

**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)

**REPLY COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE
ON THE ASSIGNED COMMISSIONER'S RULING ON PROPOSED
REFINEMENTS TO THE SELF-GENERATION INCENTIVE PROGRAM**

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In accordance with the Rules and Procedure of the California Public Utilities Commission (“Commission”), the California Energy Storage Alliance (“CESA”)¹ hereby submits these reply comments on the *Assigned Commissioner’s Ruling on Proposed Refinements to the Self-Generation Incentive Program*, issued by Assigned Commissioner Clifford Rechtschaffen on June 2, 2017 (“Ruling”).

¹ 8minutenergy Renewables, Adara Power, Advanced Microgrid Solutions, AES Energy Storage, AltaGas Services, Amber Kinetics, American Honda Motor Company, Inc., Bright Energy Storage Technologies, BrightSource Energy, Brookfield, Consolidated Edison Development, Inc., Customized Energy Solutions, Demand Energy, Doosan GridTech, Eagle Crest Energy Company, East Penn Manufacturing Company, Ecoult, EDF Renewable Energy, ElectriQ Power, eMotorWerks, Inc., Energport, Energy Storage Systems Inc., Geli, Green Charge Networks, Greensmith Energy, Gridscape Solutions, Gridtential Energy, Inc., Hitachi Chemical Co., IE Softworks, Innovation Core SEI, Inc. (A Sumitomo Electric Company), Johnson Controls, LG Chem Power, Inc., Lockheed Martin Advanced Energy Storage LLC, LS Power Development, LLC, Magnum CAES, Mercedes-Benz Energy, National Grid, NEC Energy Solutions, Inc., NextEra Energy Resources, NEXTracker, NGK Insulators, Ltd., NICE America Research, NRG Energy, Inc., Ormat Technologies, OutBack Power Technologies, Parker Hannifin Corporation, Qnovo, Recurrent Energy, RES Americas Inc., Sharp Electronics Corporation, SolarCity, Southwest Generation, Sovereign Energy, Stem, STOREME, Inc., Sunrun, Swell Energy, UniEnergy Technologies, Viridity Energy, Wellhead Electric, and Younicos. The views expressed in these Comments are those of CESA, and do not necessarily reflect the views of all of the individual CESA member companies. (<http://storagealliance.org>).

I. INTRODUCTION.

CESA observed some divisions among stakeholders in comments regarding whether the ‘grid services eligibility requirement’ is reasonable or not. In these reply comments, CESA notes arguments that the proposed grid services eligibility requirement is too restrictive and may prevent a number of viable energy storage projects from being funded. CESA also notes flaws in logic of parties that favor the eligibility requirement. Fundamentally, CESA believes that the Commission’s current Self-Generation Incentive Program (“SGIP”) eligibility structures are sufficient and that rate designs efforts, not new SGIP eligibility requirements, are superior vehicles for aligning SGIP-funded projects with the grid support and environmental goals of the program. To this end, CESA has consistently recommended that the Commission develop opt-in charging tariffs for energy storage which could be implemented expeditiously outside of General Rate Case proceedings and would incentivize energy storage systems to cycle more dynamically based on grid conditions.

CESA also observed broad support for a carve-out for disadvantaged communities (“DACs”) but several parties offered recommendations to improve the effectiveness or clarity of the 20% carve-out. CESA strongly supports the intent of the proposal and agrees that improvements can be made to the proposal. CESA addresses these parties’ comments on the improvements to the DAC carve-out as well.

II. THE GRID SERVICES ELIGIBILITY REQUIREMENT IS TOO RESTRICTIVE AND A RIGOROUS CHARGE-DISCHARGE SCHEDULE WOULD ONLY ADD TO THE COMPLEXITY OF THE PROGRAM AND LIMIT USE CASES.

Multiple parties echoed CESA’s opening comments that the grid services eligibility requirement is too restrictive and cuts off important customer segments from qualifying for SGIP funds.

