

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Integrate and
Refine Procurement Policies and Consider Long-
Term Procurement Plans.

Rulemaking 12-03-014
Filed March 12, 2012

**COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE
ON ADMINISTRATIVE LAW JUDGE'S RULING SEEKING
COMMENT ON TRACK III RULES ISSUES**

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In accordance with the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”) the California Energy Storage Alliance (“CESA”)¹ hereby submits these comments on the *Administrative Law Judge’s Ruling Seeking Comment on Track III Rules Issues* issued by Administrative Law Judge David M. Gamson on March 21, 2013 (“ALJ’s Ruling”). These comments are filed timely in accordance with direction provided by Administrative Judge Gamson’s e-mail message addressed to the Service List on March 28, 2013, granting a request to change the due date for filing comments to this date, April 26, 2013.

I. INTRODUCTION.

Although the ALJ’s Ruling directed that parties may file comments on a broadrange of Track III issues, CESA responds in these comments to only the part that directly relates to

¹ The California Energy Storage Alliance consists of A123 Systems, Alton Energy, AU Optronics, Beacon Power, CALMAC, Chevron Energy Solutions, Christenson Electric Inc., Clean Energy Systems Inc., CODA Energy, Deeya Energy, DN Tanks, East Penn Manufacturing Co., Energy Cache, EnerVault, FAFCO Thermal Storage Systems, Flextronics, Foresight Renewable Systems, Greensmith Energy Management Systems, Growing Energy Labs, Gridtential Energy, Halotechnics, Hecate Energy LLC, Hydrogenics, Ice Energy, Innovation Core SEI, Invenergy, KYOCERA Solar, LG Chem, LightSail Energy, NextEra Energy Resources, Panasonic, Powertree, Primus Power, RedFlow Technologies, RES Americas, Saft America, Samsung SDI, Sharp Labs of America, Silent Power, SolarCity, Stem, Sovereign Energy Storage LLC, Sumitomo Corporation of America, TAS Energy, UniEnergy Technologies, and Xtreme Power. The views expressed in these Comments are those of CESA, and do not necessarily reflect the views of all of the individual CESA member companies. <http://storagealliance.org>.

energy storage (Section 3). However, because energy storage is indirectly or implicitly related to most of the specific questions posed in the ALJ's Ruling, CESA reserve the right to address other issues in reply comments that are due on May 10, 2013. There is no doubt that the Commission should encourage utility procurement to add energy storage systems to existing power plants. The Commission should also reform existing RFO policies and practices to ensure that energy storage systems and other retrofits can bid into RFOs alongside greenfield projects. In addition, as explained below, energy storage systems added to existing power plants should be valued on a basis comparable to preferred resources.

II. THE COMMISSION SHOULD ALLOW OWNERS OF EXISTING POWER PLANTS TO PROPOSE ADDITION OF ENERGY STORAGE SYSTEMS FOR ALL COMPETITIVE PROCUREMENT PROCESSES AND BILATERAL CONTRACTING OPPORTUNITIES THAT SHOULD BE VALUED ON A BASIS COMPARABLE TO ALL OTHER TYPES OF RESOURCES.

At Section 3, under the heading titled "Long-Term Contract Solicitation Rules" the ALJ's Ruling poses the following broad question that includes a very relevant reference to energy storage:

- "a. Should the Commission adopt a rule that explicitly indicates that existing power plants may bid upgrades or repowers into new-generation RFOs?
 - i. How should the existing and upgraded components of the repowers be valued differently in an RFO? *How can additions such as energy storage be added to existing facilities and be valued against other types of offers?*
 - ii. Should contracts for repowering or upgrading of facilities be restricted to the same length of contracts as new facilities? If not, please explain why there would be different contract lengths or different terms, and how these differences would be reflected in the valuation of the bids. (ALJ's Ruling, pp. 2-3)
 - iii. Is there any information (additional or subtracted) from the RFO or application templates that would need to be changed? Would Energy Division review the RFO differently?"

