



BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

FILED

6-13-16
04:59 PM

Order Instituting Rulemaking Regarding Policies,
Procedures and Rules for the California Solar
Initiative, the Self-Generation Incentive Program and
Other Distributed Generation Issues.

RULEMAKING 12-11-005
(Filed November 8, 2012)

**Reply Comments of the Center for Sustainable Energy® regarding the
Proposed Decision Revising the Self-Generation Incentive Program pursuant
to Senate Bill 861, Assembly Bill 1478, and Implementing Other Changes**

Center for Sustainable Energy

June 13, 2016

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I. INTRODUCTION

The Center for Sustainable Energy® (CSE) appreciates the opportunity to provide these limited reply comments on the following topics regarding the *Proposed Decision Revising the Self-Generation Incentive Program pursuant to Senate Bill 861, Assembly Bill 1478, and Implementing Other Changes* (Proposed Decision):

- AES Incentive Rates
- Parties' Proposed Changes that CSE Supports
- Parties' Proposed Changes that will be Burdensome or Unenforceable

II. AES INCENTIVE RATES

Several Parties express concerns that the initial advanced energy storage (AES) incentive is too high and suggest reducing the initial incentive rate¹ and/or reducing each subsequent step's incentive rate by more than \$.05/watt-hour (Wh) if the prior step's budget is oversubscribed within a certain amount of time.² Additionally, some Parties express concerns that by eliminating the program's minimum customer investment provision, projects claiming the federal investment tax credit (ITC) in addition to the SGIP incentive could offset more than 100% of installed costs.³ Overall, these concerns make evident that the AES incentive is still too high. Accordingly, the initial AES incentive rate should be reduced to help mitigate concerns of over-incentivizing projects.

¹ *Comments of the California Solar Energy Industries Association on the Proposed Decision on Reforms to the Self-Generation Incentive Program (CALSEIA)*, June 6, 2016, page 3; *Comments of SolarCity Corporation on the Proposed Decision Revising the Self-Generation Incentive Program Pursuant to Senate Bill 861, Assembly Bill 1478, and Implementing Other Changes (SolarCity)*, June 6, 2016, page 11.

² *Comments of Robert Bosch LLC on Proposed Decision Revising the SGIP Program (Bosch)*, June 6, 2016, page 11; CALSEIA at 3-4; SolarCity at 10.

³ *Comments of Green Charge Networks, LLC to the Decision Revising the Self-Generation Incentive Program Pursuant to Senate Bill 861, Assembly Bill 1478, and Implementing other Changes (Green Charge Networks)*, June 6, 2016; page 4; *Opening Comments of Sunverge Energy, Inc. on Proposed Decision Revising the Self-Generation Incentive Program Pursuant to Senate Bill 861, Assembly Bill 1478, and Implementing Other Changes (Sunverge)*, June 6, 2016, pages 2-3 and 5-6; *Comments of Stem, Inc on the Proposed Decision Revising the Self-Generation Incentive Program (Stem)*, June 6, 2016, page 12.

III. PARTIES' PROPOSED CHANGES THAT CSE SUPPORTS

CSE supports several Parties' comments, including those recommending reducing the AES incentive based on duration.⁴ CSE summarizes Parties' proposals in a graph in Appendix A to these comments and recommends the Commission adopt the proposal that best supports its objective for incentivizing longer-duration storage systems. Additionally, CSE supports defining commercial AES operational requirements as 130 cycles rather than 260 hours⁵ and making new PBI requirements retroactive⁶ to ensure all AES projects, regardless of duration or application date, are held to consistent operational standards.

Regarding DC microgrids, CSE agrees that program rules should be DC/AC agnostic and supports including these clarifications in the SGIP Handbook.⁷ Furthermore, CSE supports basing energy capacity incentives on the "useful energy" of the system.⁸ However, for inverter-based systems, "useful energy" should be defined as inverter losses multiplied by the energy capacity but should not take into account round-trip efficiency (RTE) losses,⁹ as RTE also considers charging inefficiencies, which do not affect useful energy for discharge.

