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*Comment Received From: California Efficiency + Demand Management Council  
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**CA Efficiency + Demand Management Council Comments re CEC  
DEBA Proposed Draft Guidelines**

*Additional submitted attachment is included below.*

August 31, 2023

California Energy Commission  
Docket No. 22-RENEW-01

Delivered via email

**Re: Comments on Energy Commission's Proposed Draft DEBA Guidelines**

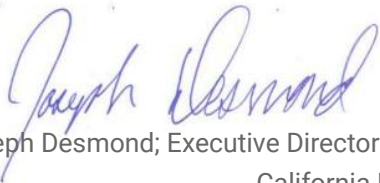
The California Efficiency + Demand Management Council ("Council") appreciates the opportunity to respond to the California Energy Commission's ("Energy Commission") August 11, 2023 Proposed Draft Distributed Electricity Backup Assets Program ("DEBA") Guidelines<sup>1</sup> ("Draft Guidelines") and August 15 Staff Workshop on the DEBA Guidelines<sup>2</sup> ("Workshop"). The Council appreciates the State's ongoing investments in distributed resources which are critical to achieving California's ambitious energy and climate goals. The Council does not have a response to the three "questions for feedback," provided during the Workshop,<sup>3</sup> at this time, but provide questions and recommendations on other DEBA issues.

The Council is a statewide trade association of non-utility businesses that provide energy efficiency ("EE"), demand response ("DR"), and data analytics services and products in California. Our Member companies include EE, DR, and distributed energy resources ("DER") service providers, implementation and evaluation experts, energy service companies, engineering and architecture firms, contractors, financing experts, workforce training entities, and EE product manufacturers.

The Council acknowledges the Energy Commission's efforts in proposing draft guidelines that emphasize resource and investment flexibility. The Council believes appropriate flexibility in DEBA is important to addressing unique project and community needs and circumstances. Flexibility is also important in fostering technological and programmatic innovation. In our comments, the Council recommends or seeks clarification where there remains uncertainty and urges the Energy Commission to consider future revisions to DEBA that maximize the timely, effective, and transparent investment of public funds.

DEBA holds the potential to inject significant investments across California, furthering the state's energy reliability, low-carbon intensity, and affordability. The Council looks forward to continuing to improve upon the Legislature's creation of the Program and Energy Commission's diligent efforts to establish thoughtful guidelines in order to maximize the benefits delivered across the state.

Sincerely



Joseph Desmond; Executive Director  
California Efficiency + Demand Management Council



Clark McIsaac; Director, Policy & Strategy

<sup>1</sup> <https://efiling.energy.ca.gov/GetDocument.aspx?tn=251593>

<sup>2</sup> <https://www.energy.ca.gov/event/workshop/2023-08/staff-workshop-distributed-electricity-backup-assets-program-guidelines>

<sup>3</sup> <https://efiling.energy.ca.gov/GetDocument.aspx?tn=251627> ("Workshop Presentation"), Slide 36

## Further Clarification is Needed

The Council remains uncertain about several key components of DEBA following the Workshop and detailed analysis of the Draft Guidelines. The Council intends for the Energy Commission to clarify the following questions and issues to the extent necessary and appropriate to balance a clearer and simpler implementation process with programmatic flexibility.

- **“Performance”**: As noted in our opening letter kicking off these comments, the Council appreciates the Energy Commission’s proposed program flexibility throughout the Draft Guidelines. However, some of the proposed flexibility leaves too much uncertainty in DEBA implementation.

Chapter 2.D: Project Performance and Reporting Requirements, for instance, leaves the determination of project performance entirely up to each individual project or grant funding opportunity (“GFO”) solicitation:

“Specific performance and reporting requirements, including reports on performance during extreme events, are dependent on the projects or technology types selected and will be tailored with each GFO solicitation.”<sup>4</sup>

The Council understands that as DEBA’s linkage with the Demand Side Grid Support Program<sup>5</sup> (“DSGS”) is no longer a requirement, applicants and participants will need further detail and clarification on what may or will be considered “performance.” This issue is particularly pertinent to implementing DEBA as participant payment is dependent on its performance.

The Council therefore seeks clarification specifically on how the Energy Commission intends to determine “performance.”

- **“Extreme Event”**: Though the Draft Guidelines provide some guidance on when distributed energy assets will serve as on-call,<sup>6</sup> the Draft Guidelines rely on a definition that does not establish a clear or sufficient trigger for when DEBA resources will be called. As cited in the Draft Guidelines, Public Resources Code Section 25790.5[b] defines “Extreme Event” to mean either:

(1)An event occurring at a time and place in which weather, climate, or environmental conditions, including temperature, precipitation, drought, fire, or flooding, present a level of risk that would constitute or exceed a one-in-ten event, as referred to by the North American Electric Reliability Corporation, including

<sup>4</sup> Proposed Draft DEBA Program Guidelines, Page 9

<sup>5</sup> <https://www.energy.ca.gov/programs-and-topics/programs/demand-side-grid-support-program>

<sup>6</sup> “These distributed energy assets will serve as on-call emergency supply or load reduction for the state’s electrical grid during extreme events (as defined in Public Resources Code [PRC] Section 25790.5[b]).” (Page 1)

when forecast in advance by a load-serving entity or local publicly owned electric utility.

