



## STATE POLICY WORKING GROUP MEETING 7/7/2023

### Agenda

1. Updates/Context
2. AB 691 - Electricity: optional flexible interconnection tariff: onsite demand and distributed energy **\*Update since this morning's call\*** - **Asm Ting has decided to make AB 691 a 2 year bill**
3. SB 795: Energy: building energy efficiency: heating, ventilation, and air conditioning equipment: sale registry and compliance tracking system: compliance documentation data repository
4. SB 48: Building Energy Savings Act
5. SB 755: Energy efficiency and building decarbonization programs
6. AB 1061: Electricity Supply Strategic Reliability Reserve Program
7. AB 241 (Reyes)/AB 126 (Cmte on budget) – vehicle charging/refueling infrastructure.
8. DSGS Draft Guidelines V2 RECAP
9. DSGS Draft Guidelines V2 DRAFT CEDMC COMMENTS

### Notes

#### 1. Updates/Context

- **July 14** Last day for policy committees to meet and report bills (J.R. 61(a)(10)).
  - Summer Recess begins upon adjournment of session provided Budget Bill has been passed (J.R. 51(a)(3)).
- **Aug. 14** Legislature reconvenes from Summer Recess (J.R. 51(a)(3)).

#### 2. AB 691 - Electricity: optional flexible interconnection tariff: onsite demand and distributed energy [Support]

- [AB 691](#) (Ting)
- CEDMC [joint letter of support](#) (June 14)
  - "...a bill that would modernize clean energy technology deployment and provide a much-needed solution to the state's present challenges with energizing and interconnecting new customers and resources to the distribution grid."
- Letter Opposing by IOUs on June 26, 2023
- Previously pulled from Committee calendar, now rescheduled for a hearing before the cutoff.
  - Status: Sen EUC, 7/10
- **\*Update since this morning's call\*** - **Asm Ting has decided to make AB 691 a 2 year bill**

**3. SB 795: Energy: building energy efficiency: heating, ventilation, and air conditioning equipment: sale registry and compliance tracking system: compliance documentation data repository [SUPPORT]**

- [SB 795](#) (Stern)
- Amendments adopted
- CEDMC letter of support:
  - Some examples of issues that could be considered in response to the amendment above include:
    - Incentives for efficient equipment installation are undermined by the high cost of permitting while installation of less efficient equipment saves costs by avoiding the permit process altogether;
    - Variations in permitting requirements and enforcement complicates an already complex process;
    - Highly manual, paper-based permitting requirements increases the effort required for compliance;
    - Lengthy turnaround times to approve permits can discourage customer participation; and
    - Potential buyers lack information on the quality of HVAC system performance at the time of real-estate transactions.
  - The bill has a long list of supporters.
  - Last committee: Motion: do pass to Judic; passed with bipartisan support
  - Status: 7/11, Sen Jud

**4. SB 48: Building Energy Savings Act [SUPPORT]**

- [SB 48](#) (Becker)
- Still retains soft approach towards state strategy:
  - on or before July 1, 2026, to develop a strategy for using the energy usage data described above to track and manage the energy usage and emissions of greenhouse gases of covered buildings in order to achieve the state's goals, targets, and standards related to energy usage and emissions of greenhouse gases of covered buildings, as specified. The bill would require the Energy Commission to submit the strategy and recommendations for further legislative action that would help achieve certain objectives to the Legislature on or before August 1, 2026.
- The amendments on June 30 were non-substantive in nature.
- Soft approach avoids problems with rigid Bldg Performance Standards (BPS)
- June 23rd NY news story - [Co-op owners pack Queens school to learn about city's climate law as well as penalties for non-compliance](#)
  - Under the rules, large buildings must meet new energy efficiency standards and comply with greenhouse gas emission limits by 2024, with stricter requirements going into effect in 2030 and every 5 years through 2050. The purpose of the new rules is to reduce building emissions by 40% by 2030 (compared to 2005) and 80% by 2050.
  - While most modern buildings will meet the 2024 requirements, many older condo and co-op buildings will not—and are therefore likely to face fines. The fines will also rise in 2030 when the emission standards get stricter.

