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CESA NEM 3.0 Proposal

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Proposal 1: Virtual Energy Storage Pairing

Virtual Pairing Overview

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- **Enable virtual pairing of energy storage resources that are contractually linked:**
  - Time-match charging and generation profile of separate solar/generation and storage resource
  - Attribute NEM export credits for the “offsite” energy storage exports.
- **Example:**
  - NEM generation is exported to the grid from 3-3:15 pm and virtually-paired storage resource is charged during that same interval to absorb this NEM generation
  - Storage resource exports that energy at 7:00pm and is credited at the NEM export compensation rate at the time
- **Virtual pairing mechanisms require <u>two customer accounts</u>**
- **Potential credit allocation rules:**
  - Bilaterally determine terms to split credits in their contract
  - Standard allocation of credits based on proportion of total load

Virtual Pairing Overlay

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- **Retail Rates:** Increased complexity for solar and storage devices located at customer accounts with different rate schedules
  - Residential vs non-residential (subject to demand charges)
  - Consideration of pairing only between customers on the same rate
- **Net billing:** More potential for different customers to enter into contracts with each other due to more standardized compensation rates
- **Locational value and/or impacts may be a factor:**
  - Avoided GHG emissions, transmission and distribution capacity, etc.
  - CPUC Avoided Cost Calculator incorporates climate zone information
- **Virtual pairing mechanisms may need to consider locational bounds but also may create separate interconnection requirements**

Virtual Pairing Opportunity

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- **Virtual pairing of energy storage can enable more flexible siting of renewable integration solutions:**
  - Standalone energy storage
  - Community IFOM energy storage
  - Mobile storage resources (V2G exports)
- **D.20-12-029 suggested that the issue V2G export credits should be taken up by stakeholders in R.20-08-020**

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Proposal 2: Removal of Paired Storage Sizing Limits

Removal of storage sizing limit

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- **CESA recommends removing currently energy storage sizing limitations**
- Reasons:
  - Support customer resiliency during wildfires and PSPS events
  - Supports future BTM hybrid Resource Adequacy options
  - Supports long term planning and decarbonization goals
    - Integrated Resource Planning processes have identified10 GW of energy storage needed through 2030

Regulatory Precedent

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- **Microgrids Track 1 Decision, D.20-06-017:** Removed storage sizing limits to better position NEM-paired storage systems to support customer resiliency as a near-term strategy for the 2020 wildfire season.
  - Adopted as a temporary solution
  - Set 10kW system size cut off
- However, wildfire mitigation and resiliency needs will not disappear in coming years do not appear likely to abate in coming years
- **CESA recommends removing sizing limitations beyond the D.20-06-017 timeline**
  - CESA also proposes removing the 10kW system size cutoff