

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

Order Instituting Rulemaking to Develop an
Electricity Integrated Resource Planning
Framework and to Coordinate and Refine
Long-Term Procurement Planning
Requirements.

Rulemaking 16-02-007
(Filed February 11, 2016)

**COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE
ON THE PROPOSED DECISION REQUIRING ELECTRIC SYSTEM RELIABILITY
PROCUREMENT FOR 2021-2023**

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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”) hereby submits these reply comments on *Proposed Decision Requiring Electric System Reliability Procurement for 2021-2023* (“PD”), issued by Administrative Law Judge (“ALJ”) Julie A. Fitch on September 12, 2019.

I. INTRODUCTION.

CESA strongly supports the overall direction of the PD and its immediate procurement orders, along with some recent modifications to the PD, to ensure that near-term reliability needs that could materialize as early as 2021 are addressed, but we also suggest additional changes to the PD prior to any approval by the Commission. Given the one-year-ahead showing processes for System Resource Adequacy (“RA”) and the inability of California Independent System Operator (“CAISO”) backstop procurement mechanisms to procure new resources to address system shortfalls, the PD prudently proposes to adopt a “least-regrets” 2,500-MW procurement directive that balances the need for system reliability and to mitigate additional ratepayer costs.¹

Specifically, CESA supports the following key changes made in the PD relative to what was proposed in the Staff Proposal in June 2019:

¹ PD at 12-14.

- **Procurement timing:** CESA supports the flexible timeline for resources to come online between 2021 and 2023, which invites greater competition and seemingly balances near-term reliability, ratepayer costs, and greenhouse gas (“GHG”) emissions factors, though consideration should be given to longer future in-service dates to allow for participation of resources with longer deployment timelines.
- **Eligibility for both new and existing resources:** CESA supports that directed procurement should allow for both new and existing resources to be eligible while targeting locational needs, advancing the state’s decarbonization goals, and adhering to competitive principles established by the Commission.
- **Eligibility for distributed energy resources (“DERs”) and hybrid resources:** CESA supports the Commission in its assessment that both DERs and hybrid resources can provide significant value to ratepayers and help attenuate the risks of a potential System RA shortfall.
- **Utility ownership:** CESA supports the PD’s establishment of guardrails to ensure both third-party-contracted and utility-owned resources compete for procurement, along with a required “showing” for utility-owned resource procurement. Appendix A of Decision (“D.”) 19-06-032 is an appropriate starting point to guide such head-to-head competitions.²
- **Expedited approval process:** CESA supports the Tier 3 Advice Letter approval process for Southern California Edison Company (“SCE”) to submit procurement contracts for approval,³ which provides some level of stakeholder review while ensuring timely approval and deployment of resources to address the urgent near-term system reliability needs.

Nevertheless, CESA also identifies certain areas where the PD should be further refined to ensure the results of the directed procurement align with the state’s policy goals and deliver value to all of California’s ratepayers. CESA identifies six areas where clarification is necessary or likely prudent:

- Eligibility of resources to the procurement requirement should be clarified for existing and new contracted resources.
- Eligibility of resources to the procurement requirement should be expanded to resources located outside of SCE’s Transmission Access Charge (“TAC”) area.

² PD at 42-43.

³ PD at 44.

- New and preferred resources should be prioritized and incentivized in all-source procurements, pursuant to Senate Bill (“SB”) 1136, by limiting and conditioning the terms of contracts that could be awarded to existing but uncontracted resources.
- A definition of “renewable integration” resources is needed to guide LSEs in procuring the most effective system capacity.
- Capacity counting methodologies for storage retrofits to existing generators are needed, as such approaches represent an efficient means to add needed near-term capacity.
- DER incrementality should be set with upfront and clear criteria to support streamlined deployment.
- A long-term procurement strategy and schedule should be established before the end of the 2019-2020 IRP cycle.

II. ELIGIBILITY OF RESOURCES TO THE PROCUREMENT REQUIREMENT SHOULD BE CLARIFIED FOR EXISTING AND NEW CONTRACTED RESOURCES.

