

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

Order Instituting Rulemaking to Create a
Consistent Regulatory Framework for the
Guidance, Planning, and Evaluation of
Integrated Distributed Energy Resources.

Rulemaking 14-10-003
(Filed October 2, 2014)

**REPLY COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE
ON THE AMENDED SCOPING MEMO OF ASSIGNED COMMISSIONER AND JOINT
RULING WITH ADMINISTRATIVE LAW JUDGE**

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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 reply comments on the *Amended Scoping Memo of Assigned Commissioner and Joint Ruling with Administrative Law Judge* (“Joint Ruling”), issued by President Michael Picker and Administrative Law Judge Kelly A. Hymes on February 12, 2018.

¹ 8minutenergy Renewables, Able Grid Energy Solutions, Advanced Microgrid Solutions, AltaGas Services, Amber Kinetics, American Honda Motor Company, Inc., Axiom Exergy, Brenmiller Energy, Bright Energy Storage Technologies, Brookfield Renewables, Centrica Business Solutions, Consolidated Edison Development, Inc., Customized Energy Solutions, Doosan GridTech, Eagle Crest Energy Company, East Penn Manufacturing Company, Ecoult, EDF Renewable Energy, ElectriQ Power, eMotorWerks, Inc., Enel, Energport, ENGIE Energy Storage, E.ON Climate & Renewables North America, Fluence Energy, GAF, Greensmith Energy, Gridscape Solutions, Ingersoll Rand, Innovation Core SEI, Inc. (A Sumitomo Electric Company), Iteros, Johnson Controls, Lendlease Energy Development, LG Chem Power, Inc., Lockheed Martin Advanced Energy Storage LLC, LS Power Development, LLC, Magnum CAES, Mercedes-Benz Energy, NantEnergy, National Grid, NEC Energy Solutions, Inc., NextEra Energy Resources, NEXTracker, NGK Insulators, Ltd., NRG Energy, Inc., Ormat Technologies, Parker Hannifin Corporation, Pintail Power, Primus Power, Range Energy Storage Systems, Recurrent Energy, Renewable Energy Systems (RES), Sempra Renewables, Sharp Electronics Corporation, SNC Lavalin, Southwest Generation, Sovereign Energy, Stem, STOREME, Inc., Sunrun, Swell Energy, True North Venture Partners, 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>).

I. INTRODUCTION.

In our opening comments, CESA discussed how the pros and cons of each sourcing mechanism should be assessed to determine effective sourcing mechanisms for each distribution grid service. For example, given the general needs for voltage support, frequency service, and hosting capacity, CESA proposed a tariff approach for these distribution services to ensure that interested resources meet minimum eligibility and performance criteria and are compensated fairly for these additional services provided. CESA also proposed that resiliency services may be well-suited for incentive and rebate programs, which are effective in having bottom-up driven sourcing of distributed energy resources (“DERs”) by customers who self-identify as needing a higher level of resilience service, beyond minimum reliability standards but that may be imprecise in targeting distribution grid needs from the top-down. In line with those comments, CESA herein emphasizes the importance of considering alternative sourcing mechanisms to effectively and efficiently procure the specific distribution grid need, rather than focusing exclusively on streamlining the competitive solicitation as an alternative sourcing mechanism.

Multiple parties seem to agree that tariff-based mechanisms should be explored in this proceeding,² including several who proposed novel and innovative ideas on potential tariff-based approaches to address certain distribution grid services. Sunrun proposed a suite of tariffs for hosting capacity optimization, voltage optimization, and voltage regulation capacity deferral,³ and CALSSA proposed ideas around a voltage support tariff and an active hosting capacity

² Parties who commented in full or some level of support for exploring a tariff-based sourcing mechanism include 350 Bay Area, California Solar & Storage Association (“CALSSA”), Center for Energy Efficiency & Renewable Technologies (“CEERT”), Environmental Defense Fund (“EDF”), Karey Christ-Janer (“KCJ”), Office of Ratepayer Advocates (“ORA”), Solar Energy Industries Association (“SEIA”), Sunrun, and Vote Solar.