First, codifying restrictive charge-discharge schedules will limit the applications of energy storage, when in fact these systems would be more efficiently guided by economic signals from retail rates and wholesale market prices. SGIP is a technology deployment program, albeit one with goals. CESA believes the current structure, in addition to evolving rates from load-serving entities (“LSEs”), strikes an appropriate balance between prescribing how key goals are met (*e.g.*, with existing cycling requirements, eligibility, round-trip efficiency, and other factors) while allowing broad market development through pursuit of energy storage incentives that spur deployment of behind-the-meter energy storage in California. The proposal, by contrast, along with ideas raised by parties in comments that seek more prescriptive eligibility rules, errs in over-emphasizing a rigid structure of grid-support that may be duplicative to rate-design efforts and limits the ability of energy storage developers to analyze the market and identify use cases that optimize benefits to the customer and the grid. For instance, PG&E’s proposal would force all energy storage projects into similar operational profiles and grid service types. Energy storage projects do not only provide value when charging during the mid-day with solar generation and discharging during the evening to meet peak loads, as there are use cases such as voltage support and distribution deferral that may require charge-discharge schedules that deviate from a more prescriptive schedule as required as a condition of receiving SGIP funds. CESA notes that the Distributed Resources Plan (R.14-08-013) and the Integrated Distributed Energy Resources (R.14-10-003) proceedings are tasked with defining various grid services and determining the value ascribed to them. The Commission should allow for ‘grid benefit’ to be more appropriately defined in these proceedings.

The existing rules strike the right balance between an incentive program and the program goals, but the proposal in the Ruling puts too much weight on the grid support role in an

inflexible way that ultimately harms the achievement of the other goals of SGIP. The proposal seems to imply that more grid support is needed to satisfy the SGIP program goal. How much more grid support is needed? At present, CESA views taking service on TOU and/or demand-based rates at minimum as sufficient for meeting the grid support goal of the program for the time being, particularly as many rate design efforts are underway in other proceedings. Rather than layering additional requirements to SGIP-funded projects to meet both the grid support and GHG reduction goals of the program, which only serves to add complexity to the developer and the customer, CESA believes that these program goals can be achieved through the development of smart rate designs that incorporate both marginal cost and marginal emissions analysis.

Another issue with the proposal is how it affects some customers. Marin Clean Energy (“MCE”) and the Direct Access Customer Coalition (“DACC”) raised anti-competitive concerns with the proposal because the Critical Peak Pricing (“CPP”) tariff, a proposed path for grid services eligibility proposed in the Ruling, is only available to bundled IOU customers.² Even if a Community Choice Aggregator (“CCA”) such as MCE wanted to design a CPP rate, there are data sharing barriers that prevent these efforts. Given these concerns, CESA reiterates that the Ruling’s proposal may cut off significant segments of the energy storage market, especially those for CCAs and Direct Access (“DA”) customers.

Further, the CPP option also, in effect, prevents a number of solar-plus-storage customers from qualifying for SGIP funds given the unworkability of such projects taking service on these tariffs, according to Tesla.³ This outcome again highlights the potential counter-productiveness of the proposed new eligibility rule. Tesla details how added administrative costs of

² MCE’s Comments at pp. 1, 4; DACC’s comments at p. 3.

³ Tesla’s Comments at pp. 7-8.

participating in the wholesale market (*e.g.*, enrolling a Demand Response Provider, contracting a Scheduling Coordinator) presents additional barriers to entry of this option.⁴ CESA agrees with these comments and believes that the proposed eligibility options are too restrictive and limited, causing many viable projects from qualifying for SGIP funds.

The proposal also is too narrow and prescriptive. Southern California Edison Company (“SCE”) notes that the available options are too limited and recommends that menu of options should be expanded to include participation in utility and third-party demand response (“DR”) programs.⁵ These concerns emphasize that modifications to program eligibility need thorough and comprehensive review to prevent unintentional restrictions to SGIP. In CESA’s estimation, eligibility considerations would need to be expanded beyond what SCE has proposed and allow for service on TOU and/or demand-based rates to suffice to meet this requirement, while eliminating operating requirements altogether. CESA notes again, however, that the design of opt-in charging tariffs and smarter rate designs are the most flexible approach.

Finally, the Commission should also reject points from the record that are out of scope and have a flawed basis. Pacific Gas and Electric Company (“PG&E”) suggests that the Commission add a higher roundtrip efficiency requirement and rigorous charge-discharge schedules to energy storage projects.⁶ Round trip efficiency concerns are out of scope, and PG&E’s comments do not highlight flaws in the extremely well-reviewed greenhouse gas (“GHG”) emissions eligibility factor as established in D.15-11-027 that set the current round-trip

⁴ Tesla’s Comments at p. 15.

⁵ SCE’s Comments at pp. 2-3.

⁶ PG&E’s Comments at pp. 10-11.

efficiency requirement. PG&E also provides no evidence to date or policy reason that changes are needed.

III. GRANDFATHERING SHOULD APPLY TO SOLAR-PLUS-STORAGE SYSTEMS AND ADVANCED NOTICE SHOULD BE PROVIDED TO ENSURE FINANCEABILITY OF STORAGE PROJECTS.