(2) An event where emergency measures are taken by a California balancing authority, including when forecast in advance by the California balancing authority.

The Workshop also did not provide substantial clarification on the matter as the consistent reference to when DEBA assets must be triggered, including on Slide 27, was “emergency” or “extreme event(s).”<sup>7</sup>

The details and definition provided for “emergency” and “extreme event(s)” remain vague enough that program applicants or participants in DEBA will be unable to fully assess the value of their investment or potential operational challenges (or opportunities), likely resulting in unnecessary confusion and even limited participation. The Council therefore seeks clarification on the following, relevant questions:

- What is an “emergency” under DEBA guidelines?
  - What are “extreme event(s)” under DEBA guidelines?
  - What entity will “call” or trigger the event (e.g. Energy Commission or the California Independent System Operator)?
  - What are the conditions and notification processes for calling an emergency?
  - How much time following the notification do DEBA assets/resources have to respond/participate?
  - Are there limits on the duration of the emergency/event?
- **DEBA Program Participation and non-DEBA program participation:** The Council understands DEBA participants to be eligible for non-DEBA program participation in certain months of the year. The Council acknowledges a myriad of potential benefits from this framework but note there are significant complexities with ensuring that flexibility while investing public and customer dollars accountably. The Council seeks clarification on the following, relevant questions:
- It is the Council’s understanding that DEBA resources would be ineligible to be part of a Resource Adequacy (“RA”) contract during the Program season. What is the Energy Commission’s justification for disallowing DEBA assets from qualifying as RA during Program months? The Council believes assets that participate in either funding category (bulk grid assets or distributed resources) should be eligible for RA given appropriate accountability measures to avoid dual counting of benefits.
    - Generally, is DEBA a “standalone” program? In other words, are customers ineligible to be dual-enrolled in another program during the program months?

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<sup>7</sup> Workshop Presentation, Slide 27

- How does the Energy Commission envision enabling non-DEBA program participation in non-Program months? The Council envisions significant lost benefits to California customers and the grid if asset benefits are not incentivized across the year.
- How does the Energy Commission envision protecting against resources “double dipping” incentives between DEBA and RA or other, non-DEBA incentives?
- **Third Party Eligibility:** The Council notes there are direct mentions of third party applicants in Table 3: Screening Criteria<sup>8</sup> and Chapter 3.E: “Authorized Third Parties”<sup>9</sup> of the Draft Guidelines. However, third parties are not explicitly addressed in Chapter 2.A.1.a: “Eligible Applicants”. This inconsistency could lead to confusion regarding the authorized role of third parties. The Council therefore suggests the Energy Commission explicitly clarify the role of third parties, including where and how they may act as applicants, in Chapter 2.A.1.a.
- **Distributed Resources:** The Council acknowledges the term “distributed resources” could lead to different interpretations regarding which assets fulfill those categorizations. The Council therefore asks the Energy Commission to provide clarification on what they consider “distributed resources” - for example - are behind the meter resources only eligible to receive DEBA funding, or does “distributed” simply mean a resource is only required to be connected to the distribution grid? The Council also urges the Energy Commission consider:
  - Clarification on potential capacity/size limits of eligible projects; and
  - Further incentivizing or requiring, where appropriate, submetering DEBA-incentivized technologies. Submetering will avoid any existing complications with baselines as well as improve evaluation, measurement, and verification (“EM&V”) efforts. This is particularly true for energy storage devices.
- **Project Eligibility:** The Council seeks the Energy Commission’s clarification on what the Energy Commission may deem “new” in reference to Category 2: Distributed Resource technology eligibility. The Draft Guidelines state “New [emphasis added] zero- or low-emission technologies...” are eligible projects under funding category 2<sup>10</sup> but does not clarify the meaning or intent behind “new.” Assembly Bill (“AB”) 205<sup>11</sup> Article 2 Section 25791 also uses the term “new” but does not shed further insight into the intent of that term.