CSE also supports several Parties' comments regarding eligibility. Specifically, CSE maintains that second-life batteries should be eligible for the SGIP,¹⁰ given that these projects will accomplish program goals and reduce environmental impacts associated with battery disposal. Additionally, CSE finds it reasonable to allow exemptions from the NRTL eligibility

⁴ *Tesla Motors, Inc.'s Comments on the Proposed Decision Revising the Self-Generation Incentive Program* (Tesla), June 6, 2016, page 6; *Comments of the California Energy Storage Alliance on Proposed Decision Revising the Self-Generation Incentive Program Pursuant to Senate Bill 861, Assembly Bill 1478, and Implementing Other Changes*, June 6, 2016, page 8; SolarCity at 9-10; Green Charge Networks at 14; Stem at 7.

⁵ *Advanced Microgrid Solutions' Comments on the Proposed Decision Revising the Self-Generation Incentive Program Pursuant to Senate Bill 861, Assembly Bill 1478, and Implementing Other Changes* (Advanced Microgrid Solutions), June 6, 2016, page 10; Tesla at 8-9; Green Charge Networks at 14.

⁶ Tesla at 9; Stem at 9-10; Advanced Microgrid Solutions at 14.

⁷ Bosch at 3-4.

⁸ Bosch at 10; Sunverge at 3.

⁹ Bosch at 10.

¹⁰ Green Charge Networks at 14.

requirement for technologies that have neither system nor component NRTL certifications,¹¹ so as not to unjustifiably prevent program participation. CSE supports using alternative safety requirements, such as those for Rule 21 interconnection, for these technologies.¹²

Regarding program structure and administration, CSE supports administering the small scale storage carve-out per PA territory rather than statewide¹³ and fully bifurcating the large and small scale storage budgets as this will significantly lessen the burden of administration of AES incentives. CSE also supports Parties' comments restricting the submission of applications in excess of the developer cap for each active step.¹⁴

Lastly, CSE supports Parties' comments stating SGIP projects should not receive dual payments from other ratepayer-funded programs if projects do not provide additional value.¹⁵ Nevertheless, CSE contends that the SGIP and its PAs should not be required to enforce restriction of dual payments. Demand response and utility programs are continually evolving as technologies and grid needs change, and those programs or contracts, rather than the SGIP, should bear the responsibility of ensuring projects do not receive multiple payments for the same value or services.

IV. PARTIES' PROPOSED CHANGES THAT WOULD BE BURDENSOME OR UNENFORCEABLE

CSE is concerned that a number of Parties' recommendations may create complicated administrative processes or program requirements that will be difficult or impossible for PAs

¹¹ e.g., pressure reduction turbines

¹² *Opening Comments of NLine Energy, Inc. to the Proposed Decision Revising the Self-Generation Incentive Program Pursuant to Senate Bill 861, Assembly Bill 1478, and Implementing Other Changes*, June 6, 2016, pages 3-4.

¹³ Sunverge at 4-5.

¹⁴ Bosch at 9; Advanced Microgrid Solutions at 14-15; SolarCity at 12.

¹⁵ *The Office of Ratepayer Advocates' Opening Comments on Proposed Decision Revising the Self-Generation Incentive Program Pursuant to Senate Bill 861, Assembly Bill 1478, and Implementing Other Changes*, June 6, 2016 page 5; *Southern California Edison Company's (U 338-E) Comments on Proposed Decision Revising the Self-Generation Incentive Program Pursuant to Senate Bill 861, Assembly Bill 1478, and Implementing Other Changes*, June 6, 2016, page 7.

to verify and enforce. Recognizing that the SGIP is already a complex program, we urge the Commission to simplify program requirements where possible, reducing administrative difficulty and the likelihood of circumventing program policies.

For example, some Parties recommend that AES projects taking the ITC should have their total SGIP incentive reduced by 90% of the claimed ITC.¹⁶ Unfortunately, verification or audit of the claimed ITC is difficult for the PAs, and any incentive reduction based on the ITC could encourage participants to provide inaccurate information in order to receive higher incentives. Moreover, CSE contends it is not the SGIP's place to level the playing field by reducing incentives for projects that also benefit from an ITC. Rather, CSE maintains that AES incentive levels are too high if an ITC-eligible project may offset most or all associated costs.

