BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding Policies, Procedures and Rules for Development of Distribution Resources Plans Pursuant to Public Utilities Code Section 769.	Rulemaking 14-08-013
And Related Matters.	Application 15-07-002 Application 15-07-003 Application 15-07-006

(NOT CONSOLIDATED)

In the Matter of the Application of PacifiCorp (U901E) Setting Forth its Distribution Resource Plan Pursuant to Public Utilities Code Section 769.	Application 15-07-005
And Related Matters.	Application 15-07-007 Application 15-07-008

COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE ON THE PROPOSED DECISION ON TRACK 3 POLICY ISSUES, SUB-TRACK 1 (GROWTH SCENARIOS) AND SUB-TRACK 3 (DISTRIBUTION INVESTMENT AND DEFERRAL PROCESS)

Alex J. Morris
Sr. Director, Policy & Regulatory Affairs

Jin Noh
Policy Manager

CALIFORNIA ENERGY STORAGE ALLIANCE
2150 Allston Way, Suite 210
Berkeley, California 94704
Telephone: (310) 617-3441
Email: amorris@storagealliance.org

January 8, 2018

TABLE OF CONTENTS

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding Policies, Procedures and Rules for Development of Distribution Resources Plans Pursuant to Public Utilities Code Section 769.	Rulemaking 14-08-013
And Related Matters.	Application 15-07-002 Application 15-07-003 Application 15-07-006

(NOT CONSOLIDATED)

In the Matter of the Application of PacifiCorp (U901E) Setting Forth its Distribution Resource Plan Pursuant to Public Utilities Code Section 769.	Application 15-07-005
And Related Matters.	Application 15-07-007 Application 15-07-008

COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE ON THE PROPOSED DECISION ON TRACK 3 POLICY ISSUES, SUB-TRACK 1 (GROWTH SCENARIOS) AND SUB-TRACK 3 (DISTRIBUTION INVESTMENT AND DEFERRAL PROCESS)

In accordance with 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 *Proposed Decision on Track 3 Policy Issues, Sub-Track 1 (Growth Scenarios) and Sub-Track 3 (Distribution Investment and Deferral Process* ("Proposed Decision"), issued by President Michael Picker on December 8, 2017.

I. INTRODUCTION.

CESA is generally supportive of the Distribution Investment Deferral Framework ("DIDF") that the Proposed Decision adopts, as it represents an improvement to the June 30, 2017 Staff Proposal. The DIDF is an important process that will identify ongoing opportunities on an annual basis for distributed energy resources ("DERs") to defer or avoid traditional distribution infrastructure projects. The added transparency in the distribution grid planning process, to the various distribution grid needs, and to the actual costs of traditional distribution upgrades will better ensure that the state is able to consider all types of solutions to meet the identified distribution grid needs. Opening the distribution grid planning process to a wider range of possible

[1] 8minutenergy Renewables, Able Grid Energy Solutions, Adara Power, Advanced Microgrid Solutions, AES Energy Storage, AltaGas Services, Amber Kinetics, American Honda Motor Company, Inc., Brenmiller Energy, Bright Energy Storage Technologies, BrightSource Energy, Brookfield, California Environmental Associates, Consolidated Edison Development, Inc., Customized Energy Solutions, Demand Energy, Doosan GridTech, Eagle Crest Energy Company, East Penn Manufacturing Company, Ecoult, EDF Renewable Energy, ElectrIQ Power, eMotorWerks, Inc., Energport, Energy Storage Systems Inc., Engie, GAF, Geli, Greensmith Energy, Gridscape Solutions, Gridtential Energy, Inc., IE Softworks, Innovation Core SEI, Inc. (A Sumitomo Electric Company), Johnson Controls, LG Chem Power, Inc., Lockheed Martin Advanced Energy Storage LLC, LS Power Development, LLC, Magnum CAES, Mercedes-Benz Energy, National Grid, NEC Energy Solutions, Inc., NextEra Energy Resources, NEXTracker, NGK Insulators, Ltd., NICE America Research, NRG Energy, Inc., Ormat Technologies, Parker Hannifin Corporation, Qnovo, Recurrent Energy, RES Americas Inc., Sempra Renewables, Sharp Electronics Corporation, SNC Lavalin, Southwest Generation, Sovereign Energy, STOREME, Inc., Sunrun, Swell Energy, Viridity Energy, Wellhead Electric, 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://storagealliance.org).

solutions will deliver net cost savings to ratepayers while ensuring grid reliability. CESA believes that the DIDF will establish principles and a framework that will ensure that DERs, not just traditional capital investments, are considered for any cost-effective deferrable opportunity, an important principle that the Proposed Decision highlights as underpinning the DIDF.[2]

While we are generally supportive of the DIDF as adopted in the Proposed Decision, CESA offers its comments on areas in which the DIDF can be improved to ensure that DER alternatives are not unnecessarily excluded from meeting various distribution grid needs and to ensure that the process is structured to allow for broad stakeholder input, including from DER providers, on how these various needs can be met with DER alternatives. Specifically, in these comments, CESA recommends that:

- The Distribution Planning Advisory Group ("DPAG") should convene following both the Grid Needs Assessment ("GNA") filing and the Distribution Deferral Opportunity Report ("DDOR") filing.
- The market assessment metric may be too restrictive and should be broadened to only focus on the overall market potential of DERs.
- The DIDF should eventually move toward consistent screens and prioritization methodologies.
- The DPAG should include market participants and retain an independent evaluator.

