VGIC
VEHICLE-GRID INTEGRATION COUNCIL

October 16, 2024

California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: Comments of Vehicle Grid Integration Council on the Second Supplemental 15 Day Notices

The Vehicle-Grid Integration Council ("VGIC") appreciates the opportunity to provide comments on the California Air Resources Board's ("CARB") Second Proposed 15-Day Changes to the Proposed Amendments to the Low Carbon Fuel Standard ("LCFS").

VGIC strongly supports the modifications being proposed by staff in these amendments to strengthen the LCFS program. Given LCFS's success so far, increasing the program stringency is the right step towards furthering its goals: driving California towards the use of cleaner fuels and decarbonizing the transportation sector as a whole.

Additionally, as detailed in the below comments, VGIC reiterates its support for:

1. Retaining the December 2023 update pre-approving electric distribution utility ("EDU") holdback funds to be used for VGI initiatives.
2. Clarifying that EDU holdback funds may be used for programs supporting *both* equity and vehicle-grid integration ("VGI").
3. Adding an option to allocate base credits to auto original equipment manufacturer ("OEM").

About VGIC

VGIC is a 501(c)6 membership-based advocacy group committed to advancing the role of electric vehicles ("EV") and VGI through policy development, education, outreach, and research. VGIC supports the transition to a decarbonized transportation and electric sector by ensuring the value from flexible EV charging and discharging is recognized and compensated to achieve a more reliable, affordable, and efficient electric grid.

1. **VGIC reiterates its support for modifications to the utility holdback programs and allowing utilities to use credits for vehicle-grid integration projects.**

VGIC reiterates its support for the modifications to the EDU holdback programs proposed in the original 45-day amendments as retained in the August 15-day updated language and the October 15-day updated language. The amendments reduce the amount of base credits that California's three large investor-owned utilities ("IOUs") must spend on the California Clean Fuel Reward program to 50% and allow more funding to flow to the IOUs' utility holdback programs. It is worth noting that while the California Clean Fuel Reward program was paused several years ago due to low funding availability, significant funding has likely been amassed but not yet implemented since that pause.

CARB proposes a list of equity projects utilities can spend funds on in section 95483(c)(1)(A)5a, including investing in charging infrastructure, EV ridesharing, rebates and incentives for vehicle purchases and leases, and investments in distribution infrastructure. Of critical importance to VGIC and stakeholders working diligently to establish widespread vehicle-grid integration in California, the amendments also provide a list of potential projects in 95483(c)(1)(A)5b that utilities can spend non-equity funds on including:

i. Investments in grid-side distribution infrastructure necessary for EV charging.

ii. Support for vehicle-grid integration with projects such as:

I. Encouraging the optimization of EV charging through education in the following areas: peak demand, rate pricing, grid emergencies, potential power shutoffs, infrastructure deferral, renewable integration, and/or other signals and grid needs to provide grid and customer benefits.

II. Providing program incentives to encourage driver participation in monitored/managed charging, demand response, or vehicle-to-load / vehicle-to-grid applications.

III. Supporting the deployment and installation of bidirectional charging equipment.

IV. Other innovative approaches to promoting and managing EV charging and discharging that provides benefits to customers and the grid.

iii. Hardware and software that decrease the cost of or avoid updates to infrastructure, including load management software or outlet splitting.

VGIC reiterates its strong support for utilizing utility holdback funding for all of the VGI projects and load management software outlined above. VGI can provide a wide range of benefits including the following recognized by the California Public Utilities Commission ("CPUC"):[1]

- Accelerating the adoption of EVs by providing additional revenue streams that lower the total cost of vehicle ownership for individual owners and fleet operators.
- Reducing costs to electricity ratepayers by reducing congestion on existing power distribution infrastructure and costly distribution system upgrades, as well as reducing the need to invest in new fossil fuel electricity generation.
- Supporting further decarbonization of the electric sector by avoiding curtailment of renewables and providing grid services.
- Accelerating reduction of carbon and criteria pollutant emissions in the transportation sector.
- Improving grid resiliency and security, including for public safety power shutoff (PSPS) events.

These are all benefits that LCFS revenues and the resulting holdback programs should support.

2. VGIC reiterates that CARB should clarify that utility holdback funds may be used for programs that support *both* equity and vehicle-grid integration projects.

VGIC understands that the list of equity projects provided in 95483(c)(1)(A)5a are approved for the utilities to spend equity funds on. The list in 95483(c)(1)(A)5b describes "examples of pre-approved uses for these other holdback credit proceeds." However, VGIC reiterates that CARB should clarify that utilities *can* spend equity funds for the types of VGI projects listed in 95483(c)(1)(A)5b if they are for the benefit of equity customers. This change would inject much-needed clarity not only to the EDUs tasked with designing programs but also to the CPUC, which may otherwise inadvertently hamstring the EDUs' ability to implement equity-focused VGI programs. Put differently, CARB should clarify that EDUs may use holdback funds on initiatives that simultaneously support the intents of 95483(c)(1)(A)5a (i.e., equity) *and* 95483(c)(1)(A)5b (i.e., VGI).

3. VGIC reiterates its support for allowing base credits to be allocated to the auto OEMs.

As discussed above, base credits have traditionally been generated by and allocated to the EDUs to spend on the California Clean Fuel Reward program and utility holdback programs and projects. However, the California Clean Fuel Reward program has been suspended since 2022 due to low

[1] CPUC Decision 20-12-029.

funds. CARB now proposes to pivot the program to focus on medium- and heavy-duty vehicles instead of light-duty.

At the same time, funding light-duty and other projects may remain an appropriate policy direction. VGIC reiterates its support for allowing CARB to allocate up to 45% of base credits to the auto OEMs if less than 30% of model year 2024 new light-duty vehicle sales are ZEVs. Significant increases in light-duty ZEV sales are needed to reach the Advanced Clean Cars II 35% sales requirement in 2026. Allocating base credits to the OEMs to provide additional funding for the ZEV transition will allow California to move towards its clean transportation goals.

If credits are allocated to the OEMs, VGIC reiterates its support for pausing the requirement that EDUs continue to the California Clean Fuel Reward program and allowing the EDUs to focus on holdback programs. As discussed above, utility holdback projects can provide valuable incentives for EV adoption, equity goals, and VGI initiatives.

Conclusion

VGIC is overall supportive of the Proposed Amendments to LCFS and is excited to continue to work with CARB on achieving California's transportation decarbonization goals.

Sincerely,

/s/ Zach Woogen
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