**Equity provisions**

Numerous states have requested CESA’s input on how to best incorporate equity provisions into a customer battery incentive program. We recommend the following equity provisions:

* Justice40 commitment in incentive program (40% of awards go to projects benefiting underserved communities)
* Incentive adder for income-eligible participants and commercial entities serving historically underserved communities
* Front-loaded incentive payments for income-eligible participants
* Low- or no-cost financing
* Pre-development technical assistance to determine technical and economic feasibility and project optimization
* Optional on-bill financing
* Community benefits requirement
* Incentives for owned and leased systems

Discussion of these equity recommendations follows.

**Justice40 Commitment/Carve-out**

For energy storage located in and serving historically overburdened communities, a carve-out is necessary to ensure that these communities will have the opportunity to participate. Without a carve-out, there is a risk that distributed storage incentives will be fully subscribed by more advantaged customers before overburdened communities are able to access the program. With regard to the size of a carve-out for overburdened communities, states should consider the Justice40 standard as recommended by the federal government and adopted by Connecticut in their Energy Storage Solutions program. For more information on the federal Justice40 initiative, see https://www.whitehouse.gov/environmentaljustice/justice40.

**Incentive adder**

A carve-out, while important, will not by itself be sufficient to overcome the additional cost and risk barriers associated with equity projects (for an example, the California SGIP program initially had a carve-out but no adders for low-income communities; there was little uptake until CA instituted equity adders, at which time the LMI budget was fully subscribed almost immediately). Therefore, we recommend that states adopt both a separate, reserved capacity block and an additional incentive adder for overburdened communities.

**Front-loaded payments**

An up-front incentive is important to help offset higher costs and also the higher risks of financing for historically overburdened communities, because the initial cost barrier to an energy storage project can be difficult or impossible to overcome. While annual incentive payments do add up over time, this type of payment structure requires a greater initial investment and the ability to wait a number of years to fully recoup costs. Additionally, financiers may view future payments as riskier, and therefore less bankable, than present payments. Therefore, CESA recommends that fixed incentives/rebates be provided to equity projects up-front in full, and/or that a separate up-front equity incentive is provided, to reduce the initial cost barrier for these communities. (Note also that the NPV of an incentive is greater when offered up-front than when paid out in a series of annual installments).

**Financing**

Several of the state programs cited in this memo offer low- or no-cost financing for equity or income-qualifying customers. Examples include the Massachusetts ConnectedSolutions program, which is housed within the state’s energy efficiency plan and includes access to interest-free HEAT loans, and the Connecticut Energy Storage Solutions program, which is co-administered by the Connecticut Green Bank, which provides low-cost financing. While it is true that many energy storage developers offer financing to their customers, it can be very helpful for the state to provide low- or no-cost loan options that do not require high credit scores to qualify.

**Technical assistance**

CESA’s sister organization CEG has regranted more than $1 million in technical assistance fund grants for hundreds of equity solar+storage projects. These small grants allow an equity project to obtain pre-development technical-economic analysis, which is necessary to determine A) whether the project makes sense, and B) how to design the system to optimally provide benefits that are important to the customer. Several early energy storage and resilience grant programs launched shortly after Superstorm Sandy in the Northeast did not include provisions for pre-development technical assistance, or provided insufficient technical assistance, and the grantee projects suffered as a result (for example, a number of the Massachusetts CCERI grantee projects have still not been completed nearly a decade after grants were announced). CESA recommends technical assistance funds be included in an energy storage incentive or grant program, especially for equity customers.

**On-bill financing**

This is an option that can be useful for some equity customers, and it should be considered in combination with other financing options.

**Community benefit requirement**

When awarding equity incentives or project grants, it is not enough for equity projects to be located in overburdened communities – they must provide real benefits to those communities. We therefore recommend that developers of equity energy storage projects be required to demonstrate how their project will benefit the host community, in order to qualify for equity project incentives. Note that such community benefits need not be monetary in nature, and in fact in some cases they cannot be (because monetary benefits may negatively impact other benefits such as housing credits). Benefits such as increased energy independence, critical facility resilience, increased deployment of distributed solar PV, and the retirement of polluting fossil fuel generators can all be important non-monetary benefits to historically underserved communities.

**Incentives for owned and leased systems**

In some communities, there is a premium placed on ownership of clean energy resources. Energy independence can be an important benefit; also, owning clean energy resources such as solar PV and battery storage increases property values, whereas leasing such resources does not. Therefore, incentive program design should include provisions (such as low- or no-cost financing) that would help income-eligible customers to purchase and own battery storage.

On the other hand, it can be very helpful to some customers if leasing options are available. Solar leasing played a large role in scaling up solar PV, and we believe that battery leasing is likely playing the same role with distributed energy storage in markets where it is available.

To provide the broadest set of options and make battery storage accessible to the most customers, it makes sense to provide incentives for both owned and leased systems; to provide a range of financing options; and to encourage the participation of developers and aggregators, who will bring their own financing to the market and may play a significant role in enrolling customers.