II. <u>THE DISTRIBUTION PLANNING ADVISORY GROUP SHOULD CONVENE FOLLOWING BOTH THE GRID NEEDS ASSESSMENT FILING AND THE DISTRIBUTION DEFERRAL OPPORTUNITY REPORT FILING</u>.

CESA commends the Proposed Decision for affirming that a comprehensive GNA filing by the IOUs is needed in the DIDF to "provide transparency into the assumptions and results of

[2] Proposed Decision, p. 6.

the distribution planning process that yield the candidate deferral shortlist."[3] In doing so, stakeholders, including those in the DPAG, will have the ability to view and analyze detailed circuit-level data and subsequently vet how the IOUs apply the initial screens in advance of the DDOR and the prioritization metrics following the August 1 filing of the DDOR. Overall, CESA views the DPAG as playing a key role in not only advising and vetting how the IOUs apply the various screens and prioritization metrics, but also in working with the IOUs on developing consensus positions on candidate deferral projects. The Proposed Decision currently proposes to have the DPAG meetings to initiate by August 15 of each year, two weeks following the IOUs' annual DDOR filing on August 1 of each year,[4] thus only allowing for critical DPAG input and consensus building *after* the IOUs have already applied the initial timing and technical screens.

CESA supports the Proposed Decision in tilting toward 'over-inclusivity' when applying the initial screens, leading it to only apply timing and technical screens in the DIDF, but we believe that these latter issues can also be material and that there can be many differences in perspective about the appropriate timing and technical criteria, leading to many viable candidate projects being unnecessarily excluded from consideration for a competitive solicitation. For example, in the Integrated Distributed Energy Resources ("IDER") incentive pilot solicitations, the timing criteria for which DERs can be 'reasonably' deployed was viewed by the IOUs as being a narrow band of three to four years, causing the IOUs to eliminate any potential voltage support projects, which have shorter lead times of one to two years, for deferral by DERs. CESA and the DER marketplace have disagreed with such narrow timing criteria for DER alternatives, in part because some existing DER deployments can be repurposed in full or in part to deliver these shorter-lead-time

[3] *Ibid*, p. 32.

[4] Proposed Decision, p. 66.

distribution grid services – *e.g.*, voltage support services in this example. The same disagreements could occur for the technical screens as well.

Therefore, in line with the Proposed Decision's intention to favor over-inclusivity at the initial screening stage, CESA recommends that the DPAG also convene two weeks following the GNA filing to allow DER providers and other stakeholders to provide input into how the IOUs should apply these initial timing and technical screens. Valuable insights from the DER community on the technical and deployment timelines of DER solutions could be gained by the IOUs as they apply the initial screens. CESA is concerned that having only a single DPAG meeting following the DDOR filing would lead to the IOUs already moving forward with an initial and prioritized shortlist before stakeholders have an opportunity to provide input and develop consensus positions on the candidate shortlist for solicitation.

III. THE MARKET ASSESSMENT PRIORITIZATION METRIC MAY BE TOO RESTRICTIVE AND SHOULD BE BROADENED TO ONLY FOCUS ON THE OVERALL MARKET POTENTIAL OF DISTRIBUTED ENERGY RESOURCES.

Overall, CESA supports the Proposed Decision in favoring over-inclusivity in the initial screen stage of the DIDF, but is concerned that the prioritization metrics may be overly restrictive, thereby limiting the marketplace for DER solutions and reducing innovation and discovery of DER capabilities by the IOUs. While the Proposed Decision appropriately rejects the prioritization criteria by Southern California Edison Company ("SCE"), it adopts the use of San Diego Gas and Electric Company's ("SDG&E") market assessment criteria.[5] SDG&E's market assessment metric is problematic in several ways that may lead to an unnecessary elimination of viable candidate deferral projects. CESA does not agree that a homogenous customer mix, a relatively constant applicable peak (as opposed to a spikey one), and peaks amenable to mitigation by any

[5] Proposed Decision, pp. 50-51.

DER technology are the appropriate metrics for prioritization. These metrics do not necessarily address the underlying grid need, but rather focus on ensuring a robust marketplace with diverse DER technologies that could potentially address only certain types of grid needs. While CESA broadly agrees that a market assessment metric will be important to prioritize candidate projects to run through a competitive solicitation in order to ensure that there is a large enough DER marketplace to solicit an infrastructure investment deferral solution, we believe that SDG&E's market assessment metric should be broadened.

