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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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)

**ASSIGNED COMMISSIONER'S RULING ON PROPOSED
REFINEMENTS TO THE SELF-GENERATION
INCENTIVE PROGRAM**

Summary

This assigned Commissioner's ruling seeks feedback from parties on the proposals set forth below to further refine the Self-Generation Incentive Program (SGIP). Parties are encouraged to collaborate, develop consensus and file joint comments. Comments shall be due no later than June 22, 2017, with reply comments due no later than June 27, 2017. The motions submitted by Advanced Microgrid Solutions, Inc., Green Charge, Inc., and Stem, Inc. on April 03, 2017 are denied.

1. Background

On June 23, 2016, the California Public Utilities Commission (Commission or CPUC) adopted Decision (D.) 16-06-055 implementing sweeping revisions to SGIP pursuant to SB 861 (2014). These changes include use of a lottery system at times when demand exceeds available incentive budget, and a prioritization system when the lottery is in effect for energy storage systems. On April 6, 2017, the Commission adopted D.17-04-017 implementing changes to SGIP's budget

pursuant to Assembly Bill (AB) 1637 (Low, 2016). D.17-04-017 increased the annual SGIP budget from \$83 million to \$166 million through 2019, and allocated the new funds to advance SGIP goals of greenhouse gas (GHG) reductions, grid support and market transformation. The Commission also expressed its intent to have a portion of the AB 1637 funds reserved for projects located in disadvantaged communities but deferred implementation to a subsequent decision.

Shortly before the Commission adopted D.17-04-017, Advanced Microgrid Solutions, Inc., Green Charge, Inc., and Stem, Inc., (Joint Storage Parties) filed a motion expressing concern that energy storage projects paired with a solar photovoltaic system (storage plus solar) would secure the entire budget allocated for energy storage projects in the first and highest incentive step, excluding all other types of energy storage projects.¹ The Joint Storage Parties assert that this is a likely outcome due to the priority assigned to such systems in D.16-06-055² and that this outcome would contravene the Commission's intent for SGIP.

In their motion, the Joint Storage Parties make two requests of the Commission: 1) that the Commission's Energy Division investigate and report the results of the Step 1 incentive lottery and the implications of the priority

¹ See April 3, 2017, Motions for Immediate Staff Investigation of Self-Generation Incentive Program, to Reopen Record and Consider Grid Support Priority and, Requesting Shortened Time for Responses.

² In D.16-06-055, the Commission significantly reformed SGIP, including setting three priority criteria in the event that the demand for incentives in a given step was greater than the available funds. The three priorities for energy storage projects are: 1) a project located within the service territory of Los Angeles Department of Water and Power; 2) a project located within the West Los Angeles Local Reliability Area; and 3) a project paired with a renewable generator that elects to take the investment tax credit, or has a preliminary monitoring plan regarding project performance.

designation for solar plus storage; and 2) if “standalone” storage is excluded from the Step 1 incentives due to the solar plus storage priority, then the Commission should “pause” the program to implement a prioritization for standalone storage projects that can demonstrate they will provide benefits to the grid.

2. Budget Reservation for Projects Located in Disadvantaged Communities

The Legislature has indicated in numerous statutes its desire to extend clean energy programs to disadvantaged communities in California. For example, AB 693 (Eggman, 2015) establishes a program to fund solar roofs on multifamily affordable homes in disadvantaged communities.³ In AB 327 (Perea, 2013), the Legislature directed that the next generation of Net Energy Metering (NEM) tariffs or contracts include specific alternatives designed for growth among residential customers in disadvantaged communities.⁴ And in SB 350 (De Leon, 2015) the Legislature established an overarching integrated resource planning process for electric load-serving entities that, in part, must “Minimize localized air pollutants and other greenhouse gas emissions, with early priority on disadvantaged communities identified pursuant to Section 39711 of the Health and Safety Code.”⁵

³ See Pub. Util. Code § 2870.