- Robert Friedrich, president of the board of directors at Glen Oaks Village, a coop development with 2,904-units, said his development would face stiff fines - \$394,000 each year starting in 2024, which would jump to \$1,500,000 per year in 2030.
- Building would still be subject to penalties even if major work was conducted. “Even if we spent \$24.5 million to replace our working boilers with the most energy efficient boilers available today the fines would not be eliminated,” Friedrich said, who noted that such an undertaking would cost unit holders about \$9,100 each.
- “This is money we don’t have—and it is for boilers we don’t need.”
- He said that if they did the work, the fine in 2030 would be reduced from \$1,500,000 to \$880,000.
- He said for the co-op to go completely electric, the entire building would need to be rewired and it would cost anywhere from \$35 million to \$50 million.
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**5. SB 755: Energy efficiency and building decarbonization programs [MNONITOR]**

- [SB 755](#) (Becker)
- Amended July 3:
- The bill remains substantially limited from its initial iteration where it was a broad collection of CEC programs, then limited to Equitable Building Decarbonization Program (Direct Install Program). It now authorizes the inclusion of federal and other jurisdictional programs and authorizes the CEC to post links to CPUC programs.
- This bill, the California’s Layered Energy Applications for Residents (CLEAR) Act of 2023, would require the ~~commission~~ *Energy Commission* to develop and make publicly available an internet website for energy efficiency and building decarbonization programs administered by the ~~commission~~ *Energy Commission, a federal or local governmental agency, or a nonprofit organization* that are available in the state for residential buildings and residential electricity customers, as specified. The bill would require the ~~commission~~ *Energy Commission* to enable customer application for the included programs through the internet website. ~~For programs the commission determines cannot be included in the internet website, including programs not administered by the commission, the bill would authorize the commission to provide a link to those programs. The bill would prohibit including programs established or administered by the Public Utilities Commission on the internet website, but would authorize the Energy Commission to provide a link to programs that cannot be included.~~

Similar Goals:

[AB 1198](#), as amended, Grayson. GO-Biz: Energy Unit: equity

**6. AB 1061: Electricity Supply Strategic Reliability Reserve Program [MONITOR]**

- [AB 1061](#) (Rendon)
- Previously a telecom placeholder bill.
- Gutted and amended 6/29 to amend Sec. 80710 of the Water Code:
  - *The California Global Warming Solutions Act of 2006 establishes the State Air Resources Board as the state agency responsible for monitoring and regulating sources emitting greenhouse gases. The act*

*requires the state board to adopt regulations to require the reporting and verification of statewide greenhouse gas emissions, as provided. The act also requires the state board to adopt greenhouse gas emissions limits and emissions reduction measures by regulation, including the use of market-based compliance mechanisms.*

