



# Concerns about Proposed Cap on Connected Solutions Incentive

February 8, 2023

# Why are we here today?

- The ConnectedSolutions Program Administrators (“PAs”) are proposing a new cap on the amount of kW eligible for the ConnectedSolutions Performance Incentive.
- The new cap will make it more difficult for customers to justify investments in batteries and will therefore hamper achievement of the Program goals.
- PAs will make a final decision soon on whether to implement the new cap. If adopted, the new cap would go into effect with Summer 2023.

# Program Administrator's Proposal

- Program Administrators (“PAs”) propose to cap kW eligible for the ConnectedSolutions performance incentive at 150% of the customer’s peak load
- Impetus for this proposal was receipt of interconnection applications (“IAs”) from small customers seeking to interconnect “over-sized” batteries
- Over-sized batteries in these IAs are sized at over 100 times the associated customers’ loads

# Proposed Cap will hinder achievement of Program Goals

- CPower understands that batteries sized at more than 100x the customer's peak load are problematic.
  - Akin to a front-of-the-meter battery
  - May be challenging to interconnect
  - Unclear that they are being built to provide customer benefits; appear to be a pure merchant play
- A reasonable cap can address these issues without hindering achievement of program goals; the proposed cap does not achieve this balance.
- Customers build batteries that exceed their peak load for a few reasons:
  - Economies of scale
  - Resiliency
  - Greater capacity for demand charge management

# Batteries will not be built without sufficient incentives

- Smaller batteries cost more than larger batteries on a \$/kW basis; as a result, a customer often needs to oversize a battery to some extent in order to make it “pencil”.
- Additionally, batteries need to be oversized in order to provide meaningful resilience to customers
  - Resilience is a significant driver of battery adoption
  - A battery sized at 150% of peak load provides around 2- 3 hours of resilience (assuming a 2 hour battery that is fully charged at the time of an outage)
  - Actual outages tend to last longer than 2-3 hours
  - Customers are interested in achieving 12-18 hours of resilience (if they cannot achieve this with a battery, they may invest in fossil generation instead).

# A Real-Life Example – CPower’s recently contracted customers

University	Battery Size	Annual Peak Demand	150% of Peak Demand	Battery Size Supported ?	Average_Demand
University	10,000	4,150	6,225	NO	3,262
Cement Plant	5,000	2,898	4,347	NO	2,028
Manufacturer-High Tech	6,000	1,425	2,138	NO	813
Hospital	2,875	410	615	NO	351
Manufacturer-High Tech	4,000	555	833	NO	451
Biomedical	3,625	244	366	NO	173
Manufacturer-HQ	1,750	390	585	NO	252
Manufacturer-High Tech	1,875	630	945	NO	438
High School	5,000	420	630	NO	376
Cold Storage	3,000	984	1,476	NO	800
Plastics Manufacturer	1,500	1,676	2,514	YES	1,499
Medical Center	1,750	642	963	NO	530

Under PAs’ Capping Proposal, only one of these batteries moves forward

Note: these projects were proposed only after checking hosting capacity maps to ensure interconnection space was available; this is standard practice for all projects.

# Bottom Line

- PAs' proposal does not allow customers to achieve meaningful resilience and will impair the economics of a battery investment for many customers (particularly small customers)
- If adopted, the proposal will bias battery development toward larger customers and slow down the adoption of storage, hindering achievement of program goals.

# CPower's Capping Proposal

- Cap kW eligible for Performance Incentive at the amount that would yield 18 hours of resilience:
  - $\text{Cap on kW eligible for Performance Incentive} = \text{Customer Average Load} \times 18 \text{ hours} \div \text{Battery Duration (hours)}$
- Alternatively, Cap kW eligible for Performance Incentive at 8 x the customer's peak load
- These alternatives allow the customer to achieve meaningful resiliency and economies of scale while remaining consistent with the spirit of the program



# An additional note about Net Export

- The PAs have expressed some concern that payment of excessive net export may not be in keeping with the goals of an energy efficiency program.
- CPower agrees that energy efficiency programs are not designed to provide incentives for front-of-the-meter storage.
- Batteries sized at 8x peak load, however, are not front-of-the-meter resources. The net export from these batteries provides the same benefits to the system that their load reduction does. Although these batteries create net export at the customer meter, they reduce load at the substation (thus resulting in lower peak loads, lower capacity requirements, and lower capacity costs).

# CPower urges the EEAC to take action on this issue

- CPower urges the EEAC to convey to PAs that their plan to cap the ConnectedSolutions Performance Incentive at 150% of Peak Load is flawed and must be modified in order to avoid harm to the program.
  - The proposed cap will hinder battery adoption in MA
  - PAs will be making a decision on this issue soon so time is of the essence
- CPower further recommends that the EEAC support its proposal to cap the Performance Incentive based on either 18 hours of resilience or 8x peak load.
- Additionally, CPower suggests that the EEAC support some type of grandfathering provision to ensure this new cap is applied prospectively only.
  - Failing to allow grandfathering will upset the economics of batteries that are already in the program or under construction.



# Questions?