The Commission should clarify the specific resources that are counted in the baseline for this procurement directive since CESA observed some potential discrepancies in “baselines” cited in this PD. On the one hand, the PD proposes a definition of “new capacity” based on setting the “baseline” at the 2022 portfolio from the Preferred System Plan (“PSP”) adopted in D.19-04-040 to determine the resources that would be eligible for procurement to address the near-term reliability needs.⁴ The PD also mentions that any procurement of resources not included in this 2022 baseline should be counted toward the requirements of the PD, except any capacity specifically required and already approved separately by the Commission, even if procurement occurred prior to the adoption of the PD.⁵ The baseline used in the development of the PSP is the same as the one the Commission used for its development of the Reference System Plan (“RSP”) with two modifications: (1) the inclusion of the then-updated 2017 Integrated Energy Policy Report (“IEPR”) assumptions; and (2) an assumption of a 40-year lifetime for fossil-fueled generation. This baseline includes all resources that were either interconnected or contracted and

⁴ PD at 28.

⁵ *Ibid.*

approved by 2018, as well as their expected retirement dates given the 40-year lifetime of fossil-fueled resources and any other policy-mandated retirements.⁶

However, when CESA reviewed the baseline resources itemized under the “42MMT Core Portfolio updated to 2017 IEPR demand forecast” link found in the Commission’s *Unified RA and IRP Modeling Datasets 2018* webpage,⁷ CESA found that this linked baseline did not reflect the Commission’s determination to include a 40-year lifetime assumption for fossil-fueled resources. This difference in the baseline from the PSP versus that from the linked resources requires clarification and reconciliation to ensure that resources are indeed incremental to the System RA shortfall that was identified in the June 2019 Ruling and in the PD. Based on the linked baseline file, CESA estimates that around 1,050 MW of resources in terms of NQC would not be incremental since they are maintained in the baseline; by contrast, under the PSP with 40-year retirement assumptions, these resources would not be included in the 2022 baseline and would be deemed incremental, according to the PD.

To address this discrepancy, CESA recommends that the Commission adopt a 2022 baseline that does *not* include the 40-year age-based retirement of thermal resources, given that the 2017-2018 IRP cycle used this assumption as a proxy for unplanned economic retirements. Instead, CESA believes that the Commission should use the linked baseline file since they do not incorporate this age-based retirement assumption since it was used as a modeling proxy and does not reflect the actual reliability need, which is better reflected through contracting status and on the CAISO’s tracking of resources with an NQC. In particular, CESA would appreciate if the Commission published an exhaustive list of all facilities included in the baseline envisioned in order to avoid confusion by load serving entities (“LSEs”) to determine what is truly eligible to count toward System RA procurement requirements.

⁶ It is worth highlighting that this baseline is different from both the one employed in the current 2019-2020 IRP cycle and the CAISO’s net qualifying capacity (“NQC”) list, which includes all resources that are online but does not include planned resources or resources that are expected to retire for policy reasons

⁷ PD at 29.

III. ELIGIBILITY OF RESOURCES TO THE PROCUREMENT REQUIREMENT SHOULD BE EXPANDED TO RESOURCES OUTSIDE OF THE SCE TAC AREA.

The Commission should modify its procurement requirement to allow for resources outside of SCE's TAC area to be eligible for this procurement requirement to address the System RA shortfall. The PD clearly states that the potential shortfall of capacity is relative to System RA, not Local RA,⁸ yet it explicitly limits the procurement of resources to SCE's TAC area, arguing that this form of procurement will support system resources in the TAC area that needs them most, while avoiding exacerbating some of the potential mismatches between the system resources needed and the LSEs with customer load to support them.⁹

CESA understands that the planned retirement of resources in the SCE TAC area is creating the System RA shortfalls identified in the stack analyses performed by the Commission and others, but at the same time, resources outside of SCE's TAC area should be eligible for procurement since they can still provide System RA regardless of their physical location.¹⁰ The latest RA Report illustrates the fact that System RA resources are not exclusively sited in the service areas of the LSEs that procure them: 77.6% of all System RA capacity contracts are located North of Path 26, the most relevant transmission constraint in the CAISO system.¹¹ Furthermore, given the near-term reliability need, the regressive environmental impacts of extending the once-through-cooling ("OTC") plants, and the policy objectives to reduce GHG emissions, expanding the eligibility of resources beyond the SCE TAC area would also invite greater market competition and increase the odds of cost-effective outcomes and in meeting the shortfall with new, preferred resources. Thus, CESA urges the Commission to consider the eligibility of resources outside SCE's TAC area for this procurement since they are able to provide the System RA identified by the stack analyses.

⁸ PD at 2 and 5.

⁹ PD at 35

¹⁰ See Final 2019 RA Guide.

¹¹ *2018 Resource Adequacy Report* at 25.

IV. NEW AND PREFERRED RESOURCES SHOULD BE PRIORITIZED AND INCENTIVIZED IN ALL-SOURCE PROCUREMENTS, PURSUANT TO SENATE BILL 1136, BY LIMITING AND CONDITIONING THE TERMS OF CONTRACTS THAT COULD BE AWARDED TO EXISTING BUT UNCONTRACTED RESOURCES.