First, CESA does not agree with the prioritizing of projects for distribution grid needs where peaks needs can be mitigated by any DER technology. The problem with this approach is that there may be locations on the distribution grid where there are valid distribution grid needs and where there may be a robust marketplace for a single technology class of existing and new DERs that could address that deferral need. Under SDG&E's criteria, these viable solutions may be eliminated as a candidate project because of the need to ensure all types of DERs can compete. For example, 'spikey' distribution capacity needs are de-prioritized according to SDG&E's criteria, but there may be a robust marketplace for new and existing energy storage resources, which are well-positioned to address that need. Even if a diverse array of DERs could not meet a specific distribution grid need, CESA believes that it should not be eliminated if it can be cost-effectively deferred – a key principle outlined in the Proposed Decision. CESA thus recommends that SDG&E's market assessment metric be broadened to focus less on narrowly measuring a robust DER marketplace based on ensuring all DERs can compete and mitigate the grid need, but ensuring that a robust DER marketplace is in place at a given location, even if the grid need can be best met by a single or subset of DER resource types, so long as there is a robust marketplace for that single or subset of DER resource types.

Second, CESA does not agree with SDG&E's market assessment metric de-prioritizing peak needs that are spikey or short in duration. Since peak needs drive distribution investment decisions, the duration or spikiness of the peak should not necessarily be the driving concern, but rather it should be the reduction of the peak to defer or avoid distribution investments. DERs should be able to contribute to reduction of spikey peak needs. As such, CESA does not agree that the duration or spikiness of the peak should be a basis of prioritization.

Finally, CESA does not agree that the diversity of the existing DER profile should a basis for prioritizing DER suitability for distribution deferral. SDG&E's "Existing DER Profiles" may be overly restrictive and fails to consider attraction of new DER resources to address the grid need. An existing diversity of DER resources metric, however, may provide an opportunity for the DPAG to see how these assets can be repurposed to meet an incremental grid need, in case this is the benefit that the IOU is pursuing.

IV. **THE DISTRIBUTION INVESTMENT DEFERRAL FRAMEWORK SHOULD EVENTUALLY MOVE TOWARD CONSISTENT SCREENS AND PRIORITIZATION METHODOLOGIES.**

The Proposed Decision leans toward not prescribing a specific screening or prioritization methodology and instead allows for the IOUs to apply their own methodologies in the initial roll-out of the DIDF, with only guiding principles and recommendations on the Commission's favored approaches. The Proposed Decision notes that "the IOUs and the DPAG should gain experience with different prioritization approaches before prescribing a given methodology for ongoing use."[6] CESA agrees to a certain degree that it may be premature to prescribe a single methodology across all the IOUs at this time as stakeholders work through differences and learn from the IDER pilots and the first iteration of the DIDF. However, CESA believes that the Commission should

[6] Proposed Decision, p. 46.

eventually move toward a more consistent DIDF screening and prioritization methodology across all the IOUs in order to support more standardization and development of approaches and solutions that achieve more cost-effectieness in these types of solutions. With lessons and best practices gained from the IDER pilots and the first iteration of the DIDF, it should be possible for the Commission to move toward setting more consistent principles and methodologies for screening and prioritizing candidate deferral projects.

V. THE DISTRIBUTION PLANNING ADVISORY GROUP SHOULD INCLUDE MARKET PARTICIPANTS AND RETAIN AN INDEPENDENT EVALUATOR.

CESA supports the Proposed Decision's proposed DPAG composition to include market participants, as they provide expertise on DER solutions and capabilities as they review the GNA and DODR.[7] At the same time, CESA is unclear on whether the Independent Professional Engineer ("IPE"), also a member of the DPAG, would be appropriately independent and not have conflicts of interest in assessing the GNA, DDOR, and solicitations. While D.16-12-036 affirmed this point for the IDER pilots and the Competitive Solicitation Framework,[8] a reaffirmation of this point in the DIDF is important, as it is not explicitly laid out in the Proposed Decision.

//

//

//

//

//

//

[7] Proposed Decision, p. 61.

[8] *Decision Addressing Competitive Solicitation Framework and Utility Regulatory Incentive Pilot*, D.16-12-036, issued on December 22, 2016, Findings of Fact 31.

VI. CONCLUSION.

CESA appreciates the opportunity to submit these comments on the Proposed Decision and looks forward to working with the Commission, the IOUs and other parties going forward in this proceeding to ensure a sustainable and robust DIDF going forward.

Respectfully submitted,

Alex J. Morris
Sr. Director, Policy & Regulatory Affairs
CALIFORNIA ENERGY STORAGE ALLIANCE
2150 Allston Way, Suite 210
Berkeley, California 94704
Telephone: (310) 617-3441
Email: amorris@storagealliance.org

Date: January 8, 2018