The Council is particularly interested in the Energy Commission’s clarification if their intent behind the term “new” is to mean 1) a project that has not been built or agreed to be built at the time of application; or 2) an innovative technology that is not yet market mature. The Council seeks this clarification with the acknowledgment the Energy

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<sup>8</sup> Draft Guidelines, Page 5

<sup>9</sup> Draft Guidelines, Page 11

<sup>10</sup> Draft Guidelines, Page 2

<sup>11</sup> [https://leginfo.ca.gov/faces/billNavClient.xhtml?bill\\_id=202120220AB205](https://leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=202120220AB205)

Commission staff provided some insight into this issue during the Workshop, stating that “DEBA is not designed to incentivize untested technologies.”<sup>12</sup>

- **Selection Criteria:** The Council seeks clarification on the Energy Commission’s intended selection criteria. More specifically, if a project applicant meets DEBA threshold requirements, how will the Energy Commission determine project selection?  
 Furthermore:
  - Is selection based on lowest bid price?
  - Is selection based upon the earliest online date?

## Distributed Resources and Bulk Grid Assets Should See Equal Funding Disbursement Mechanisms

Energy Commission staff proposed, during the Workshop, that up to **50%** of each total project award would be disbursed upon commercial operations date (“COD”) for bulk grid assets *only*. Distributed resource projects, on the other hand, may receive only up to **25%** of the total award by COD. The Council is unaware of a justification for such a difference as 50% may act as an incentive for ongoing emergency performance, where 75% is effectively punitive and could stifle applicant creativity and diversity. Since distributed resources **and** bulk grid assets have upfront costs for acquiring and installing eligible technologies/assets, the funding should be equally commensurate assuming the asset is deemed to be operable. Further, since receipt of funding is dependent upon the project being operational, the risk of performance is the same at the point in time when the project is demonstrably operational.

If the Energy Commission remains compelled to differentiate funding disbursement between bulk grid assets and distributed resources, the Council urges the Energy Commission to identify and clarify what the differences are between the two project structures that warrant such a difference in treatment.

## Explicit Inclusion of Thermal Energy Storage, Equal Treatment for All Energy Storage as Appropriate

The Council wishes to spotlight the several direct references to “energy storage”<sup>13</sup> as an eligible technology under the distributed resource category. The Council notes under Draft Guidelines Chapter 2.A.1.c.: “Ineligible Projects”: variable renewable resources may need to be paired with “energy storage devices.” The Council is interested in ensuring a leveled playing field across energy storage devices at large rather than battery storage devices only as there are other energy storage technologies that can deliver benefits comparable to or beyond those of battery storage. In particular, the Council acknowledges significant benefits thermal energy storage can

<sup>12</sup>

[https://energy.zoom.us/rec/play/Zu9u31HDFZveNQWyKo3UkncVI5IINpi25SsDAqkSM2gVNVFdFCOEKuglCItNJJYznizVhp1MWXacJ7hh.kP75QMhcDrUNA6s\\_](https://energy.zoom.us/rec/play/Zu9u31HDFZveNQWyKo3UkncVI5IINpi25SsDAqkSM2gVNVFdFCOEKuglCItNJJYznizVhp1MWXacJ7hh.kP75QMhcDrUNA6s_) (“Workshop”), 00:52:00

<sup>13</sup> Workshop Presentation slides 17 and 20; Draft Guidelines Chapter 2.A.1.b.: “Eligible Projects” (page 2)

provide to customers and the grid, including permanent load shifting and additional emergency response.

Unfortunately, the Draft Guidelines explicitly reference “battery storage” in Draft Guidelines Chapter 2.A.1.b under its list of eligible technologies for Category 2: Distributed Resources.<sup>14</sup> Though that list is non-exclusive, the Council sees benefits in explicitly adding “thermal energy storage” to that list to resolve any uncertainty that thermal energy storage is an eligible technology under DEBA. Without this explicit inclusion, the Council is concerned there could be an interpretation that the fluctuation between “energy” and “battery” may be purposeful with the intent of delegating non-battery storage devices (such as thermal energy storage) to the ineligible resource list.

The Council also urges the Energy Commission to ensure that energy storage technologies, including thermal energy storage, are treated equally throughout the GFO process (in instances where GFOs may target storage technologies) so long as those technologies meet DEBA requirements.

## Improve + Simplify GFO Process, Pursue Incentive-Based Process in Long-Term

DEBA will require substantial time and resources to implement and administer and would benefit from further process and programmatic efficiencies where possible and appropriate. The Council urges the Energy Commission to further streamline the application process by establishing a programmatic-approach over a GFO process. A programmatic approach would accelerate the deployment of new assets by bypassing or resolving DER deployment barriers that permeate existing, traditional GFO processes by targeting programs instead of individual projects/sites. A programmatic approach would be more efficient, distribute funds fairly, and allow for consistent and predictable execution.

If establishing a programmatic approach over a GFO process will hinder near-term DEBA implementation, the Council urges the Energy Commission to consider a GFO process that leverages appropriate and beneficial components of program/incentive approaches. This effort should prioritize balancing streamlining the application process with clarity, flexibility, and simplicity.

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<sup>14</sup> Draft Guidelines, Page 2