CESA supports the PD's conclusion that both new and existing resources should be eligible for procurement but is concerned that this procurement directive may be overly focused on addressing the near-term reliability challenges with least-cost resources. Though the PD notes that the Commission is intent on keeping the state on its path to reduce GHG emissions and reminds LSEs of their various IRP obligations, including to reduce GHG emissions and minimize localized air pollutants,¹² the PD does not provide LSEs with specific guidance on how they should meet both reliability and GHG reduction objectives. Moreover, the PD further highlights how existing resources could be procured more economically since capital investments are already covered, leading to concerns that the Commission may find it reasonable for LSEs to procure mostly or entirely uncontracted existing gas resources as least-cost resources to address the near-term 2021-2023 system reliability needs, even though such an outcome would not represent progress toward the state's decarbonization goals. In this sense, the PD does not do enough to prevent LSEs from relying solely on potentially less expensive resources that are misaligned with state and local policy goals or choices in order to cover procurement targets. The more flexible procurement timeline creates additional opportunities for new and preferred resources to compete in these solicitations and be deployed for reliability and GHG reduction purposes, but there are insufficient assurances or incentives for LSEs to pursue such a path in the near term.

CESA thus continues to advocate for the Commission to adhere to Public Utilities Code Section 380 as modified by SB 1136 to ensure that preferred resources are procured, whenever and as much as possible, to advance the state's decarbonization and disadvantaged community ("DAC") goals while minimizing localized air pollutants and other greenhouse gas emissions. Based on the limited guidance or requirements placed on LSEs as it currently stands with the PD, however, CESA is concerned that least-cost reliability will be deemed sufficient to the Commission if LSEs choose this path. CESA understands that the Commission has provided investor-owned utilities ("IOUs") with flexibility to use best-fit qualitative criteria to achieve key

¹² PD at 28 and 38.

policy objectives. For example, in its 2019 System Reliability Request for Offers (“RFO”) instructions released on September 19, 2019, SCE highlights how it will give “preference” to preferred and energy storage resources located in DACs as part of the best-fit analysis and shortlist selection.¹³ CESA generally supports the use of qualitative criteria for IOU procurement to guide policy-driven procurement outcomes. Additionally, CESA also understands that there are jurisdictional limits for certain LSEs. However, greater assurances or guidance could be established to encourage new and preferred resource procurement, beyond mere reminders of long-term LSE obligations.

To achieve this right balance of efficient procurement to maintain reliability and GHG reduction objectives, CESA recommends that the PD be modified to set explicit contract term length limits for existing non-preferred resources (*e.g.*, fossil-fueled resources) at three years since the PD merely requires contract terms of three years for existing resources without speaking to the maximum length of contracts permitted. The PD thus creates open-ended guidance that these resources could be contracted for more than three years. A three-year limit is needed to better achieve a balance in ratepayer costs, GHG reduction objectives, and reliability needs without extending the operational lifetime of resources that could hinder the state’s energy and environmental policy goals. In addition, while the PD implies three years as the minimum contract length for existing resources, CESA recommends that LSEs be allowed to and be encouraged to contract for shorter-term periods (*e.g.*, one- or two-year contracts), if such an outcome best balances the reliability, cost, and GHG objectives. CESA believes that the one- or two-year terms for contracts for existing non-preferred resources to be reasonable given that System RA requirements are currently only contracted on a year-ahead basis and such near-term, short-term contracting can still accommodate the 2021-2023 flexible procurement timeline for new preferred resources to be procured and deployed. At the same time, the PD should maintain the requirement that incremental new preferred resources be contracted for at least ten years to support capital investments and to avoid a reliability-related “cliff” in the near future.¹⁴

Furthermore, to avoid a reliability-related “cliff” in the near future, the Commission should also require LSEs to procure for a replacement plan consisting of preferred resources for any existing, non-preferred resources that were contracted for up to three years in response to this

¹³ 2019 System Reliability RFO Instructions at Article 4 and 6.03.

¹⁴ PD at 40.

directive. For example, if SCE were to procure 1,000 MW of existing but uncontracted gas resources for the full three-year maximum contract term pursuant to this directive, it must also have procured for 1,000 MW of preferred resources to come online by 2024 in the same RFO to avoid another System RA shortfall in 2024 followed by an emergency procurement. CESA instead proposes that this procurement could be conducted through a “contingent RFO process” to ensure that any resources selected through the contingent RFO would come online after the expiry of the contracts for the existing, non-preferred resources. As a result, in 2024, LSEs will have preferred resources deployed in time to replace the existing, non-preferred resources.