⁴ See Pub. Util. Code § 2827.1(a)(1).

⁵ See Pub. Util. Code § 454.52 (a)(1)(H).

Reserving a portion of the SGIP funding for projects located in disadvantaged communities will harmonize SGIP with this legislative intent and other efforts to deploy clean energy resources in an equitable manner.⁶

I propose the following design elements of this program:

- Definition: A disadvantaged community is any census tract that ranks in the statewide top 25% most affected census tracts in the most recently adopted version of the environmental health screening tool, CalEnviroScreen.⁷
- Budget: Twenty (20) percent of the budget allocated to Steps 3-5 for energy storage projects and Steps 2-3 for renewable energy projects shall be reserved for projects located in a disadvantaged community.
- Implementation:
 - Each PA's disadvantaged community budget will be equal to the proportion of disadvantaged communities in that PA's service territory out of the total number of disadvantaged communities across all four PA service territories.
 - Each PA will establish discrete "buckets" to contain the budget reserved for disadvantaged communities. Therefore, if the total remaining incentive budget for an open incentive step is reserved for disadvantaged communities, then projects without this locational attribute may advance to the next incentive step. In other words, the budgets available for disadvantaged communities and non-disadvantaged communities

⁶ The SGIP program is established in Pub. Util. Code § 379.6.

⁷ CalEnviroScreen was developed by the Office of Environmental Health Hazard Assessment (OEHHHA) on behalf of the California Environmental Protection Agency (CalEPA) pursuant to Section 39711 of the Health and Safety Code. Information about CalEnviroScreen is available here. <https://oehha.ca.gov/calenviroscreen>

would operate independently of each other between incentive steps.

- A project located in a disadvantaged community can access the budget available to projects not located in a disadvantaged community, but the reverse shall not be allowed.
- The developer cap would continue to apply on a statewide basis to the large-scale and small residential energy storage budgets as a whole. The developer cap shall not apply separately to the buckets for disadvantaged communities and non-disadvantaged communities.
- Implementing this policy requires technical changes to the SGIP application portal. These changes will be made in time for the opening of Step 3. If these changes cannot be implemented by that time, the opening of Step 3 will be postponed until this policy can be implemented.
- Illustrative Example:
 - Assume a total statewide Step 3 SGIP budget for energy storage projects greater than 10 kilowatts (kW) in size is approximately \$93 million (M). 20% of the Step 3 budget, \$18.6 M, must be reserved for projects located in disadvantaged communities.
 - If a PA's share of the statewide SGIP incentive budget is 40% and its service territory includes 55% of the total disadvantaged communities across the four PAs' service territories, then:
 - Total Step 3 incentive budget for that PA is \$37.2 million ($0.4 \times \93 M), of which
 - Step 3 disadvantaged community budget is \$10.23 million ($0.55 \times \18.6 M) for that PA, and
 - Step 3 non-disadvantaged community budget is \$26.97 million for that PA ($\$37.2 \text{ M} - \10.23 M).

- If this same PA receives applications for \$40 million of which \$5.23 million represents projects located in disadvantaged communities, then:
 - Step 3 incentives are fully subscribed for projects not located in a disadvantaged community, and applications for such projects must wait until to reapply Step 4 for incentives; and
 - There is \$5 million remaining in Step 3 disadvantaged community budget.

3. Grid Services as an SGIP Eligibility Requirement

The statute governing SGIP states that it is the Legislature’s intent that SGIP “improve efficiency and reliability of the distribution and transmission system” and reduce peak demand and ratepayer costs.⁸ The Commission strengthened these policy objectives in its recent decision reforming SGIP by setting three core policy goals for the program, which include “grid support.”⁹ Projects funded by SGIP over the years have promoted customer self-sufficiency, reduced customer demand, and increased the diversity of our energy supply.

Especially given the integration challenges faced with increasingly higher penetration of renewable resources, it is important to make explicit that SGIP-funded projects should provide grid benefits. These benefits do not need to be uniform or limited as these benefits or services may vary by technology type or within a given technology, and from project to project.

