. DEBA has the potential to unlock investments in new distributed energy resources (DERs) that will directly serve California's energy needs.

Scale believes that the Draft Solicitation largely achieves the right balance between contributing to reliability, environmental impact, and cost-effectiveness, but we offer the following recommendations:

- The first multiphase deployment target of 25% in 2025 should be rolled into the second target of 50% by 2026.
- Additional weight should be given in the Evaluation Criteria to resiliency co-benefits.

Scale supports the Draft Solicitation and is excited to bring microgrid solutions in support of these DEBA goals. We urge the CEC to launch the DER DEBA Solicitation quickly to ensure funds go towards projects that meet near-term reliability needs.

See Scale's responses to the questions outlined in the Draft Solicitation below.

About Scale

Scale is a vertically integrated distributed energy platform, with a core focus on designing, building, financing, owning, and operating cutting-edge distributed energy assets that offer cheaper, cleaner, and more resilient power. Our team of energy and financing experts accelerates the adoption of sophisticated distributed energy assets while also directly helping large energy-consuming customers future-proof their

businesses. We build the world's most cutting-edge advanced microgrids that are the fundamental building blocks of a clean, resilient, and equitable 21st-century electric grid.

Solicitation Requirements | Questions 1 - 6

Question 1: Are the minimum and maximum award amount funding levels and match requirements appropriate for each group?

The CEC should consider moving funds between categories if a group is undersubscribed: Scale supports the minimum, maximum, and match requirements for each group as currently proposed. We believe that there will be competitive projects submitted to both Group 1, Large DERs, and Groups 2 and 3, Virtual Power Plants (VPPs) and Load Flexibility Aggregation Programs. We support the funding allocations between the categories and find them appropriate. However, if one category is undersubscribed, then Scale supports the CEC in maintaining discretion in moving funds to other categories to ensure that viable projects come online to meet grid reliability needs.

Question 2: Is the proposed timeline in the solicitation, including application submission windows, reasonable to accommodate project proposals for project group?

The DER DEBA Grant Funding Opportunity (GFO) should be launched as soon as possible: Scale supports the Solicitation timeline outlined by the CEC. There are viable projects ready to submit applications to a DEBA DER Solicitation under the current structure**.** The CEC should prioritize launching the DER GFO as quickly as possible to ensure that funding is available and utilized in time to meet critical reliability needs. Scale also supports calls for the CEC to have an expedited solicitation timeline with applications due in May.

California continues to face challenging grid conditions due to extreme weather, and individual Californians and facilities also continue to face power outages due to severe storms, wildfires, and other transmission and distribution contingencies. The CEC Stack Analysis for Summer 2023 projected a potential 1,800 MW shortfall under a 10-day extreme event similar to the one California experienced in 2022.[1]

Additionally, as mentioned at the Draft Solicitation Workshop, California has the potential to secure additional funding from the federal government to support these projects. The Grid Resilience and Innovation Partnerships (GRIP) Program and other funding from the Inflation Reduction Act (IRA) could support these projects. In order to

[1] CEC, *Summer 2023 Reliability Outlook*, presented May 17, 2023, slide 7. Available at: https://efiling.energy.ca.gov/GetDocument.aspx?tn=250186&DocumentContentId=84909

ensure that projects can take advantage of federal funding, the CEC should work to launch the DEBA DER Solicitation as soon as possible. Currently, the CEC plans on closing applications in June, but Staff should consider moving the due date up to May to better align with federal funding timelines.

Scale does recommend that the project *deployment* timelines outlined for multiphase projects be modified, which is discussed further in response to Question 4 below.

Question 3: Is it reasonable to allow project proposals that do not have all sites or customers pre-identified at the time of application? Are there any concerns with this approach?

Projects with identified customers should be prioritized: While it is reasonable to allow project proposals that do not have all sites pre-identified, proposals with identified sites and customers should be given additional evaluation points. The CEC has identified this as a sub-criteria within the Project Readiness and Workplan: "Whether the intended customer(s) or installation sites for the project has/have been identified in advance of the application, and the ratio of identified customers/sites to unidentified." While the CEC has not released specific weights for sub-criteria, Scale believes that site identification is a clear sign of project viability that should be given significant consideration in the evaluation of project proposals.

Question 4: To mitigate the risks of funding multiphase projects, staff have proposed minimum deployment targets for multiphase projects under "Project Readiness" (25% by June 1, 2025, 50% by June 1, 2026, and 100% by June 1, 2027). Are these proposed deployment targets reasonable? What measures should the CEC take in the event of a deployment shortfall?