By limiting the scope of existing non-preferred resource procurement and contracting as part of this directive to 1-3-year contract terms, the Commission will better achieve a balance in ratepayer costs, GHG reduction objectives, and reliability needs without extending the operational lifetime of resources that could hinder the State’s energy and environmental policy goals. Otherwise, the Commission may see an outcome where the state is presented with the same reliability challenge in 2023 if most or all procurement pursuant to this directive is for existing non-preferred resources and without sufficient new preferred resource procurement.

Importantly, however, any hybridization through additions of new short-duration energy storage *to existing* gas resources should be granted the same contracting treatment of new resources. SB 1136 directs the Commission to facilitate the development of hybrid capacity that is economic and needed given that hybrid gas-plus-storage resources provide GHG and reliability benefits and support SB 1136 objectives for “clean RA” resources. Such hybridization effectively represents a “new resource” that supports system capacity needs, reduces GHG emissions, and requires long-term contracting to support capital investments.

Finally, while the PD is not definitive on extending the OTC facilities beyond its compliance retirement schedules as a last-resort measure, CESA recommends that the Commission underscore OTC extensions as a last-resort measure and monitor the proposed progress reports and attestation letters to determine if additional procurement action or directives are needed in 2020 and beyond. The PD acknowledges that the State Water Board may not agree to the extended retirement deadlines, and even if it does, the impact to GHG emissions, local air and water pollutants, and the marine environment should not be dismissed due to an observed low capacity

factor.¹⁵ The Commission and LSEs should operate as though the OTC plants will be unavailable for system reliability needs going forward so as to focus on the procurement of new and preferred resources that enable California to achieve its energy and environmental policy goals. This highlights how procurements of energy storage now will reduce risks or reliability issues relating to any lack of extensions of OTC units as well as advancing established state policy goals. Alternatively, a contingent RFO could be a viable solution with the contingent event in this case being the non-approval by the State Water Board of extension of the OTC compliance dates.

V. **A DEFINITION OF “RENEWABLE INTEGRATION” RESOURCES IS NEEDED TO GUIDE LSES IN PROCURING THE MOST EFFECTIVE SYSTEM CAPACITY.**

In the PD, the Commission notes its authority to direct the IOUs to procure renewable integration resources on behalf of itself and for the broader electricity system.¹⁶ However, much of the analysis from the Commission or stakeholders has focused on “stacking” of System RA qualifying capacity (“QC”) values. As such, the Commission should clarify what is meant or allowed under this procurement directive for renewable integration resources. On one hand, CESA understands the Commission seeks to allow LSEs to procure for Flexible RA needs that can provide services related to the expected integration of considerable amounts of variable energy resources (“VERs”). On the other hand, the PD also uses language that seems to indicate “renewable integration resources” relate to the ability to minimize the impact of temporal variability of renewable resources¹⁷ as well as to address growing energy needs beyond the single-point summer peak demand.¹⁸

To provide additional guidance to LSEs and give them flexibility to procure new and preferred resources that provide such renewable integration support, CESA urges the Commission to provide a clearer definition of “renewable integration resources”. In so doing, LSEs will be able to apply least-cost, best-fit criteria in procuring the right combination of short- and long-duration

¹⁵ PD at 19-21.

¹⁶ PD at 32.

¹⁷ See PD at 49, Finding of Fact 15: “Additional renewable integration resources will continue to be needed to support system peak load as it shifts later in the day and later in the year.”

¹⁸ See PD at 51, Conclusion of Law 5: “The Commission should address the need for system peak capacity given the shift of the peak to later in the day and later in the year, which makes the contribution of solar resources less valuable and the need for other renewable integration resources more acute.”

storage to address the grid's ramping needs (*i.e.*, Flexible RA) as well as prolonged and shifted evening peak needs, as identified in the CAISO's operational capacity analysis.

VI. CAPACITY COUNTING METHODOLOGIES FOR STORAGE RETROFITS TO EXISTING GENERATORS ARE NEEDED, AS SUCH APPROACHES REPRESENT AN EFFICIENT MEANS TO ADD NEEDED NEAR-TERM CAPACITY.

