CESA
CALIFORNIA ENERGY STORAGE ALLIANCE

August 5, 2019

CPUC Energy Division Tariff Unit
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Re: Response of the California Energy Storage Alliance to Advice Letter 4037-E of Southern California Edison Company

Dear Sir or Madam:

Pursuant to the provisions of General Order 96-B, the California Energy Storage Alliance ("CESA")[1] hereby submits this response to the above-referenced Advice Letter 4037-E of Southern California Edison Company ("SCE"), *Southern California Edison Company's Request to Conclude the 2018-2019 Distribution Investment Deferral Framework Request for Offers without Selecting Offers* ("Advice Letter"), submitted on July 15, 2019.

[1] 174 Power Global, 8minutenergy Renewables, Able Grid Energy Solutions, Advanced Microgrid Solutions, Aggreko, Alligant Scientific, LLC, AltaGas Services, Amber Kinetics, Ameresco, American Honda Motor Company, Inc., Avangrid Renewables, Axiom Exergy, Better Energies, Boston Energy Trading & Marketing, Brenmiller Energy, Bright Energy Storage Technologies, Brookfield Renewables, Carbon Solutions Group, Clean Energy Associates, ConEd Battery Development, Customized Energy Solutions, Dimension Renewable Energy, Doosan GridTech, Eagle Crest Energy Company, East Penn Manufacturing Company, EDF Renewable Energy, eMotorWerks, Inc., Enel X North America, Energport, Energy Vault, Engie Storage, E.ON Climate & Renewables North America, esVolta, Fluence, Form Energy, General Electric Company, Greensmith Energy, Gridwiz Inc., Hecate Grid LLC, Highview Power, Ingersoll Rand, Innovation Core SEI, Inc. (A Sumitomo Electric Company), Lendlease Energy Development, LG Chem Power, Inc., Lockheed Martin Advanced Energy Storage LLC, LS Energy Solutions, LS Power Development, LLC, Magnum CAES, Malta Inc, NantEnergy, National Grid, NEC Energy Solutions, Inc., NextEra Energy Resources, NEXTracker, NGK Insulators, Ltd., Nuvve, Pattern Energy, Pintail Power, Plus Power, Primus Power, PolyJoule, Quidnet Energy, PXiSE Energy, Range Energy Storage Systems, Recurrent Energy, RES Americas, SNC-Lavalin, Soltage, Southwest Generation, Stem, STOREME, Inc., Sunrun, Swell Energy, Tenaska, Inc., Tesla, True North Venture Partners, Viridity Energy, VRB Energy, WattTime, and Wellhead Electric. 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. BACKGROUND & INTRODUCTION.

In the Distribution Resources Plan ("DRP") proceeding (R.14-08-013), each of the investor-owned utilities ("IOUs") worked with the Distribution Planning Advisory Group ("DPAG") to provide advisory input into their Grid Needs Assessment ("GNA") and Distribution Deferral Opportunity Report ("DDOR") as part of the Distribution Investment Deferral Framework ("DIDF"). As a member of the DPAG, CESA appreciated the opportunity to collaborate with SCE and other stakeholders to provide insights into the capabilities of distributed energy resources ("DERs") and to identify a shortlist of 'best-fit' opportunities for DERs to potentially cost-effectively defer a planned investment. SCE proceeded to launch its 2019 DIDF Request for Offers ("RFO") on March 7, 2019.

In reviewing the Advice Letter, CESA is obviously disappointed that this RFO did not select any offers due to their lack of cost-effectiveness. However, CESA is not entirely surprised at the outcome of the RFO – one in which a less-than-robust response of 15 projects was generated from bidders in response to the RFO. Insufficient timing and uncertainty in the RFO likely deterred greater market participation. At the same time, CESA does not protest the RFO results here, as it appears SCE conducted the RFO fairly and reasonably. Instead, in this response, CESA offers our comments on the lessons learned and observations from the independent evaluator ("IE") report, as well as providing our recommendations on how future RFOs can be improved to solicit greater market participation and competition, which will likely increase the chances that SCE would be able to select both viable and cost-effective bids.

II. DISCUSSION.

A. Future DIDF cycles must strive to launch the RFO in January of every year and provide at least 3-4 months for bidder response.

Limited time was made available for bidders to respond to the RFO, with the RFO launching on March 7 and then concluding the period for bid submissions by March 28 – a 21-day period that CESA finds to be extremely short for market participants to find worthwhile to submit bids into the RFO. Even if SCE issued a notice to prospective bidders in December 2018 of its intent to launch the RFO, these bidders likely were not prepared to make investments (*e.g.*, buying/leasing land, initiating interconnection studies, initiating customer acquisition) to respond to the RFO in a timely fashion without complete information. The IE report recommended extending the offer development window by one week,[2] but even more additional time than the IE's recommended one week will be needed.

