BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding Policies, Procedures and Rules for the California Solar Initiative, the Self-Generation Incentive Program And Other Distributed Generation Issues.	Rulemaking 10-05-004 (Filed May 6, 2010)

REPLY COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE ON PROPOSED DECISION MODIFYING THE SELF GENERATION INCENTIVE PROGRAM AND IMPLEMENTING SENATE BILL 412

Donald C. Liddell
DOUGLASS & LIDDELL
2928 2nd Avenue
San Diego, California 92103
Telephone: (619) 993-9096
Facsimile: (619) 296-4662
Email: liddell@energyattorney.com

Counsel for the
CALIFORNIA ENERGY STORAGE ALLIANCE

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The California Energy Storage Alliance ("CESA")[1] hereby respectfully submits these Reply Comments on the *Proposed Decision Modifying the Self Generation Incentive Program and Implementing Senate Bill 412*, issued on July 19, 2011 ("Proposed Decision").

I. INTRODUCTION.

CESA strongly supports eligibility of stand-alone energy storage in the SGIP, and disagrees just as strongly with just a few of the parties that filed Opening Comments, including Pacific Electric Company ("PG&E") Southern California Edison ("SCE"), Southern California Gas Company ("SoCalGas")[2], and the California Clean DG Coalition ("CCDC"). These parties assert in their Opening Comments that stand-alone energy storage should be excluded from the SGIP. CESA respectfully, but very strongly, disagrees with this assertion for a number of important reasons explained below.

[1] The California Energy Storage Alliance consists of A123 Systems, Altairnano, Applied Intellectual Capital/East Penn Manufacturing Co., Inc., Beacon Power Corporation, CALMAC, Chevron Energy Solutions, Debenham Energy, Deeya Energy, Enersys, EnerVault, Exide Technologies, Fluidic Energy, General Compression, Greensmith Energy Management Systems, HDR, Inc., Ice Energy, International Battery, Inc., LG Chem, LightSail Energy, Inc., MEMC/SunEdison, Powergetics, Primus Power, Prudent Energy, RedFlow, RES Americas, Saft America, Inc., Samsung SDI, SANYO, Seeo, Sharp Labs of America, Silent Power, Sumitomo Electric, Suntech, SunPower, Sunverge, SustainX, Xtreme Power, and Younicos. 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://www.storagealliance.org.

[2] CESA takes no position on the merits of the arguments made by SoCalGas, regarding which classes of ratepayers should or should not fund the SGIP.

II. STAND-ALONE ENERGY STORAGE SHOULD BE ELIGIBLE TO PARTICIPATE FULLY IN THE SGIP BECAUSE IT IS A TRANSFORMATIVE TECHNOLOGY.

The fundamental policy reasons why the SGIP is, and should remain, a "home" for energy storage technology is due to the fact that energy storage, including stand-alone applications, will help the SGIP achieve its three primary goals (i) GHG reduction, (ii) peak load reduction, and (iii) market transformation. While the linkage between stand-alone energy storage and the first two goals is already well understood, its fundamental strategic role in enabling reliability and efficiency of the grid is much less well recognized. There are no other incentives for energy storage of any kind anywhere else in the country – at the local, state and federal levels. Similar to the role the SGIP, in the beginning and later with the California Solar Initiative ("CSI"), played in transforming the distributed solar market, the SGIP should play an equally pivotal role for stand-alone energy storage. SGIP incentives will stimulate investment in training, channel development, job creation, development of financing mechanisms, as well as a number of critically important "first-mover" commercial grid-level energy storage projects. This is the essential first step in achieving market transformation, and enabling greater participation in many more energy storage applications and markets in the near future.

