

July 5, 2018

President Michael Picker
Commissioner Martha Guzman-Aceves
Commissioner Carla J. Peterman
Commissioner Liane M. Randolph
Commissioner Clifford Rechtschaffen

505 Van Ness Avenue
San Francisco, California 94102

Re: Application of Southern California Edison Company (U338E) for Approval of the Results of its Second Preferred Resources Pilot Request for Offers

Dear Commissioners:

The California Energy Storage Alliance (CESA) writes to express its support for the Alternate Proposed Decision (APD), issued by California Public Utilities Commission (Commission) President Michael Picker, to approve the 19 purchase-and-sale agreement contracts of Southern California Edison Company (SCE) selected competitively in its Second Preferred Resources Pilot (PRP) Request for Offers (RFO). CESA is an industry trade association representing over 65 member-companies in the energy storage industry whose mission is to make energy storage a mainstream part of the electric power system's toolkit in support of a more affordable, clean, smart, and reliable electric grid. The APD finds that the 19 PRP contracts drive important objectives to demonstrate the ability to site locally preferred resources such as energy storage to meet or offset growing loads in the Johanna-Santiago substation region. The selected PRP projects provide additional benefits and also further support many of the state's key policy goals around decarbonization, grid modernization, and energy storage market transformation.

Energy storage represents a growing resource class that will play a pivotal and enduring role in California and the world in integrating renewables, providing resilience and flexibility to the grid, developing local resources in heavily populated areas, and expanding our toolkit for meeting changing or unexpected grid conditions. Though California leads the nation in energy storage deployments, energy storage remains a very small part of California's grid. Much untapped potential exists for grid and energy storage operators, regulators, utilities, Community Choice Aggregators, and other stakeholders to better and further understand how to best leverage energy storage resource development, siting, and operations to support innovative and valuable new use cases. California's steady policy and regulatory environment has begun to foster an energy storage market in response to which developers are rapidly mobilizing. This developer interest and steady policy environment will collectively drive energy storage costs down, reduce developer risk

premiums, and seed robust competition among energy storage providers and developers, ensuring important ratepayers savings to Californians. As Californians, we all benefit from this joint effort.

The APD’s approval will send an important signal to the energy storage industry to continue focusing on California in pursuit of new, creative, and ever-more cost-competitive solutions to the grid’s challenges. This stands in stark opposition to the anticipated ‘chilling’ effect on energy storage developers that would occur if the projects are denied after good-faith regulatory reviews, alignment with recognized grid policies and challenges, competitive selection, and endorsement by SCE and its independent evaluator. In this vein, CESA recommends we endeavor to develop a faster approval process for future energy storage solicitations. The PRP review and approval process has exceeded two years, creating uncertainty and commercial and contractual risks to both utility and developers. A more streamlined and efficient approval process for energy storage solicitations going forward will help cement our commercially viable market for this technology class while reducing costs and risk-premiums beneficially.

California’s leadership in both the nation and the world in energy storage and grid technology innovation synergizes with the state’s crucial decarbonization goals. This leadership has been built on roadmaps, vision, and a commitment to incubate and develop needed market sectors. Energy storage is a dexterous and multi-faceted tool that is being cultivated through creative solutions and pilots such as the PRP. This learning and innovation objective was a key justification in approving the PRP RFO in D.14-04-004 and D.16-09-006 and in including the PRP as a best-practice example in the Commission’s Distributed Energy Resource (DER) Action Plan, which the APD cites in its determinations on the Second PRP RFO. Similarly, the Second PRP RFO seeks to “confirm the ability of preferred resource DERs, deployed in a highly localized manner, to offset load growth in the urban J-S Region”¹ for which the APD finds merit in supporting these goals.

In light of these innovation goals, the APD’s determinations of benefits are both reasonable and prescient. CESA observed from the AB 2514 procurements that California investor-owned utility (IOU) actions can indeed stimulate markets, blaze trails, pioneer contract and financing approaches, and evolve utility planning and procurement processes to be more competitive and beneficial to ratepayers. Recall that the expedited Aliso Canyon energy storage procurement² is a prime example of where SCE, the Commission, and the energy storage industry leveraged recent experiences in developing contracting, interconnection, and operational familiarity with energy storage resources to respond successfully to an emergency grid condition. In similar fashion, the PRP will advance our utilities capabilities to deploy DERs in congested areas to meet electric system needs. The cross-cutting PRP projects also support the Distribution Resources Plan (DRP) Demonstration Project objectives. The load growth trajectories and congestion endemic to the Johanna-Santiago sub-areas are likely to be repeated in other coastal or urban areas in coming years. Grids are complicated and operate with contingencies in mind. Therefore, there may be many critical constraints for which local capacity is an optimal solution. Developing our toolkit to

¹ APD, p. 13.

² *Resolution E-4791. Authorizing expedited procurement of storage resources to ensure electric reliability in the Los Angeles Basin due to limited operations of the Aliso Canyon Gas Storage Facility*, issued May 31, 2016. <http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M162/K850/162850315.PDF>

serve these congested and expensive areas is an essential skill for California. This skill set, obviously, will transcend yet still address and ease determinations of local RA needs.

Finally, CESA applauds the Commission in thinking thoughtfully about the blending of PRP projects with other Commission programs and procurement activities. The PRP projects are not duplicative. The rules for energy storage procurement pursuant to D.13-10-040 clearly authorizes advanced procurement that can count towards meeting SCE's established targets. Moreover, the PRP goals are complementary and not duplicative to procurements being made in the DRP and Integrated Distributed Energy Resources (IDER) proceedings.

In conclusion, CESA supports the APD and encourages the Commission to approve the APD at its next Commission Business Meeting. In approving the APD, the Commission will support future reliability, an expanded toolkit, and innovation and thought leadership on the pressing issue of urban load management and service in California (and the world). Approval of the APD will also continue market transformation of energy storage while reliably achieving the state's decarbonization goals.

Respectfully submitted,



Janice Lin
Executive Director and Co-Founder
California Energy Storage Alliance

cc: Administrative Law Judge Patricia Miles
A.16-11-002 service list