- *This bill would expressly require facilities constructed by the department or under a contract with the department for purposes of the Distributed Electricity Backup Assets Program or the Demand Side Grid Support Program to comply with the regulations adopted by the state board.*
- Language:
  - *(k) Facilities constructed by the department or under a contract with the department pursuant to this division shall comply with both of the following:*
    - *(1) Regulations issued by the State Air Resources Board pursuant to Part 2 (commencing with Section 38530) of Division 25.5 of the Health and Safety Code, including the requirement to disclose emissions of greenhouse gases from facilities.*
    - *(2) Regulations issued by the State Air Resources Board pursuant to Part 5 (commencing with Section 38570) of Division 25.5 of the Health and Safety Code, including the requirement to comply with any market-based compliance mechanism established by the State Air Resources Board.*
- Our read:
  - Under the Governor's new plan, DWR may construct or contract for new reliability resources.
  - This language adds CARB's GHG reporting and other requirements to DWR.
  - Effectively, DWR supported projects must be zero-emission generation capacity or energy storage projects.
  - DWR cannot not operate a generator using diesel fuel after July 31, 2023
- Potential and likely response to the provisions in the DSGS draft updated guidelines that may leverage DEBA funding to provide bonuses to emitting resources once a certain emergency alert trigger is hit.
- No intended CEDM engagement at this time.
- Context: The number of diesel back-up generators (BUGS) continues to expand in California.
- **Diesel Back-Up Generator Population Grows Rapidly in the Bay Area and Southern California**
  - REPORT - Executive Summary
  - California hosts a largely hidden grid of dispersed diesel generators, the population of which is growing rapidly. In December 2018 there were 6,497 back-up generators (BUGs) with 3,810 megawatts (MW) of collective capacity in the Bay Area Air Quality Management District (BAAQMD). In 2021 – less than three years later – BUG deployment had reached 8,722 generators, reflecting 4,840 MW of capacity, a 34 percent jump in the back-up generator fleet.
  - Similarly, in 2020 there were 12,104 back-up generators totaling 2,697 MW of capacity in the South Coast Air Quality Management District (SCAQMD). Just a year later this population had grown to 14,785 BUGs, with 7,360 MW capacity, a 22 percent increase in the fleet.
  - Throughout the state larger generators are being deployed more rapidly. Nearly 90 percent of back-up generators located in the two air districts are diesel fueled.

- Diesel generators tend to be located close to where people live, work, and attend school.  
They are a significant air pollution source, releasing greenhouse gases, particulate matter (PM), volatile organic compounds (VOCs), nitrous oxides (NOx), and sulfur dioxide (SO2), which can create smog and exacerbate respiratory conditions, like asthma, chronic obstructive pulmonary disease, and lung cancer, especially for children and older adults.
- Data on the number of hours that diesel generators operate is self-reported, with little regulatory scrutiny. The degree to which BUGs run is influenced by multiple factors, including wildfires, Public Safety Power Shut-offs (PSPS), severe weather, and potentially their use to arbitrage electricity prices and programs.
- <http://www.lgsec.org/wp-content/uploads/2020/05/BUGs-in-5-CA-Air-Districts.pdf>

7. **AB 241 (Reyes)/AB 126 (Cmte on budget) – vehicle charging/refueling infrastructure. [SUPPORT]**

- Council language (see below) has yet to be incorporated into the Assembly bill or trailer bill process, largely due to Hydrogen interests advocacy efforts sidelining issues deemed not necessary to get more votes.
  - a. Language:
  - b. SEC. 2. Section 44272 of the Health and Safety Code is amended to read:
  - c. ...
  - d. (h) Only the following shall be eligible for funding:
  - e. ...
  - f. (11) Block grants or incentive programs administered by ~~public entities or not-for-profit technology entities~~ **program implementers for the purposes of implementing the program** for multiple projects, education and program promotion within California, and development of alternative and renewable fuel and vehicle technology centers. The commission may adopt guidelines for implementing the block grant or incentive program, which shall be approved at a noticed public meeting of the commission.
  - g. (j) The commission may do all of the following:
  - h. (1) Contract with the Treasurer to expend funds through programs implemented by the Treasurer, if the expenditure is consistent with all of the requirements of this article and Article 1 (commencing with Section 44270).
  - i. (2) Contract with small business financial development corporations established by the Governor’s Office of Business and Economic Development to expend funds through the Small Business Loan Guarantee Program if the expenditure is consistent with all of the requirements of this article and Article 1 (commencing with Section 44270).
  - j. (3) Advance funds, pursuant to an agreement with the commission, to any of the following:
  - k. (A) A public entity *or chosen program implementer*
  - l. (B) A recipient to enable it to make advance payments to a public entity that is a subrecipient of the funds and under a binding and enforceable subagreement with the recipient.
  - m.
  - n. (C) An administrator of a block grant program
- Status: Asm, Sen Third Reading