³ Sunrun comments at p. 8.

management program.⁴ Building off these proposed ideas, CESA believes that tariffs could be developed to provide an incentive to customers who coordinate with third-party service providers to allow flexible DERs to be intelligently controlled at the instruction of the utility to serve distribution needs, specifically to defer distribution capacity investments. By making such tariffs broadly available for opt-in at the time of DER adoption, these distribution grid services may be available while obviating (or further deferring) the need for formal procurement and retroactive customer acquisition efforts at a later time when such needs arise in the absence of these tariffs. This could save time and resources for utilities and third-party service providers and lessen the burden on customers after the fact, ultimately providing cost savings too.

CESA supports the further exploration of these ideas, among many others, and adds that the Commission should also clarify or establish an upfront process to identify grid needs and services, to determine the best deployment mechanisms that align with the timing and requirements of that need/service, and to develop compensation mechanisms for the selected sourcing mechanisms. Like CESA, SEIA proposes a similar process for this Integrated Distributed Energy Resources (“IDER”) proceeding to broadly explore distribution grid needs and the right sourcing mechanisms for each type of need.⁵

However, in opening comments, the Joint Utilities expressed that tariff-based approaches are ill-suited to address distribution deferral needs and do not produce the optimal DER solution in terms of reliability and cost.⁶ Rather, they request that the Commission focus on streamlining competitive solicitations as the ‘alternative’ sourcing mechanism in this proceeding. On the one hand, CESA agrees that streamlining competitive solicitations should be one of the focuses of this

⁴ CALSSA comments at pp. 2, 8-9.

⁵ SEIA comments at pp. 3-5.

⁶ Joint Utilities comments at pp. 1-5.

proceeding, as it advances the ability of DERs to defer or avoid distribution capital investments through pre-approval processes and service product standardization. However, CESA disagrees with the Joint Utilities and sees their position as overly rigid and inflexible. As noted in our opening comments, there are a number of distribution grid services (*e.g.*, voltage support, frequency response) that may be better suited for a tariff-based approach, rather than a ‘one size fits all’ approach to have all distribution grid services procured through competitive solicitations. As evidenced in the Competitive Solicitation Framework (“CSF”) Working Group, a number of distribution grid services (*e.g.*, voltage support) was not considered for a competitive solicitation because the sourcing mechanism was found to be ill-suited to effectively and efficiently procure the needed resources and grid services, given the shorter timeframe for deploying a traditional capital investment and smaller-magnitude deferral value to justify conducting a time-consuming and lengthy process. For these reasons, CESA concludes that tariff-based approaches should be reasonably explored for the right cases and recommends that the Commission take a ‘step-back’ view of the full range of distribution grid service needs and more comprehensively consider whether different sourcing mechanisms could be better suited and produce better outcomes for certain needs.

II. TARIFF-BASED APPROACHES HAVE UNIQUE ADVANTAGES AS SOURCING MECHANISM AND SHOULD BE EXPLORED HERE.

The Joint Utilities propose a set of principles to guide discussions around sourcing mechanisms, among which includes the principle to test, learn, and adapt. Applied to the CSF, the Joint Utilities express their preference for first evaluating the effectiveness of DER contracts from the IDER pilots and consider how the CSF can be streamlined to address deferral needs of less than three years ahead. Importantly, the Joint Utilities commented that the Commission should

not ‘pre-judge’ the CSF and should first explore how the CSF can be streamlined before considering tariff-based approaches.⁷