CSE opposes requiring all non-renewable gas-based generation technologies to blend biogas due to the known difficulty in directed biogas auditing and verification. Additionally, we agree that mandatory biogas blending may make SGIP participation "essentially infeasible"¹⁷ for some developers. The minimum biogas requirement may provide a crutch for less-efficient projects to meet GHG standards, while at the same time, prevent efficient projects from SGIP participation due to inability to procure biogas contracts. Moreover, we disagree that an exemption should be allowed for participants who demonstrate they have taken "all reasonable actions"¹⁸ to achieve full biogas blending compliance when it is not available or prohibitively expensive. This will put undue burden on the PAs to judge what constitutes "reasonable actions" and would be an administratively weak program provision intended to

¹⁶ Green Charge Networks at 4; Stem at 12.

¹⁷ *Comments of the California Clean DG Coalition Regarding Proposed Decision Revising the Self-Generation Incentive Program Pursuant to Senate Bill 861, Assembly Bill 1478, and Implementing Other Changes*, June 6, 2016, page 3.

¹⁸ *Opening Comments of Bloom Energy, Inc. to Commissioner Picker's Proposed Decision Revising the Self-Generation Incentive Program Pursuant to Senate Bill 861, Assembly Bill 1478, and Implementing Other Changes*, June 6, 2016, pages 5-6.

counteract an impractical requirement. Accordingly, CSE urges the Commission to eliminate the minimum fuel blending requirement along with the need for exemptions.

In addition, CSE disagrees with permitting developers to switch out selected projects in the event of a lottery.¹⁹ Any such alteration of the lottery results will compromise all subsequent projects' ability to receive funding, especially if the incentive amount for the projects being switched is not identical. This will make administration more complex and create additional uncertainty for all participants and thus should not be permitted.

Lastly, while CSE wants the SGIP to open to new applications as soon as possible, we do not support reducing the timeline for filing the advice letter.²⁰ The PAs will very likely need the full 120 days to hold the several required workshops, make the extensive changes to the SGIP Handbook, and subsequently file the required advice letter. Nevertheless, should the PAs find we are able to file the advice letter ahead of schedule, CSE will fully support doing so but requests the 120-day deadline be maintained.

V. CONCLUSION

CSE appreciates the opportunity to provide these reply comments regarding the Proposed Decision.