By affording bidders with additional time to respond to an RFO, CESA believes that one of the IE's other recommendations could be better supported. Specifically, the IE

[2] IE Report at p. 9.

recommended that bidders should be informed that the Year 1 need must be met in full, so bids to meet a partial need would be dependent on other offers.[3] CESA agrees that the Year 1 need must be addressed for any collection of bids to be viable. One way to address this issue could be to have bidders work together to submit portfolio bids, rather than having SCE aggregate individual and partial bids into a portfolio that may or may not address the Year 1 need. Since it takes time to coordinate with other bidders, additional time provided to bidders would facilitate the submission of such types of portfolio bids.

CESA recognizes that some of these timing issues may already be addressed in the next DIDF cycle, with the Commission adopting key changes that will consolidate the GNA and DDOR filings into a single filing, streamline DPAG meetings, and set a procedural schedule to ensure timely launch of annual DIDF RFOs by approximately January of every year.[4] The Commission and SCE should seek to adhere to this procedural schedule to the extent possible to provide market participants with sufficient time to assess and respond to competitive solicitations. The timeframe between the advice letter filing to launch the DIDF RFO and the actual launch of the RFO should also be streamlined and avoid regulatory delay as much as possible, which CESA hopes can be addressed through stakeholder discussion and consensus in the DPAG.

In addition, another key area of change in future DIDF cycles is the greater transparency into the GNA and DDOR filings, as well as market participant access to the DPAG without needing to sign a non-disclosure agreement ("NDA"),[5] which will facilitate improved and advanced bid preparation by developers. In the 2018-2019 DIDF cycle, such information could not be readily shared with market participants. For example, many CESA members were unable to execute NDAs or attend DPAG meetings, which CESA did on their behalf but without the ability to share information with them. However, with market participants more easily able to participate in the DPAG, CESA imagines that the advanced notice of distribution grid needs will, in effect, be delivered to interested market participants, either through direct attendance or with CESA being able to facilitate outreach to bidders through our membership for those that are unable to attend the meetings.

B. Product optionality should be incorporated in the next DIDF RFO so that bidders can submit distribution-capacity-only bids as well.

CESA appreciates that SCE seeks to leverage the multiple-use application ("MUA") rules for energy storage in order to stack not only distribution capacity value but also Resource Adequacy ("RA") capacity value from DER bids. While there may be some projects that are well-suited to stack these two values, CESA believes that greater product optionality is needed for bidders to be able to submit bids for distribution capacity only.

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[3] *Ibid* at p. 14.
[4] *Administrative Law Judge's Ruling Modifying the Distribution Investment Deferral Framework Process* issued on May 7, 2019 in R.14-08-013, *et al.* at pp. 3 and 8-9. http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M288/K311/288311944.PDF
[5] *Ibid* at p. 11.

Granted, such non-RA bids would not have RA benefits counted in their least-cost best-fit evaluation, but for some bidders, there may be other means to realize value, such as by providing energy or ancillary services in the California Independent System Operator ("CAISO") market, while avoiding the potential additional costs of integrating in the market (in the case of behind-the-meter ["BTM"] resources) or of achieving full capacity deliverability (in the case of in-front-of-the-meter ["IFOM"] resources).

CESA understands that SCE will clarify product optionality requirements in their updated technology-neutral *pro forma* contracts for the next DIDF cycle.[6] However, CESA makes this point here because the IE recommended that bidders should strive to meet RA counting requirements.[7] According to Resolution E-5004, only projects seeking to also provide RA to SCE should strive to meet these counting requirements. Importantly, with such product optionality, CESA believes that future DIDF RFOs will likely experience improved robust market response.

C. A clear process on handling late-breaking forecast updates may be needed to balance the need for bidder certainty with cost-effectiveness and accuracy.

CESA appreciates that SCE used two revised RA price forecasts despite forecasts being "locked" prior to an RFO due to late-breaking forecast updates from the California Energy Commission ("CEC") that shifted the annual peak load forecast from August to September, which then shifted SCE's position from being long to being short on RA. Even though this change did not make any of the offers cost-effective, SCE reasonably and flexibly conducted a sensitivity analysis of how bids would fare under updated assumptions.[8]

However, given the frequent occurrence of forecast changes, CESA believes it would be important for the Commission to establish a process to determine if and how distribution grid needs and RFO bids should be assessed and evaluated for these changing grid conditions. An ever-moving target runs the risk of increasing uncertainty to developers and increasing the potential for disputes or regulatory delay on whether it is appropriate to select or not select bids based on forecast changes or sensitivity analyses. Understandably, the dynamic nature of distribution grid needs present challenges, but a clear process is needed to ensure a streamlined and cost-effective procurement of DERs for deferral.

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[6] Order 10 in Resolution E-5004 issued on June 18, 2019.
http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M303/K474/303474666.PDF
[7] IE Report at p. 14.
[8] IE Report at p. 13.

III. CONCLUSION.

CESA appreciates the opportunity to submit this response to SCE's Advice Letter and hopes that our feedback will be taken into consideration. CESA commends SCE for its proactive approach throughout the DIDF process and looks forward to collaborating with the Commission and SCE in the next DIDF cycle.

Respectfully submitted,

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Service list R.14-08-013 and R.14-10-003