While we strongly support the development of a streamlined CSF to address certain shorter-term distribution deferral needs, CESA believes that the Joint Utilities are potentially pre-judging tariffs or any non-CSF sourcing mechanism as a means for DERs to defer or avoid distribution deferral investments and to provide a range of other distribution grid services not tied directly to a distribution investment deferral or avoidance. CESA does not disagree with Joint Utilities’ points about the potential for limitations to tariff-based approaches as relying on voluntary participation and being based on administratively-determined pricing.⁸ CESA contends that they also do not fairly consider the benefits and potential of tariff-based approaches. EDF noted that tariffs can service longer-term needs and have been demonstrated in other tariffs to influence localized grid conditions, and then offered suggestions on caps and time limits that could be implemented to protect against unintended consequences.⁹ Sunrun provided insights into how tariffs can be adapted to respond to changing grid needs, while SEIA and CEERT discussed how tariffs can be structured to be finite and flexible up to the amount of the actual distribution grid need.¹⁰

Furthermore, the Joint Utilities also do not sufficiently consider the potential limitations of a competitive solicitation as a sourcing mechanism, as highlighted by CESA and other parties in comments. CESA agrees with CEERT, SEIA, and Sunrun on the potential risks of stranded costs by focusing on how large capital investments can be deferred or avoided at one time, rather than

⁷ Joint Utilities comments at pp. 1-3, 5, 15.

⁸ *Ibid* at pp. 5-6.

⁹ EDF comments at pp. 7, 11.

¹⁰ Sunrun comments at p. 7, CEERT comments at p. 9, and SEIA comments at p. 3.

taking a tariff-based approach that allows for more incremental and nimble investments to hedge against the risk of forecast error, changing grid conditions, and concentrating investments into a single solicitation.¹¹ Additionally, the Joint Utilities do not adequately account for the high transaction costs, high customer acquisition costs, and high level of uncertainty borne by DER providers when participating in a competitive solicitation process that points to potential advantages of tariff-based approaches, as noted by Sunrun and SEIA.¹² Finally, CESA agrees with CALSSA that the consideration of alternative sourcing mechanisms should not be strictly tied to reducing the need for utility spending on specific projects,¹³ as DERs can provide incremental distribution grid services without specified distribution deferral or avoidance opportunities. The focus should be broadened to consider a range of distribution grid services, such as CESA's proposed idea around a hosting capacity tariff that would allow for increasing or maintaining hosting capacity along circuits and lines, even as they are not approaching critical thermal limits that would necessitate near-term capital investments. CESA believes the focus on utility spending on specific projects may be driving some of the Joint Utilities' aversion to tariff-based approaches.

Finally, the Joint Utilities make the case for competitive solicitations having the 'primary advantage' of market pricing and maximizing surplus by procuring for solutions at lowest cost.¹⁴ While that is true in some instances, CESA believes that this representation of 'lowest cost' may not fully represent how tariff-based approaches could offer certain advantages to addressing an identified distribution grid need. As noted previously, tariff-based approaches allow for more nimble and incremental procurement of DERs to address a distribution grid need that is not