8. **DSGS Draft Guidelines V2 RECAP**

**Chapter 3: Incentive Option 1: Standby and Energy Payment**

- Adds structure to eligibility requirements. INCLUDING: individual participant attestation under penalty of perjury that:
  - *The participant meets the eligibility requirements of the DSGS Guidelines to the best of their knowledge.*
  - *The participant will allow the CEC access to all documentation to verify compliance with the program.*
  - *The information submitted is accurate and complete.*
  - *The participant agrees to the terms and conditions of the program.*
- Enables CEC or providers to require or collect any additional information they deem necessary.
- Builds out a default process for calculating verified incremental load reduction, including:
  - 10 days of interval meter data with data during relevant hours to establish an energy baseline
  - Adjusted energy baseline at service account level.
  - Day-of Adjustment calculations
    - *A DOAV shall not be less than 0.60 or greater than 1.40. The DOAV is a ratio of (a) the average load of the first three hours of the four hours prior to the event to (b) the average load of the same hours from the days selected in accordance with Step 2 above. If either (a) or (b) are negative, the DOA is 1.0.*
  - Interconnected and export capable participants may count exported energy up to export rating in incremental load reduction calculations.
  - Flexibility to propose alternative calculation methodologies to CEC.
  - Authorizes bonus for combustion generation (\$2/kw or \$1.50/HP) up to \$2M from DEBA; generated.
  - Standby: *Participants that choose to provide a standby commitment must provide a commitment in response to each EEA Watch and EEA 1 notice, whichever is issued first for a given day. Standby commitments are specific to a single EEA notice and are not carried over to subsequent EEA notices. (24/55).*

#### **Chapter 4: Option 2: Incremental Market-Integrated Demand Response Pilot**

- Clarifying language: *A DSGS provider, or its authorized third party, administering Incentive Option 2 must serve as a Demand Response (DR) provider.*
- Establishes participation bonus for program years 2023 and '24 of 30% with no commitment (nor prohibition) for future year bonuses.
- Providers may request season-to-date capacity values to receive early incentive payments for “completed months” - payments to be deducted from end of season payment.
- Clarification re: DSGS and RA requirements/precedence: *For a resource with a capacity obligation on a monthly resource adequacy (RA) showing, the RA availability and bidding rules take precedence over DSGS on days when the **must-offer obligation** of a resource is subject to the **Resource Adequacy Availability Incentive Mechanism (RAAIM)**. (Page 26-27/55)*
- Substantial new language and guidance around measuring performance. (Page 27/55)
- Adds structure to eligibility requirements. INCLUDING: individual participant attestation under penalty of perjury that:

- *The participant meets the eligibility requirements of the DSGS Guidelines to the best of their knowledge.*
- *The participant will allow the CEC access to all documentation to verify compliance with the program.*
- *The information submitted is accurate and complete.*
- *The participant agrees to the terms and conditions of the program.*

#### **Chapter 5: Option 3: Market-Aware Behind-the-Meter Battery Storage Pilot**

- Remains battery only.
- Also additional 30% bonus for PY 2023 and '24.
- Substantial content and updates.

#### **9. DSGS Draft Guidelines V2 DRAFT CEDMC COMMENTS**

- Assess, Improve DSGS Performance and Structure Early
- Include "Justification" When Collecting Additional Info
- Support for Further Incentivizing Early Pilots, Clarity Would Benefit Bonus Incentives
- The Current Attestation Penalty is Inappropriate
- POTENTIAL: RESPONSE TO OPT. 2 RAAIM LANGUAGE
- POTENTIAL: EXPAND OPT. 3 BEYOND BATTERY-ONLY (STORAGE AT LARGE)

#### **Next Meeting**

Our next State Policy WG meeting is scheduled for **Friday July 21 at 10:00 a.m.** Call-in coordinates are below.

[Zoom link](#)

Call-in: +13092053325,,82500501190#

Passcode: cedmc