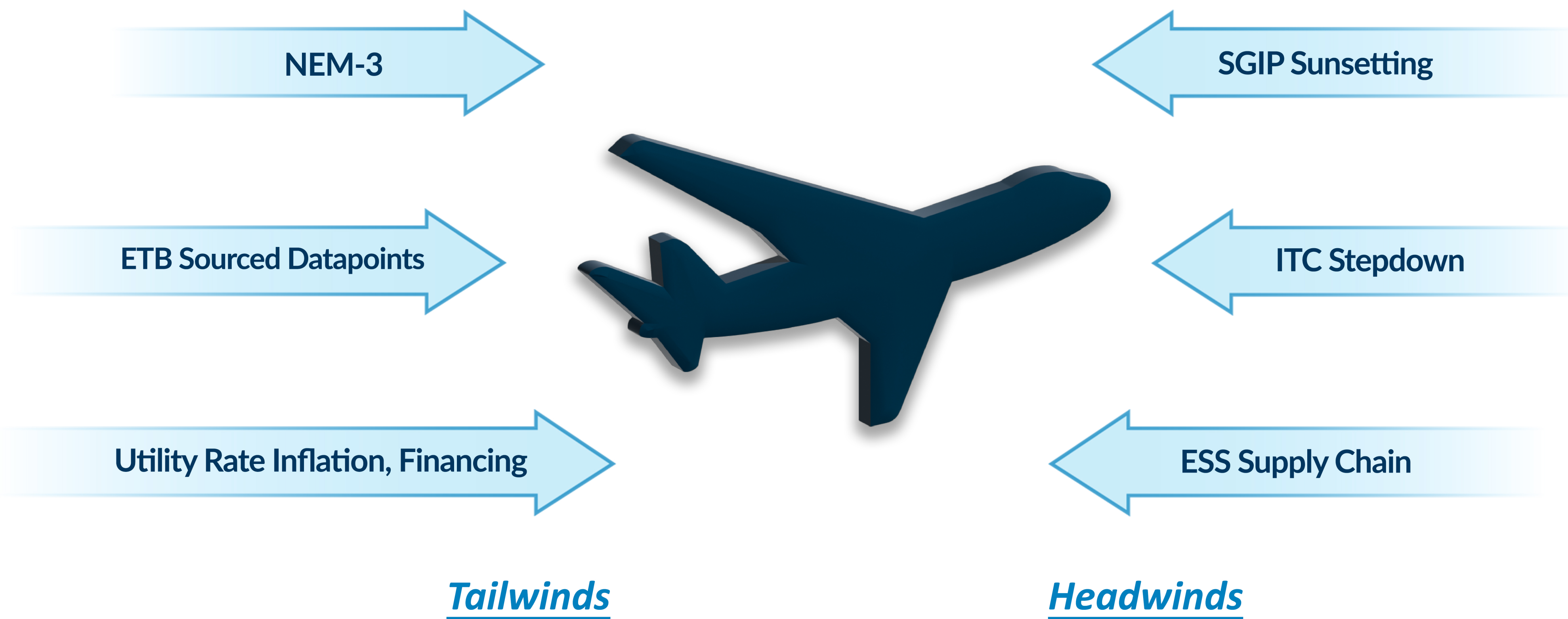


# CALIFORNIA ENERGY STORAGE MARKET STATE OF THE UNION



## Introduction

There are several dynamics influencing California’s energy storage system (ESS) market in 2022. There are both headwinds and tailwinds present in the market today, which are evolving over time, making it difficult to predict the golden state’s ESS market future. The Energy Toolbase team has compiled data from both internal and external sources, to provide a state of the union on today’s market as well as provide our outlook for the future.



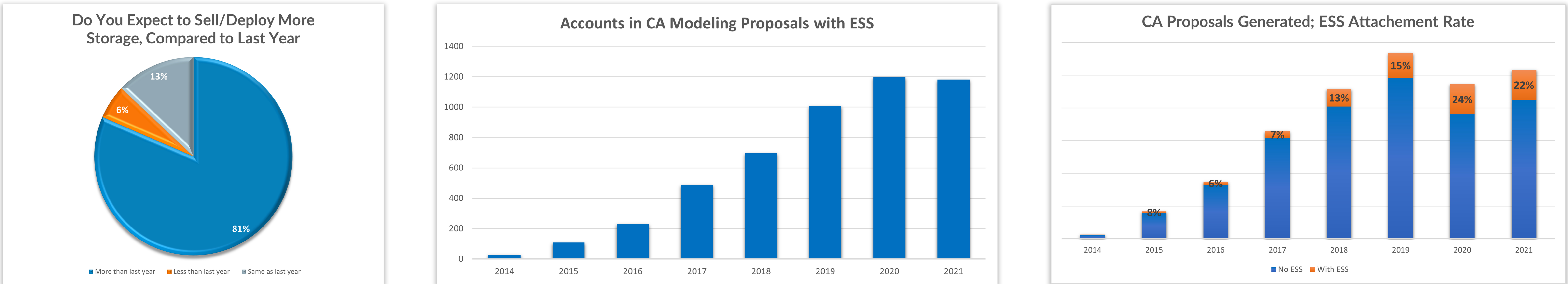
**SGIP** ESS incentive program (large-scale storage) budget is nearing its end. SCE ran out of funds in early 2022; we predict both PG&E and SDG&E will exhaust their budget around the end of 2022.

