SENATE COMMITTEE ON ENERGY, UTILITIES AND COMMUNICATIONS
Senator Steven Bradford, Chair
2023 - 2024 Regular

Bill No:	SB 851	**Hearing Date:**	4/24/2023
Author:	Stern		
Version:	3/30/2023 Amended		
Urgency:	No	**Fiscal:**	Yes
Consultant:	Nidia Bautista		

SUBJECT: Self-generation incentive program

DIGEST: This bill makes changes to the Self-generation incentive program (SGIP) and funding adopted in last year's budget to provide incentives for residential solar plus storage energy projects.

ANALYSIS:

Existing law:

1) Requires the California Public Utilities Commission (CPUC) to require the administration, until January 1, 2026, of a SGIP to increase the deployment of distributed generation resources and energy storage systems. Requires the CPUC in administering the program, to use funds that are appropriated by the Legislature, as provided, for the purpose of providing incentives to eligible residential customers who install behind-the-meter energy storage systems or solar photovoltaic systems paired with energy storage systems. Requires the CPUC to allocate 70 percent of that funding for incentives to eligible-low income residential customers who install either new behind-the-meter solar photovoltaic systems paired with energy storage systems or new energy storage systems. (Public Utilities Code §379.10)

This bill:

1) Requires, that the incentives described above for eligible residential households be used in addition to SGIP.

2) Requires the CPUC to establish a system to equitably award incentives and set incentive levels, as specified.

3) Requires the CPUC to establish new technology guidelines.

4) Requires the CPUC to establish a block grant structure and associated guidelines for California Indian tribes, community-based service providers, local publicly owned electric utilities, and community choice aggregators to apply on behalf of eligible low-income residential households.

Background

Self-Generation Incentive Program (SGIP). SGIP was established by statute, AB 970 (Ducheny, Chapter 329, Statutes of 2000), and provided incentives to support existing, new, and emerging distributed energy resources (DER). SGIP provides rebates for qualifying DER systems installed on the customer's side of the utility meter and sized no larger than what is needed to meet on-site energy needs. Qualifying technologies include wind turbines, waste heat to power technologies, pressure reduction turbines, internal combustion engines, microturbines, gas turbines, fuel cells, and advanced energy storage systems. SGIP has evolved since 2001, with eligibility requirements, program administration, and incentive levels all changing over time in response to California's evolving energy landscape. While SGIP has provided incentives for a variety of DER, more recently, the program has largely focused on energy storage systems. The program has several goals:

- Environment – reduce greenhouse gases (GHG), integrate renewables and reduce criteria air pollutants;
- Grid support – reduce or shift peak demand, reduce grid costs, provide ancillary services;
- Market transformation – support technologies that have the potential to thrive in future years without rebates; and
- Maximize ratepayer value and ensure equitable distribution of costs and benefits.

SGIP funding. Existing law authorizes the CPUC to direct electric investor-owned utilities (IOUs) to collect $166 million annually from ratepayers through 2024 to fund SGIP and requires the CPUC to administer the program until January 1, 2026. As a result, the program is only available to customers located in the service territories of the state's three largest electric IOUs.

SGIP projects. SGIP allocates 85 percent of the funds to energy storage technologies. Based on the 2019 evaluation (published in August 2021), by the end of 2019, the SGIP had provided incentives to 8,875 energy storage systems representing almost 187 megawatts (MW) of rebated capacity. Most energy storage systems rebated by SGIP are installed in residential settings (8,061 of 8,875 or slightly more than 90 percent), followed by a variety of nonresidential facilities, including schools and industrial facilities.

2022 Budget includes funding for solar and energy storage DER. The state budget adopted for 2022-23 includes funding for solar plus storage incentives via SGIP at the CPUC. The budget approved funding for solar and storage projects, with 70 percent of the $970 million for residential low-income, Tribal, and disadvantaged communities. The remaining 30 percent of funds would be available for general market incentives for battery storage system deployment. The budget provides that deployment of these DER is intended to help improve electric service reliability and resiliency for low-income residential customers who may experience power outages caused by wildfires or others events, contribute to grid reliability, reduce electric sector GHG emissions, create new clean energy jobs, reduce low-income residential customers' electric bills, and create new avenues for Tribes and underrepresented communities to access and benefit from clean energy resources.

Comments

This bill makes changes to the budget language adopted last year for the solar plus storage residential incentives. The Governor's January budget proposes reducing the overall amount of the program to $679 million for the program and target it only low-income residential customers. The May Revise may propose additional cuts to the program. Given the uncertainty on the funding and that the CPUC intended to implement the program in July 1, 2023, it may be that train has left the station on additional changes to the program. However, should the author and supporters wish to pursue additional changes to the program, they may be best suited by limiting the number of changes. *In this regard, the author and committee may wish to amend this bill to:*

- *Restore language referencing "behind-the-meter solar photovoltaic systems," instead of renewable generation.*
- *Delete the findings and declarations.*
- *Restore the language referencing "electric ratepayer costs" among the goals of the program.*
- *Delete the references that the CPUC must "set incentive levels and enable one or more of the following:…"*
- *Delete the requirements for new technology guidelines.*
- *Amend the types of technology in Public Utilities Code §379.10 (e) (1) and (2) to solar plus storage, and allow for no more than five percent of the funds to be used for mobile solar plus storage.*
- *Amend the language related to block grant to only entities with demonstrated success in providing service to low-income populations.*

Prior/Related Legislation

AB 2667 (Friedman, 2022) would have established a program to provide incentives for commercially available DER, specifically behind-the-meter energy storage systems or self-generation systems paired with energy storage systems. The bill died on the Senate Floor.

AB 209 (Committee on Budget, Chapter 251, Statutes of 2022) established a program within SGIP to provide incentives to eligible residential customers, including those in publicly owned utilities, to support behind-the-meter solar photovoltaic systems and energy storage systems, as specified.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

SUPPORT:

California Community Economic Development Association, Co-sponsor
Goal Zero, Co-sponsor
California Municipal Utilities Association
Central Coast Energy Services
Community Resource Project
Heart of America
Pacific Asian Consortium in Employment
Pueblo Unido CDC
San Francisco Peninsula Energy Services

OPPOSITION:

None received

ARGUMENTS IN SUPPORT: According to the author:

> At a time of rapidly changing climate, increased extreme weather events, and global geopolitical and economic uncertainty, California can leverage its resources to increase resiliency of our society without leaving behind the most vulnerable, by helping households decarbonize, manage their energy use, and mitigate the debilitating impact of grid outage events.

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