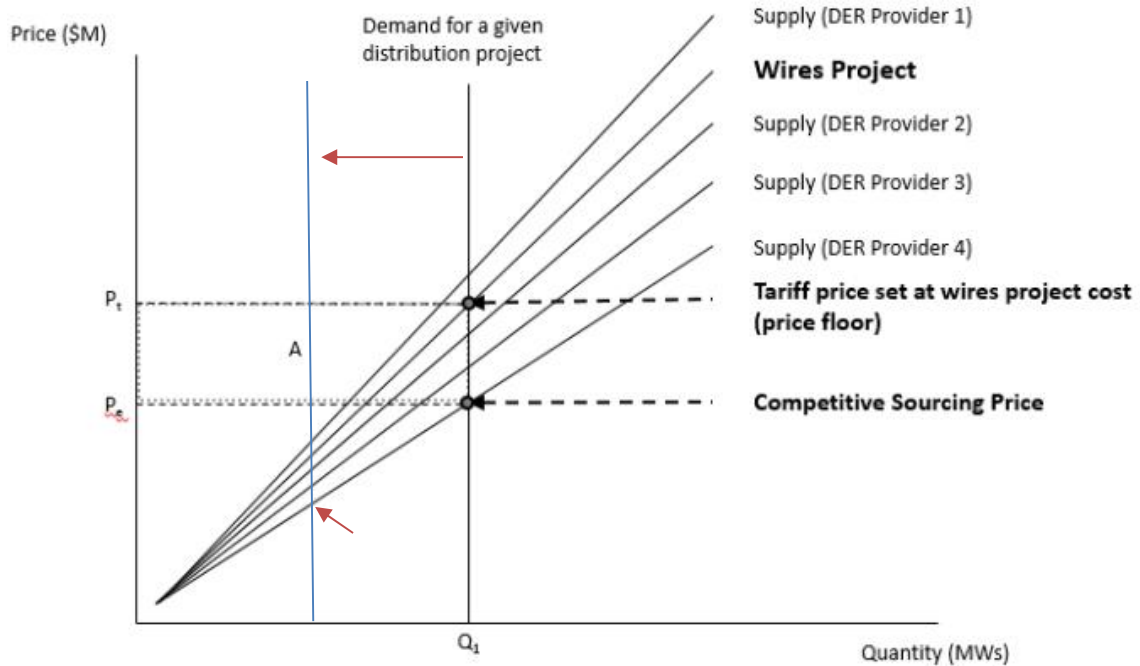
¹¹ Sunrun comments at pp. 4, 7.

¹² Sunrun comments at p. 15 and SEIA comments at p. 4.

¹³ CALSSA comments at p. 5.

¹⁴ Joint Utilities comments at pp. 6-8.

precisely procured by a single competitive solicitation, creating a potential risk of stranded assets. Using the figure from the Joint Utilities' comments below, there is some risk that the demand for a given distribution project does not materialize as forecasted (as shown in the blue line), causing procurement of traditional distribution capital investments or DER alternatives to be procured unnecessarily, resulting in excess stranded costs.



While this is expected to some degree in any procurement of resources and solutions, CESA believes that, in some cases, it may be more reasonable to procure solutions incrementally up to the forecasted grid need and allow for adjustments to the exact grid need over time. Furthermore, similar to how the Self-Generation Incentive Program (“SGIP”) is structured to provide capacity-based incentives that decline over time based on subscription of funds, the actual payment through the tariff to address the distribution grid need can be dynamically adjusted based on the incremental value of the traditional infrastructure investment. In this way, the figure above may be misrepresenting the tariff price.

In sum, CESA believes it is important to consider when and how alternative sourcing mechanisms such as tariffs can be used to address certain distribution grid needs. The Joint Ruling is correct in asking questions around tariff-based approaches and CESA urges the Commission to continue forward with potential workshops or working group discussions around these approaches given certain comparative advantages that tariff-based approaches may have over competitive solicitation sourcing models.

At the same time, CESA reiterates its support for streamlining the CSF and agrees with many of the ideas proposed by the Joint Utilities and ORA to consider standardization of products, pre-approval of vendors, technology-specific DER solicitations (in certain cases), and advice letter processes (for certain types of solicitations).¹⁵ However, CESA believes that the consideration of a streamlined CSF should not come at the exclusion of the consideration of tariffs and other alternative sourcing mechanisms, which deserve discussion and creative thinking from stakeholders in this Commission, as these mechanisms could continue to support the utilization of DERs for customer and grid benefit by addressing a wider range of distribution grid services. There is an important role that tariffs can play as an optimal sourcing mechanism in certain cases that ensure the grid need is met cost-effectively, reliably, and in a timely fashion.

¹⁵ Joint Utilities comments at pp. 9-11 and ORA comments at pp. 8, 11.

III. CONCLUSION.

CESA appreciates the opportunity to submit these reply comments on the Joint Ruling and looks forward to working with the Commission, the IOUs and other parties going forward in this proceeding.

Respectfully submitted,



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