**ITC** the flagship federal investment tax credit is currently scheduled to step down to 22% in 2023, and 10% for commercial and 0% for residential projects in 2024 creating a future headwind.

**NEM-3** in the landmark policy proceeding, solar grid exports are expected to get devalued, creating a stronger price signal and savings opportunity for ESS, leading to more deployments.

**ESS Supply Chain** disruptions caused by Covid shutdowns, raw material price inflation, and EV demand are causing longer lead times and cost increases, creating a challenging environment in 2022.

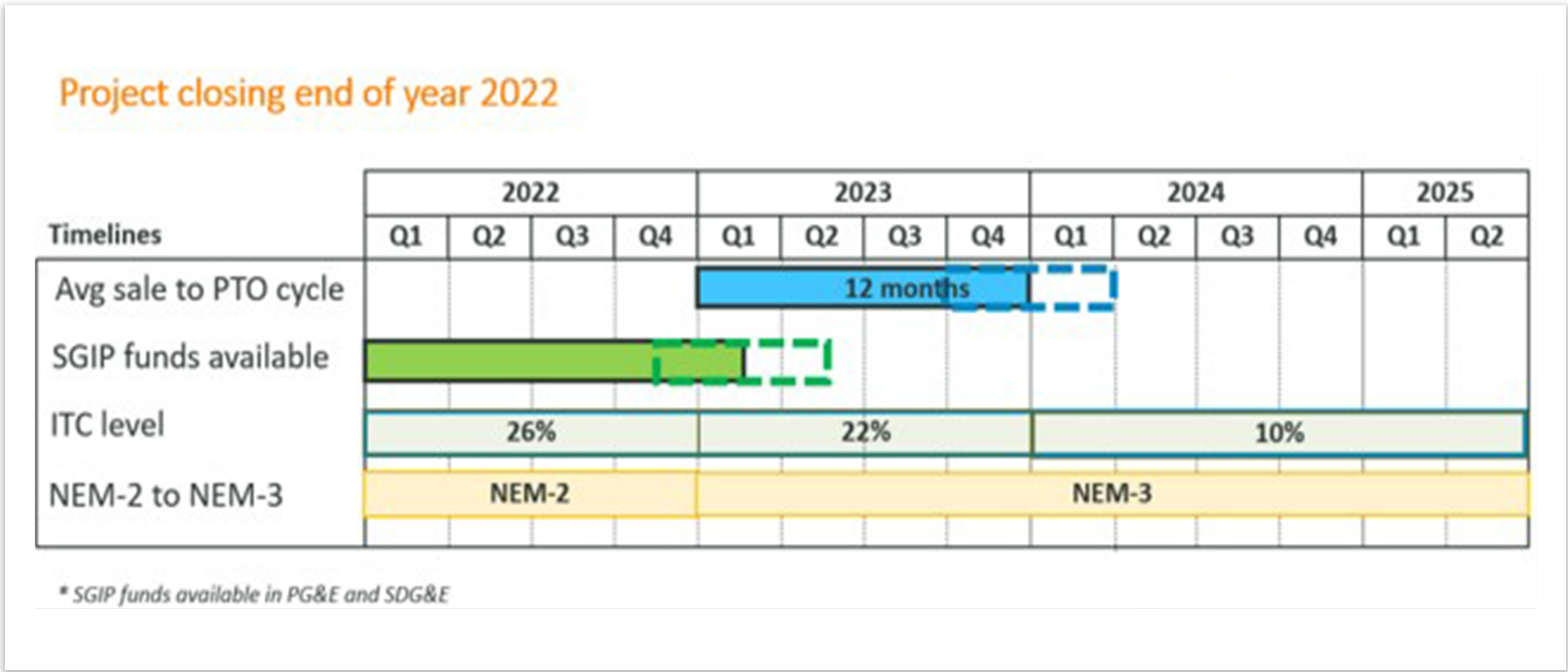
**ETB Sourced Data** our platform data shows strong growth in ESS proposals, attachment rates, and the number of accounts modeling ESS. Our developer survey showed optimism for more deployments.



Developers are optimistic and bullish they will be deploying more ESS this year vs last.

The number of developers modeling ESS in CA has increased 71% since 2014.

The number of ESS proposals generated in CA as well as the ESS attachment rate have steadily increased since 2014.



A project closing end of this year would likely get a 22% ITC, NEM-3, and no SGIP.

## Conclusion

Overall we are bullish and optimistic about the energy storage market in California. Our ETB Developer platform data, which is a leading indicator, continues to show strong and consistent growth for ESS modeling activity across all metrics. NEM-3 will create a stronger price signal for ESS, retail electric rates are continuing to inflate, and developers are becoming more experienced. We expect ESS deployments and attachment rates to continue rising. That said, there are meaningful headwinds looming with the sunsetting of the SGIP incentive program, the upcoming step-down of the ITC for solar + storage, along with current ESS supply chain challenges.