III. THERE IS NO OTHER COMMISSION PROCEEDING THAT IS CONSIDERING INCENTIVES OF ANY KIND FOR STAND-ALONE ENERGY STORAGE.

CESA strongly objects to the Proposed Decision's condition that incentives for stand-alone energy storage should be removed from the SGIP if stand-alone energy storage receives incentives "if future Commission decision in another proceeding provides any incentives to energy storage."[3] Energy storage should not be eligible only on an "interim" basis or treated any differently than other eligible technologies.[4] CESA objects to the assertion by a few parties that stand-alone AES should be removed from SGIP eligibility and instead be considered in other programs, such as: a) The Energy Storage OIR, b) The CSI program, and c) the Permanent Load Shifting program that is a small part of the of the utility demand response ("DR") program. Quite the contrary, the SGIP should be *the* home for energy storage – stand-alone and paired

[3] Proposed Decision, at p. 18

[4] *See*, Public Utilities Code §2827.

with on-site distributed generation. CESA's objections to each of these assertions are discussed below.

A. SB 412 Makes Stand-alone Energy Storage an SGIP- Eligible Technology.

In its Opening Comments, the CCDC quotes Section 379.6 of the California Public Utilities (P.U.) Code and the program's name, "Self Generation Incentive Program," as somehow suggesting that stand-alone energy storage should not be included in SGIP. This was precisely the intent of SB 412[5] – to clarify that the SGIP is intended to include not just generation, but also energy storage technologies. P.U. Code, Section 379.6 (b) states:

> "Eligibility for incentives under the program shall be limited to *distributed energy resources* that the Commission, in consultation with the State Air Resources Board, determines will achieve reductions of greenhouse gas emissions . . . ." [Emphasis added].

The explicit re-designation of SGIP eligibility categories to "*distributed energy resource's*" rather than the former "*distributed generation*" can only mean that any distributed energy resource – generation or non-generation - is eligible for SGIP incentives if it reduces greenhouse gas ("GHG") emissions. It is well understood that stand-alone energy storage reduces GHG emissions by lowering overall electricity system load and providing peaking capacity, which in turn allows gas fired Combined Cycle Combustion Turbine and Combustion Turbine peaker plants to operate at maximum efficiency with fewer GHG emissions. There should be no question at all as to whether stand-alone energy storage should be eligible to receive incentives under the SGIP.

B. There is No Docket in Which the Subject of Possible Incentives for Energy Storage is Being Considered as a Possibility by the Commission.

1. <u>Permanent Load Shifting.</u>

PG&E and SCE should both know better than to assert with any seriousness that Commission support for an *entire class* of technology should be relegated to a program that is, as the name clearly suggests, limited to a *single application* of stand-alone energy storage characterized by very long (6 hour) discharge rates. Permanent load shifting

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[5] See e.g., letter for Assembly Member Nancy Skinner to Commission President Peevey attached as Exhibit A to these reply comments.

("PLS") has nothing to do with the vast array of energy storage technologies that have substantially shorter discharge rates that cannot even be considered for participation in the PLS program. PLS is an important component of the DR program. However, it is a technology and a program that is specifically designed to shift load – it is not necessarily being targeted for energy storage and its many applications on the customer side of the meter. Load shifting is just one application of stand-alone energy storage that is suitable for a small subset of the broad spectrum of energy storage technologies. Within the SGIP, there are many other value streams that energy storage provides … including integration of distributed renewables, and increasing system reliability, flexibility and efficiency. When paired with any form of distributed generation, energy storage increases the overall value proposition of the resulting combined *distributed energy resource* than either generation or storage technology alone.

2. Energy Storage OIR.

As SCE is demonstrably aware, the purpose of the Commission's Energy Storage Rulemaking ("OIR") to implement AB 2514 is to evaluate *utility* procurement targets for deployment of energy storage by ***utilities.*** Thus, the scope of the OIR has nothing to do with customer-side-of-the meter applications for energy storage. Nor does it have anything to do with creating new incentive programs for energy storage. Rather, the successful field deployment of customer-side-of the-meter energy storage projects under the SGIP should provide extremely valuable information that will inform and facilitate achieving the purpose of the Energy Storage OIR. The SGIP is thus a strategic and required stepping stone to successful implementation of AB 2514.

IV. SGIP INCENTIVE PAYMENTS TO STAND-ALONE ENERGY STORAGE PROJECTS SHOULD BE REDUCED BY THE AMOUNT OF ANY INCENTIVE PAYMENTS RECEIVED FROM OTHER SOURCES.