June 13, 2016

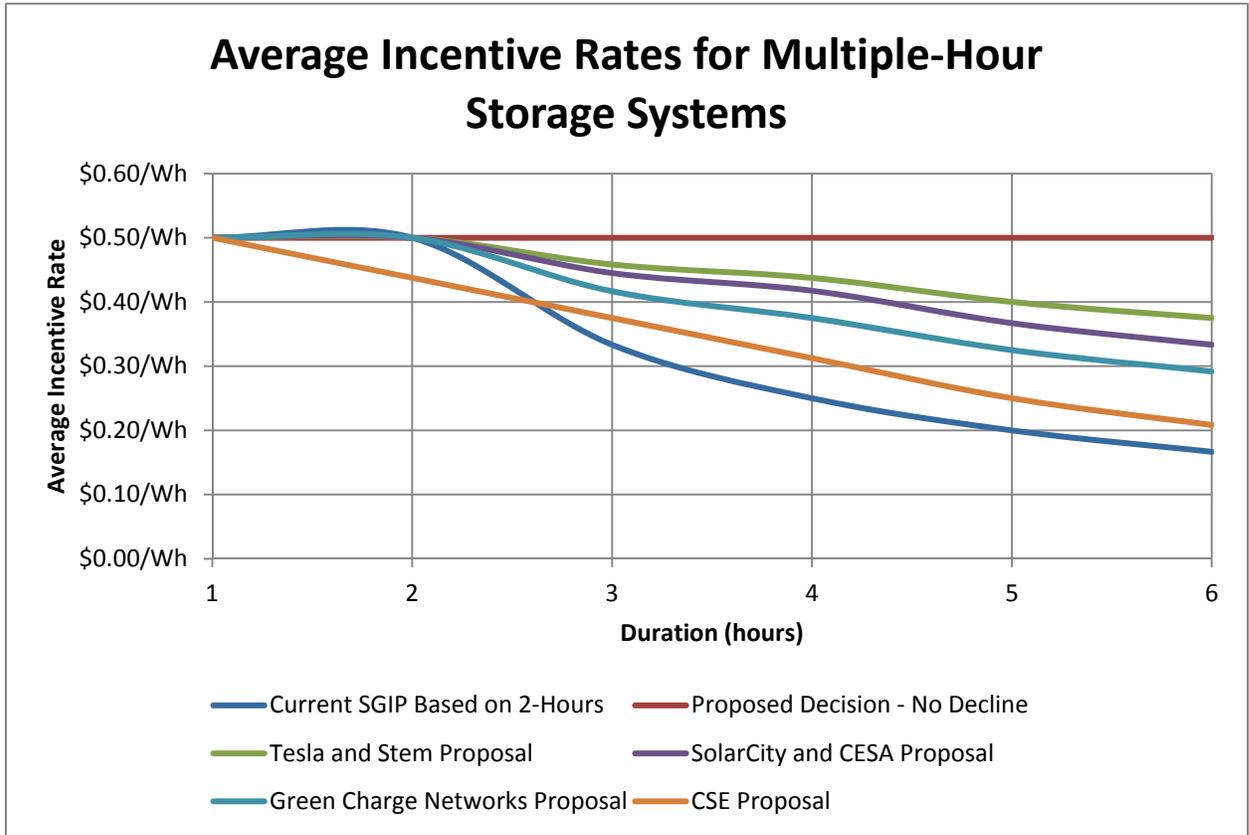


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¹⁹ SolarCity at 12.

²⁰ CALSEIA at 7; SolarCity at 7.

Appendix A



The above graph illustrates the various Parties’ proposals to reduce the AES incentive rate (\$/Wh) based on duration (hours), as well as no decline in the AES incentive rate based on duration, as proposed in the Proposed Decision. Note: This graph assumes a starting AES incentive rate of \$.50/Wh and is representative of non-California supplier commercial projects up to 1 MW.

Proposed Incentive Rate per Hour of Storage

<u>Duration (hrs)</u>	1	2	3	4	5	6
Current SGIP Based on 2-Hours	100%	100%	0%	0%	0%	0%
Proposed Decision - No Decline	100%	100%	100%	100%	100%	100%
Tesla and Stem Proposal	100%	100%	75%	75%	50%	50%
SolarCity and CESA Proposal	100%	100%	67%	67%	33%	33%
Green Charge Networks Proposal	100%	100%	50%	50%	25%	25%
CSE Proposal	100%	75%	50%	25%	0%	0%

Average Percentage of Base Rate per Hour of Storage

<u>Duration (hrs)</u>	1	2	3	4	5	6
Current SGIP Based on 2-Hours	100%	100%	67%	50%	40%	33%
Proposed Decision - No Decline	100%	100%	100%	100%	100%	100%
Tesla and Stem Proposal	100%	100%	92%	88%	80%	75%
SolarCity and CESA Proposal	100%	100%	89%	84%	73%	67%
Green Charge Networks Proposal	100%	100%	83%	75%	65%	58%
CSE Proposal	100%	88%	75%	63%	50%	42%

Average Incentive Rate per Hour of Storage

<u>Duration (hrs)</u>	1	2	3	4	5	6
Current SGIP Based on 2-Hours	\$0.50/Wh	\$0.50/Wh	\$0.33/Wh	\$0.25/Wh	\$0.20/Wh	\$0.17/Wh
Proposed Decision - No Decline	\$0.50/Wh	\$0.50/Wh	\$0.50/Wh	\$0.50/Wh	\$0.50/Wh	\$0.50/Wh
Tesla and Stem Proposal	\$0.50/Wh	\$0.50/Wh	\$0.46/Wh	\$0.44/Wh	\$0.40/Wh	\$0.38/Wh
SolarCity and CESA Proposal	\$0.50/Wh	\$0.50/Wh	\$0.45/Wh	\$0.42/Wh	\$0.37/Wh	\$0.33/Wh
Green Charge Networks Proposal	\$0.50/Wh	\$0.50/Wh	\$0.42/Wh	\$0.38/Wh	\$0.33/Wh	\$0.29/Wh
CSE Proposal	\$0.50/Wh	\$0.44/Wh	\$0.38/Wh	\$0.31/Wh	\$0.25/Wh	\$0.21/Wh