The first deployment target of 25% in 2025 should be rolled into the 50% target by Summer 2026: Scale supports the requirement to have projects fully online by Summer 2027 and believes that multiphase deployment targets could work for projects that do anticipate bringing on different sites in different stages. However, the first deployment target of 25% in 2025 should be eliminated and rolled into the 50% deployment target in June 2026. The Draft Solicitation award timeline combined with interconnection timelines and supply chain constraints will make it difficult to meet a 2025 deployment timeline, even for multiphase projects.

The CEC plans to have awards approved by a CEC vote in September 2024, which would only provide 8 months for projects to be fully developed and online before the first June 2025 deadline. That timeline is very ambitious, as it is not uncommon for larger DER projects at commercial and industrial facilities to take 6 months to conduct

interconnection studies, even under Rule 21.[2] Current challenges with supply chains, competing priorities at the utilities to focus on customer energization, and other unexpected issues can create further delays.

At the same time, these larger projects can provide reliability contributions and be extremely cost-effective, as businesses only need more modest CEC support to make projects economic. Having the first required deployment requirement in 2026 will significantly expand the number of projects that could compete for DEBA funding, which will also allow the CEC to pick the projects that best utilize DEBA dollars.

Question 5: Is the proposed payment structure, with 50% of the award disbursed during project development, and 50% disbursed annually based on successful performance, adequate to ensure successful performance by DEBA assets, including during emergencies?

Receiving 50% of payment during project development will help bring additional projects online: Scale believes that this is a reasonable payment schedule. Ensuring that 50% of the award is available during project development will help expand DEBA to projects that are unable to provide upfront capital or access financing. This type of payment schedule is also similar to other California DER incentives, such as the Self Generation Incentive Program (SGIP) which also has a 5-year performance payment schedule.

Project Requirements | Questions 7 - 12

Scale generally supports the proposed project requirements, including the project size, eligible technologies, and performance pathway options.

Miscellaneous | Questions 13 - 17

Question 14: Are the proposed evaluation criteria, including preference points criteria, reasonable and sufficient to achieve the aims of funding DER projects that best bolster grid reliability in the state?

Additional weight should be given to resiliency co-benefits: The current Draft Solicitation does assign 10 out of 100 base points to Community and Resiliency Co-Benefits, which includes "how the project offers benefits beyond statewide grid reliability, such as offering resilience to critical facility or infrastructure as defined by the

[2] PG&E has had average timelines of 162 business days for interconnection of Net Energy Metering (NEM) projects larger than 100 kW. See *Rule 21 Interconnection Program Evaluation* prepared by Guidehouse Consulting for the CPUC: https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/rule21/rule-21-interconnection-program-eval_2021.pdf

CPUC, including, but not limited to, emergency operations centers, medical facilities, and drinking water and wastewater treatment plants." This point category also considers other potential co-benefits, such as reducing the need for distribution system upgrades. Scale recommends that this criteria be increased to at least 15 points.

While there are a wide variety of elements to consider within the solicitation, Scale believes that the weight given to resiliency benefits should be higher. While resilience is not explicitly targeted by DEBA, facilitating onsite resilience effectively fulfills the core objective of all electric services: supplying the essential electricity necessary for people to lead their lives. Microgrids provide this service even when the larger electric grid is not functioning, which typically happens because of local transmission and distribution failures, rather than systemwide load shed.

Resiliency and access to electricity during outages also provide local social and economic benefits even if facilities are not traditional "critical facilities" as defined by the CPUC or other agencies. Maintaining resilience enables businesses to uphold their commitments to customers, employees, and stakeholders, and contributes to overall community resilience by reducing the strain on emergency services and enhancing the ability to recover swiftly from adverse events. For this reason, Scale believes that resiliency co-benefits should be considered outside of specific critical facilities. This section should also be worth at least 15 points.

Conclusion

Scale is fully committed to helping California advance energy and decarbonization technologies to support electrical grid reliability and reduce GHG emissions. We believe that DEBA will drive investments in new DERs to directly address California's energy needs. The Draft Solicitation demonstrates a commendable balance between reliability, environmental impact, and cost-effectiveness, and the final solicitation should be deployed quickly to address near-term reliability needs.

Sincerely,

/s/ Erica Dahl

Erica Dahl
Vice President of Policy
Scale Microgrids