Pacific Gas and Electric Company (“PG&E”), San Diego Gas & Electric Company (“SDG&E”, and the Office of Ratepayer Advocates (“ORA”) each commented on the need to have all new SGIP-funded energy storage projects on current TOU rates.⁷ PG&E correctly added that D.17-01-006 does not cover grandfathering provisions for non-solar technologies. Overall, energy storage systems are flexible and can respond to changes in grid conditions and economic signals that come with changes to TOU periods and rates. To an extent, the lack of grandfathering for energy storage systems should pose less of a challenge for these projects, as long as advanced notices are given to developers and customers to make sure that they are aware of upcoming changes. By ensuring that they are aware of any changes to rate schedules, energy storage developers will be able to adjust their operations and contracts in accordance with new economic signals.

CESA notes, however, that the case is different for energy storage systems paired with Net Energy Metering (“NEM”) generators. D.16-01-044 and D.14-05-033 reaffirmed that energy storage systems are “additions or enhancements” to NEM generators, and CESA therefore believes that these NEM-plus-storage systems should be subject to the same grandfathering periods as solar technologies, as determined in D.17-01-006. Considering energy storage systems are long-lived assets with 10 to 15-year manufacturer’s warranties, energy

⁷ PG&E’s Comments at pp. 8-9; SDG&E’s Comments at p. 3; ORA’s Comments at p. 6.

storage technologies will outlast the five-year grandfathering period for residential customers and ten-year grandfathering period for non-residential customers, ensuring that these combined systems will respond to changes in signals once the grandfathering period ends. Furthermore, extending the grandfathering provisions to NEM-plus-storage systems will balance financial certainty with having these SGIP-funded systems provide grid support that is needed at the time that the grandfathering period ends.

IV. **THERE IS NO EVIDENCE THAT CUSTOMER-DISPATCHED ENERGY STORAGE SYSTEMS CANNOT BE ASSURED OF GRID OR ENVIRONMENTAL BENEFIT.**

SDG&E claims that customer-dispatched energy storage cannot be assured of providing grid benefit or GHG reductions, while it can be assured of utility-dispatched systems. Based on this claim, SDG&E supports the proposed grid services eligibility requirement.⁸ However, there is a major dearth of evidence to support this claim. While SDG&E cites the *2014-2015 Itron SGIP Impacts Evaluation* report, the Commission must recall that this study had major data limitations, occurred long ago under different rates, and had too many gaps to make any conclusive determination on programmatic changes.⁹ Significantly, the report highlighted the need to develop better rate designs to ensure that SGIP projects achieve the performance goals for SGIP-funded energy storage projects.¹⁰ The energy storage systems used to reduce customer demand charges, as cited as an example by SDG&E, is thus responding to economic signals that

⁸ SDG&E's Comments at p. 3.

⁹ *Comments of the California Energy Storage Alliance on the Assigned Commissioner's Ruling on Implementation of Assembly Bill 1637*, filed on January 31, 2017. pp. 8-10.

¹⁰ Itron Report, p. 1-11.

are misaligned with grid conditions and marginal emissions of the grid, which points to the need to creatively change these rate structures rather than to restrict eligibility rules in SGIP.

CESA also observes that no evidence was presented to support SDG&E's claim that utility-dispatched energy storage systems assure grid and environmental benefits, as these systems could be dispatched strictly for economic reasons as well.

Similarly, CESA also finds Southern California Gas Company's ("SoCalGas") comments regarding the GHG emissions performance of energy storage technologies to lack support.¹¹ No robust evidence concludes that energy storage technologies increase GHG emissions. This presumption overlooks calculations and findings from D.15-11-027. CESA believes that the Commission needs to work with stakeholders to develop a consensus assessment methodology to measure GHG performance of energy storage systems. CESA presented its views in previous comments on using empirical techniques rather than assumptions-driven cost-based models to accurately account for the GHG emissions of energy storage operations.¹²

V. THE COMMISSION HAS ALREADY DETERMINED THAT PROJECTS RECEIVING SELF-GENERATION INCENTIVE PROGRAM FUNDS ARE ALLOWED TO PARTICIPATE IN DEMAND RESPONSE PROGRAMS.

SoCalGas comments that energy storage projects should not receive DR payments if the DR is being provided as an eligibility condition for receiving SGIP funds, thereby preventing double-dipping from multiple programs.¹³ However, CESA notes that D.16-06-055 already

¹¹ SoCalGas' Comments at pp. 4-5.

¹² *Comments of the California Energy Storage Alliance on the Assigned Commissioner's Ruling on Implementation of Assembly Bill 1637*, filed on January 31, 2017. pp. 10-11.

