

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

Order Instituting Rulemaking to Enhance  
the Role of Demand Response in Meeting  
the State's Resource Planning Needs and  
Operational Requirements.

Rulemaking 13-09-011  
(Filed September 19, 2013)

**COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE  
ON THE PROPOSED DECISION MODIFYING DECISION 16-09-056**

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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”)<sup>1</sup> hereby submits these comments to the *Proposed Decision Modifying Decision 16-09-056* (“Proposed Decision”), filed by Administrative Law Judge Kelly Hymes on May 15, 2018.

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<sup>1</sup> 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, E.ON Climate & Renewables North America, esVolta, Fluence Energy, GAF, General Electric Company, 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., 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 Yunicos. 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.

The Proposed Decision largely affirms Stem’s Petition for Motification (“Petition”) filed on January 26, 2018 and determines that energy storage should be removed from the list of prohibited resources until a review during a rulemaking on new demand response (“DR”) models or the 2023-2027 DR applications. In addition, the Proposed Decision also agrees with Stem’s Petition that the prohibited resources policy should not include requirements associated with SGIP because SGIP has other objectives beyond Resource-Adequacy supported grid reliability (*i.e.*, limiting back-up only usage), DR resources respond to market rates (as opposed to retail rates for SGIP projects), and SGIP is expected to sunset in 2020.<sup>2</sup> Finally, the Proposed Decision affirms CESA’s viewpoint that energy storage resources should not have to comply with stricter operating requirements as compared to traditional DR resources.<sup>3</sup>

In all these regards, CESA strongly supports the Proposed Decision and commends the Commission for avoiding problematic linkages between the operating requirements between SGIP and DR programs and for ensuring that DR program requirements (*i.e.*, the prohibited resources policy) do not inappropriately discriminate against energy storage resources as compared to DR resources. CESA notes that significant progress is being made in the SGIP GHG Signal Working Group that can greatly inform how DR programs could potentially inform the development of DR operating requirements as it applies to energy storage resources.

While commending the Proposed Decision, CESA believes that the SGIP GHG Working Group’s study results and recommendations should be interpreted by stakeholders in the DR proceeding with caution and nuance. In addition, CESA recommends that the Commission also

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<sup>2</sup> Proposed Decision, pp. 9-10.

<sup>3</sup> *Ibid*, p. 14.

consider whether it is appropriate to subject energy storage resources to additional operational requirements. CESA's comments herein address these two points.

**II. THE EVENTUAL SGIP GHG SIGNAL WORKING GROUP REPORT SHOULD BE INTERPRETED WITH CAUTION AND NUANCE.**

The final report from the SGIP GHG Signal Working Group is expected to be circulated in the summer of 2018 that will include aggregated study results of simulated energy storage operations under different economic/dispatch signals, rate structures, and/or constraints, as well as a set of consensus and non-consensus recommendations for new operational requirements that would apply to SGIP-funded energy storage systems to support the program's GHG reduction goals. As one of the leading participants in this working group, CESA believes that this working group report will facilitate helpful learning and enhancements to the program.

The Commission should note, however, that this SGIP Working Group report is extremely specific to the statutory requirements of and administrator/developer experience with SGIP, which may not be directly applicable to the statutory requirements and unique characteristics and history of DR programs. For example, whereas SGIP funds are focused on supporting specific technologies such as energy storage systems, DR program incentives are intended to allow various technology solutions or approaches to provide demand reduction services. Given these stark differences, lessons learned, operational ideas, or recommendations from the SGIP working group report must be viewed with a nuanced lens to avoid unreasonable, counter-productive, or even discriminatory approaches to competition for DR services. In other words, the Commission should not directly import or link SGIP program and operating requirements to those of DR programs, without a careful and detailed consideration of distinctions between the two.

**III. THE COMMISSION SHOULD CONSIDER WHETHER IT IS APPROPRIATE TO APPLY ADDITIONAL OPERATIONAL REQUIREMENTS FOR ENERGY STORAGE SYSTEMS IN DEMAND RESPONSE PROGRAMS.**

The Proposed Decision makes a nuanced distinction on how energy storage is *exempt* but *not to be excluded* from the prohibited resources policy, especially as the Commission awaits for the results of the SGIP working group report and because energy storage resources represent a very small share of the state's emissions at this time.<sup>4</sup> CESA interprets this nuance as saying that energy storage resources may be included in the prohibited resources policy in the future if certain operational requirements, which are still to be determined, are not met or adhered to. CESA reads the current version of the Proposed Decision as only temporarily exempting energy storage resources rather than leaving open the possibility that energy storage resources could be excluded from the prohibited resources policy, if the evidence points to that being the reasonable and appropriate conclusion. While supportive of the exemption at this time, CESA recommends that the Commission also consider CESA's previous comments on how energy storage resources have zero source emissions and that traditional DR resources are not assessed for GHG emissions impact for their load shifting, which should inform discussions in future DR proceedings on whether it is appropriate to apply new operational requirements or whether it may be appropriate to exclude energy storage resources from the prohibited resources policy.

Furthermore, another consideration for the Commission is the build-margin effect of energy storage resources in offsetting the need to build additional GHG-emissions-emitting resources. This is a key consideration in the SGIP GHG Signal Working Group as new operational requirements are being considered for implementation to achieve the SGIP program goal to reduce GHG emissions. Similarly, CESA urges the Commission to also consider the build-margin effect

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<sup>4</sup> *Ibid*, pp. 7, 12, 14.

before applying any new operational requirements on energy storage resources participating as DR resources, if any requirements are needed.

#### IV. CONCLUSION.

CESA appreciates the opportunity to submit these comments on the Proposed Decision. Overall, CESA is strongly supportive of the Proposed Decision and believes it takes a reasonable approach to balance the distinct and varied goals of DR programs with the uncertainty around how to appropriately incentivize and regulate energy storage resources, which represent a small but growing proportion of grid-tied distributed energy resources. CESA is committed to the goals of the Commission to reduce GHG emissions through SGIP-funded projects as well as through energy storage participation in DR programs and thus looks forward to working with the Commission and stakeholders in both the SGIP and DR proceedings to ensure good outcomes.

Respectfully submitted,



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