⁸ Pub. Util. Code § 379.6(a)(1). *See also* Pub. Util. § 379.6(e) requiring that eligible technologies, among other characteristics, shift onsite energy use to off-peak time periods or reduce demand from the grid by offsetting some or all of the customer’s onsite energy load, including, but not limited to, peak electric load.

⁹ The three broad policy goals set in D.16-06-055 are (1) enhanced environmental benefits, through reduced emissions of GHGs and criteria air pollutants, (2) grid support, and (3) market transformation.

To ensure these grid benefits from SGIP projects, I propose the following modifications to the eligibility requirements for SGIP energy storage projects.

- All non-residential customers seeking incentives for an SGIP energy storage system must do at least one of the following:
 - take service on the utility's critical peak pricing (CPP) rate from the date of permission to operate (PTO) for the energy storage system, or
 - participate as an aggregated demand response (DR) or distributed energy resource (DER) product that is bid into the California Independent System Operator's (CAISO) wholesale markets.
- All residential customers seeking incentives for an SGIP energy storage system must do at least one of the following:
 - take service on a CPP rate offered by their utility from the date of PTO for the energy storage system, or
 - take service on a time-of-use (TOU) rate, or
 - participate as an aggregated demand response (DR) or distributed energy resource (DER) product that is bid into the CAISO's wholesale markets.
 - Necessarily, this would mean that the current option residential customers have to avoid TOU or CPP rates if they discharge during peak periods, adopted by CPUC Resolution E-4717, would be eliminated.

4. No Additional Priorities for Lottery

On two different occasions the Commission has considered adopting operational requirements for energy storage systems.¹⁰ In both cases the Commission elected to wait on adopting any requirements. The Joint Storage

¹⁰ See Assigned Commissioner Rulings dated November 23, 2015 and December 30, 2017.

Parties April 3, 2017 motion has brought this issue to the fore again by highlighting that certain storage projects with significant grid benefits could potentially be excluded under the current prioritization system.

At this time, we lack evidence that stand-alone energy storage projects have been or will be excluded in SGIP as a result of the priorities adopted by the Commission in D.16-06-055. Further, there is no need for staff to undertake an “investigation,” as requested by the Joint Storage Parties. Program Administrators are reviewing hundreds of Step 1 applications to determine eligibility, work that is conducted in close coordination with Energy Division staff. It would be unreasonable to divert staff resources from this important work.

In the meantime, Step 2 will open on June 5, 2017, at which point over \$102 million becomes available for large energy storage projects and approximately \$14 million for small residential energy storage projects.¹¹ This is more than twice the budget available for these resources in Step 1.

Also, the eligibility requirements proposed above would apply to all energy storage projects (if adopted by the Commission), which will help harness the potential grid benefit from these resources. Therefore, it is unnecessary to consider changes or supplements to the recently adopted policies contested by the Joint Storage Parties. Accordingly, the motions submitted by Advanced Microgrid Solutions, Inc., Green Charge, Inc., and Stem, Inc. on April 03, 2017 are denied.

¹¹ As reported on June 1, 2017 at <http://www.cpuc.ca.gov/General.aspx?id=5935>

5. Comments

I request that parties comment on the two proposals described above. After comments and reply comments have been submitted, a proposed decision will be issued expeditiously to implement these modest yet important program changes.

IT IS SO RULED that:

1. Comments on the proposals set out in this ruling may be filed and served no later than June 22, 2017.
2. Reply comments may be filed and served not later than June 27, 2017.
3. The motions submitted by Advanced Microgrid Solutions, Inc., Green Charge, Inc., and Stem, Inc. on April 03, 2017 are denied.

Dated June 2, 2017, at San Francisco, California.

/s/ CLIFFORD RECHTSCHAFFEN

Clifford Rechtschaffen
Assigned Commissioner