¹³ SoCalGas' Comments at p. 5.

determined that dual participation in SGIP and DR programs should not be prohibited.¹⁴ SGIP is a technology deployment program that provides incentives to support the deployment and installation of distributed energy systems (“DERs”) such as energy storage systems. The actual valuation and dispatch of the grid service is guided by wholesale price signals, utility program requirements, or rate designs, not by SGIP incentives. CESA thus finds SoCalGas’ logic fatally flawed.

VI. IMPOSING SMART INVERTER REQUIREMENTS IN THE SELF-GENERATION INCENTIVE PROGRAM IS OUTSIDE THE SCOPE OF THIS PROCEEDING.

SCE recommends that the Commission require SGIP projects to have smart inverters to enable real-time, two-way communication with the host utility on operational information.¹⁵ While CESA is supportive of the adoption and proliferation of smart inverters as well as the need for more granular data and two-way communications, CESA believes that making this a requirement of participating in SGIP is out of scope of this proceeding, as this issue is best discussed and addressed in the Smart Inverter Working Group (“SIWG”) and the successor to the Rule 21 Interconnection (R.11-09-011) proceeding. The SIWG is best positioned to discuss the technical and economic feasibility assessments of making various inverter functions and communication protocols the standard for inverter-based DERs such as energy storage. Furthermore, depending on the use case of the energy storage system, it may not be necessary to have such two-way communications at a granular level. For example, an energy storage system providing voltage support or deferral to the distribution grid may need to be responsive to utility

¹⁴ D.16-06-055, p. 38 and Findings of Fact 37.

¹⁵ SCE’s comments at p. 3.

signals, but an energy storage system simply responding to economic signals from tariffs does not. Thus, CESA recommends against adopting SCE's proposal.

VII. ENERGY STORAGE PROJECTS IN COMMUNITY SOLAR PROPOSALS SHOULD NOT BE ELIGIBLE FOR SELF-GENERATION INCENTIVE PROGRAM FUNDS.

SDG&E sought clarification to apply for and use SGIP funds to support energy storage projects paired with community solar systems in its 'SolarAll Proposal,' which was proposed in its Green Tariff Shared Renewables ("GTSR") Program. CESA believes that this request for clarification to be removed from the scope of this proceeding. This question would be more appropriately addressed in a separate application by SDG&E or potentially as part of its proposal for 166.66 MW of energy storage projects in its 2018 Energy Storage Applications as part of R.15-03-011 and pursuant to Assembly Bill ("AB") 2868 proposals. In R.15-03-011, each of the three IOUs are directed to file applications for up to 166.66 MW of energy storage programs and investments with priority for low-income and public-sector customers. Whether the SolarAll Proposal qualifies for SGIP funds would be more appropriately discussed in those applications or as part of the GTSR proceeding. Broadly, CESA also questions whether the SolarAll Proposal would even qualify for SGIP funds given that these community solar projects would be for in-front-of-the-meter energy storage projects, not behind-the-meter energy storage as intended by SGIP.

VIII. THE DEFINITION OF DISADVANTAGED COMMUNITIES SHOULD BE REFINED TO ALIGN WITH IDENTIFIED GOALS OF THE CARVE-OUT AND LEVERAGE LESSONS FROM OTHER SIMILAR PROGRAMS.

CESA recommended that the Commission take time now to clearly define the goal of the carve-out and refine the definition of 'disadvantaged communities' in accordance with that goal

to ensure effectiveness of energy storage project deployments in these communities. CESA has noted its concerns with ensuring that low-income communities are comprehensively covered in the definition of DACs for the purposes of the carve-out.¹⁶ GRID Alternatives, the California Solar Energy Industries Association (“CALSEIA”), and PG&E echoed CESA’s recommendation to ensure that the DAC definition more explicitly included low-income customers.¹⁷ Specifically, GRID Alternatives and CALSEIA suggest that the DAC should also use some percentage of the Area Median Income (“AMI”) as a criterion to ensure low-income customers are covered by the DAC definition. CESA believes that expanding the DAC definition to incorporate AMI as a potential pathway to ensure low-income customers are targeted with the carve-out funds.

Importantly, CESA agrees with GRID Alternatives in that there should be alignment with the Single-Family Affordable Solar Housing (“SASH”) Program and the Multifamily Affordable Solar Housing (“MASH”) Program, which are successful corollary programs that target customers for solar deployment.¹⁸ Leveraging the lessons from other successful programs would be wise in implementing this DAC carve-out, as it would minimize customer and developer confusion on whether a potential energy storage deployment site would qualify for the DAC carve-out and would create potentially synergies between SGIP and these programs by potentially pairing energy storage systems with solar photovoltaic systems.