CESA agrees completely with the Opening Comments of Fuel Cell Energy (at page 5) and the Fuel Cell Industry Advisory Panel (at page 2) that the Commission should take care not to allow stand-alone energy storage to "double dip" by receiving incentives from sources other than the SGIP unless the SGIP incentive amount is appropriately reduced. The Commission's long-standing policy regarding treatment of incentives received from sources other than the SGIP is already more than adequately covered in the current SGIP Handbook.6 The current version of the Handbook provides as follows:

> "***3.3.2 Other Incentives or Rebates*** For Projects receiving self-generating incentives under other programs, the SGIP incentive may be reduced, depending on the source of the other incentive, effectively allowing only part of the other program incentive in addition to the SGIP incentive. For Projects that receive "other incentives" funded by California Investor Owned Utility (IOU) ratepayers (e.g., Utility or CEC Public Goods Charge programs, etc.), the SGIP incentive is discounted by the amount of the other incentive. For Projects that receive "other incentives" funded by non-IOU ratepayers (LADWP, SMUD, etc.) the SGIP incentive is discounted by 50% of the other incentive. For Projects that receive "other incentives" funded from other sources than utility ratepayers (federal & state grants, air district grants, tax credits, etc.) no adjustment is made to the SGIP incentive."

CESA submits that the Commission's policy against double dipping is well established and should continue to be applied to all SGIP-eligible technologies across the board.

V. CONCLUSION.

CESA thanks the Commission for this opportunity to reply to the Opening Comments filed by the parties, and looks forward to working with the Commission and stakeholders going forward.

Respectfully submitted,

Donald C. Liddell
DOUGLASS & LIDDELL

Counsel for the
CALIFORNIA ENERGY STORAGE ALLIANCE

August 15, 2011

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[6] *See*, *Self Generation Incentive Program Handbook*, at Section 2.7, page 22, published May 5, 2010.

EXHIBIT "A"

STATE CAPITOL
P.O. BOX 942849
SACRAMENTO, CA 94249-0014
(916) 319-2014
FAX (916) 319-2114
DISTRICT OFFICE
ELIHU HARRIS STATE BUILDING
1515 CLAY STREET, SUITE 2201
OAKLAND, CA 94612
(510) 286-1400
FAX (510) 286-1406

Assembly
California Legislature

NANCY SKINNER
ASSEMBLYMEMBER, FOURTEENTH DISTRICT

COMMITTEES
CHAIR, RULES
INSURANCE
NATURAL RESOURCES
PUBLIC SAFETY
UTILITIES AND COMMERCE

May 9, 2011

Mr. Michael Peevey, President
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

SUBJECT: Revised CPUC Staff Proposal Regarding Modifications to the Self Generation Incentive Program

Dear President Peevey:

It has been brought to my attention that that a Revised Staff Proposal, purporting to implement Senate Bill 412 would exclude key applications of energy storage -- standalone and storage integrated with distributed photovoltaics -- as eligible technologies under the Self Generation Incentive Program (SGIP). This letter is to inform you that such a proposal is contrary to my intent in coauthoring SB 412. As you know, I co-authored SB 412 along with Senator Kehoe, Senator Padilla and then-Assemblymember Blakeslee.

The intent of SB 412 was to grant the Commission the authority to add eligible technologies to the SGIP and include not only distributed generation, but also to include distributed energy storage. Collectively, these technology classes are referred to as "distributed energy resources" in the bill. Clarification that energy storage would be eligible for in the SGIP was one of the key reasons I decided to co-author SB 412. It was with this understanding that Assembly Bill 1536 (Blakeslee) was combined with SB 412 to include distributed energy "resources" instead of distributed energy "generation" prior to its amendment in the Senate and enactment as the current Section 379.6.

I am therefore requesting that you direct the Commission's staff to rethink the matter in view of this very clear expression of my intent at the time that SB 412 was approved by the legislature.

Thank you for your attention to this request. If you have any questions, please don't hesitate to contact me at (916) 319-2014.

Sincerely,

Nancy Skinner

NANCY SKINNER
Assemblymember, 14th Assembly District