A. Procurement to Add Energy Storage to Existing Power Plants Should be Encouraged by the Commission.

The Commission should absolutely adopt new, and adapt existing, utility procurement rules to allow for addition of energy storage systems to existing power plants by means of competitive procurement process such as requests for offers, and also allow for bilateral contracts.² The addition of energy storage systems, the impact of which is newly generated megawatts that would not have otherwise been possible to have been generated can be just as valuable as entirely new facilities, and arguably of greater benefit to the ratepayer. In fact, additions to existing power plants can provide the grid needed new megawatts for a fraction of the cost, time, and development required of Greenfield sites. As this would be reflected in the cost, CESA supports the principle that such retrofits be valued comparably with other resources. Likewise, the same length of contracts offered new generation ought to be offered to allow addition of energy storage systems.³

CESA is on record in this proceeding as supporting essentially any reasonable utility procurement process that values energy storage technology on a comparable basis with other preferred resources.⁴ A good example of the elements of a procurement plan that should be

² CESA addressed a related question in *Reply Comments of the California Energy Storage Alliance on Assigned Commissioner's Ruling Issuing Procurement Reform Proposals and Establishing a Schedule for Comments for Comments on Proposals*, filed December 12, 2012, in R.11-05-005: "Generally speaking, where the addition of energy storage increases the value of the renewable electricity generation by firming, shaping, smoothing or shifting output and the resulting increased value is defined within existing accepted commission rules (e.g., more of the generation can be compensated by being subject to a higher time of delivery factor) and/or the developer bears the cost of the addition of the energy storage then such projects should be presumed to be in the interest of ratepayers and not subject to further Commission review." (p. 5).

³ Imperative to ensuring retrofits are able to participate in the RFO process is the explicit mention within RFO's that assets currently under contract would not have their existing contract reopened to account for the new investment in new generation through upgrades to the site. Rather, a separate contract, or overlay contract must be offered to the entity bidding the retrofit project for such investment, separately from the existing site's operating contract. Without this needed change, independent power producers are unwilling to bid such retrofits.

⁴ See, e.g., *Comments of Energy Storage Alliance on Administrative Law Judge's Ruling Seeking Comment on Workshop Topics*, filed October 12, 2012.

considered by utilities in procurement of energy storage systems to add to their existing generation fleets is set forth in the Commission's recent decision in this proceeding on local capacity requirements ("LCR").⁵ This approach would include focus on "evaluating and quantifying *performance characteristics that vary among resource type (e.g. time to start, output at various times, variable cost, effectiveness in meeting contingencies)* [Emphasis added]."⁶ CESA supports both formal all-source procurement and bilateral contacting that allows for cost-effective improvement of efficiency and reliability of existing resources to meet the increasingly apparent system need for flexibility of both new and existing utility generation.

B. The Commission Should Modify Existing RFO Practices to Ensure That Energy Storage Systems and Other Retrofits Can Bid Into RFOs Alongside Greenfield Projects.

It is imperative to ensure that additions and retrofits are able to participate in the RFO process are explicitly stated to be eligible be included in RFO's, and that power plants then currently under contract would not have their existing contract reopened to account for the new investment in additions or retrofits to the power plant. Rather, a separate overlay contract could be offered to the entity bidding the addition or retrofit project for investment, separately from the existing power plant's existing contract or contracts. Without this needed change, independent power producers are unwilling to seek bids for such additions and retrofits. This approach should not require a separate or different review of the RFO by the Commission or Energy Division staff.

⁵ *Decision Authorizing Procurement for Local Capacity Requirements*, D.13-02-015, issued February 13, 2013, pp. 90-92).

⁶ D.13-02-015, p. 90.

C. Energy Storage Technology Added to Existing Power Plants should be Valued on a Basis Comparable to Preferred Resources.

CESA supports essentially any method of procuring additions of energy storage to existing power plants that must include “provisions designed to be consistent with the Loading Order approved by the Commission in the Energy Action Plan and to pursue all cost-effective preferred resources.”⁷ This approach is consistent with the Commission’s policy that instead of procuring a fixed amount of preferred resources and then procuring fossil-fuel resources, utilities are required to continue to procure the preferred resources “to the extent that they are feasibly available and cost-effective.”⁸ A fair reading of the recent LCR decision supports the view that the Commission re-affirmed its policy approach and extended it to include energy storage as on a par with efficiency and demand response in D.13-02-015. Although the Commission cannot unilaterally alter the Loading Order, it should take the first opportunity presented in this proceeding to “codify” the view that procurement of additions to existing power plants should be based on performance specifications and also favor preferred resources, and energy storage before less new favored fossil fuel resources capacity additions.

III. CONCLUSION.

CESA appreciates the opportunity to provide these comments for the Commission’s consideration.

Respectfully submitted,



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⁷ *Id.*, p. 92.

⁸ *See, Decision Approving Modified Bundled Procurement Plans*, D.12-01-033, issued January 12, 2012.

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