Identifying and refining the goal of the DAC carve-out is important to understanding which customers to target for SGIP-funded energy storage projects and which tool should be

¹⁶ CESA’s comments at pp. 4-5.

¹⁷ GRID Alternatives’ Comments at p. 3; CALSEIA’s Comments at p. 4; PG&E’s Comments at p. 3.

¹⁸ GRID Alternatives’ Comments at pp. 3-4, 8.

used to identify and screen these target customers. The Ruling proposes to use the CalEnviroScreen 3.0 as the screening tool, but as SDG&E noted,¹⁹ this is just a ‘released’ (not an ‘adopted’) tool. GRID Alternatives also provides important insights into the potential gaps of reliance on the CalEnviroScreen 3.0 tool alone, which may overlook non-IOU residents and Native American tribes.²⁰ Based on these comments, as well as CESA’s identified challenges in analyzing the incomplete dataset from the CalEnviroScreen 3.0 tool to determine the percentage of DACs by Program Administrator (“PA”) service territory, the Commission may want to more thoroughly consider the tools and criteria by which DACs will be defined. While CESA supports the carve-out, it is also paramount to ensure the effectiveness in deploying energy storage projects to achieve the identified goal.

Finally, SDG&E commented that energy storage systems should not qualify for the DAC carve-out unless these systems meet the requirements for providing GHG reduction and grid-support benefits.²¹ CESA disagrees on the use of restrictive program requirements as proposed in the Ruling (*e.g.*, service on one of the identified tariffs or participate in certain programs) for DAC and non-DAC projects alike and elaborates in further detail below on how current program requirements (*i.e.*, operating requirements) should satisfy the program goals.

IX. THE INCENTIVE RATES FOR THE DISADVANTAGED COMMUNITIES CARVE-OUT SHOULD BE AT HIGHER LEVELS.

CESA has previously commented that the unique challenges faced by DAC customer segment warrants an independent budget category. Given these challenges, CESA also supports

¹⁹ SDG&E’s Comments at p. 2.

²⁰ GRID Alternatives’ Comments at pp. 4, 6-7.

²¹ SDG&E’s Comments at p. 2.

GRID Alternatives, the Joint Storage Parties, Tesla, and CALSEIA in setting the incentive rate for the DAC carve-out at Step 1 or ‘enhanced’ incentive levels.²² For various reasons as highlighted in the California Energy Commission’s (“CEC”) *Low-Income Barriers Study*, DAC customers face higher financing and other ‘soft’ upfront costs to deploy DERs, including energy storage, which likely necessitates higher incentive rates to jump-start this market. Further Commission and stakeholder analysis will be needed in determining the appropriate incentive rate.

X. THE DEVELOPER CAP RULES WILL DEPEND ON THE COMMISSION’S IDENTIFIED GOAL FOR THE DISADVANTAGED COMMUNITIES CARVE-OUT.

In opening comments, CESA recommended that DAC projects count toward the small residential or large developer’s cap depending on the respective size (*i.e.*, > 10 kW vs. ≤ 10 kW) and customer segment (*i.e.*, residential vs. non-residential) of the project. The Center for Sustainable Energy (“CSE”) presented a different approach in which there would be no developer’s cap to work within the DAC budget.²³ As CESA understands CSE’s proposal, a developer could potentially exceed its large or small residential developer cap when deploying DAC projects. CSE thus views the overall goal of supporting energy storage deployments in DACs to be more important than ensuring diversity of industry participants in the DAC customer segment, as there may be existing or perceived barriers of entry to serving the DAC market. CESA strongly supports CSE’s proposal as CESA agrees that the overall goal of the DAC carve-out supersede the market transformation goal for the DAC market, which would then affect the

²² GRID Alternatives’ Comments at p. 8; Joint Storage Parties’ Comments at p. 2; Tesla’s Comments at p. 4; CALSEIA’s Comments at p. 3.

²³ CSE’s Comments at pp. 1-2.

appropriate developer cap rules. CESA does not believe that developers who are uniquely positioned and skilled to target this important market segment should not be artificially limited in its deployments, considering DACs have been historically under-served.

XI. CONCLUSION.

CESA appreciates the opportunity to submit these reply comments on the Ruling and looks forward to working with the Commission and stakeholders to develop ideas on how to better ensure that SGIP meets the program's grid support, GHG emissions reduction, and market transformation goals, while also ensuring access to DACs to energy storage systems and their associated benefits.

Respectfully submitted,



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