CESA appreciates the flexibility added to the new resource procurement timeline given that new resources that are not already in the interconnection queue require two to three years to proceed through the full cluster study process at the CAISO to achieve deliverability and be assessed for safety and reliability. However, such resource development and deployment timelines limit the amount of new preferred resources that could be procured to address near-term system reliability needs. To address this, the Commission can enable new storage resources procured as retrofits to existing resources to be deployed on an expedited basis through the CAISO's material modification assessment ("MMA") process. Such fast additions to the system should increase the viability of adding additional new preferred resources (*e.g.*, storage additions to existing generators) to address the near-term system reliability need and to potentially reduce the necessity of extending the life of the OTC facilities or uncontracted gas resources. At a September 2019 workshop in the RA proceeding, the CAISO indicated that it would consider fast-tracking new resource interconnections, including for co-located storage additions via the MMA process.

According to the CAISO's latest *Modification Assessment Cost and Accounting Report*, the average time to process and resolve an MMA request was 50 calendar days, with the maximum processing time reaching just 120 calendar days in 2015.¹⁹ As CESA understands it, the MMA process is also relatively manageable administratively and requires fewer re-study processes. Under such historical timelines and processes, the Commission may be able to add incremental System RA capacity in the timelines outlined in the PD, reducing the need for OTC extensions and the residual need to be met by new and existing resources.

Nevertheless, procedural ease is insufficient to encourage LSEs and developers to pursue storage retrofit additions to provide increased capacity to the grid. Economic signals, in the form of a Commission-recognized QC value, are needed to effectively incentivize the deployment of

¹⁹ 2015 *Modification Assessment Cost and Accounting Report* published on March 1, 2017 at 8.
<http://www.caiso.com/Documents/2015ModificationAssessmentAccountingReport.pdf>

combined resources. Unfortunately, Decision (“D.”) 19-06-026 declined to adopt a QC counting methodology for many types of paired-storage resources (*i.e.*, dispatchable battery with either a dispatchable generating resource like gas or non-dispatchable renewables).²⁰ As a result, LSEs will have no explicit capacity valuation methodology by which to incent or pursue storage retrofit additions to existing variable generators to shift their production output to provide needed capacity since LSEs will not be given additional capacity credit for procuring such hybrid resources, effectively only receiving an effective load carrying capacity (“ELCC”) value attributed to the solar-only or wind-only resource even as a storage pairing of these resources would materially affect its generation profile and capacity value. Without these changes, hybrid generation and storage projects may not “fare well” in competitive solicitations as the PD suggests given that the Commission is directing procurement to increase system capacity shortfalls.

To prevent valuable new and retrofitted hybrid resources from being overlooked in the procurement process, the Commission should expeditiously adopt an interim additive methodology for QC valuation for combined resources at this time. CESA supports the determination made in D.19-06-026 that further discussion in workshop processes are needed to inform the record and better understand the most appropriate QC valuation/counting methodology. Yet, CESA also encourages the Commission to provide (at least) a provisional framework that would allow LSEs to assess the capacity value of hybridizing existing resources or procuring new hybrid resources. A provisional methodology is timely given the vast number of hybrid resources currently in the CAISO interconnection queue and the fact that the Federal Investment Tax Credit (“ITC”) can support the financing of hybrid solar-plus-storage projects. For these reasons, along with the overarching decarbonization goals of the state, CESA urges the Commission to adopt an interim methodology to value the capacity of hybrid resources at this time. Our recommendation here is also the subject of Motion submitted on September 27, 2019 in R.16-02-007 and R.17-09-020, where the Joint Parties, including CESA, to establish a schedule and process for determining the capacity value of hybrid resources.²¹

²⁰ *Decision Adopting Local Capacity Obligations for 2020-2022, Adopting Flexible Capacity Obligations for 2020, and Refining the Resource Adequacy Program*, D.19-06-026, issued on July 5, 2019 in R.17-09-020 at 37. <http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M309/K463/309463502.PDF>

²¹ *Joint Motion of Engie Storage, Enel X, Tesla, Inc., Sunrun Inc., Center for Energy Efficiency and Renewable Technologies, California Energy Storage Alliance, and Vote Solar to Establish a Schedule and Process for Determining the Capacity Value of Hybrid Resources* submitted in R.17-09-020 on September 27, 2019. <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M316/K460/316460499.PDF>

VII. DISTRIBUTED ENERGY RESOURCE INCREMENTALITY SHOULD BE SET WITH UPFRONT AND CLEAR CRITERIA TO SUPPORT STREAMLINED DEPLOYMENT.

The PD supports the eligibility of demand-side resources so long as the resource is incremental to the 2022 PSPS baseline resources and adhere to the incrementality principles adopted in D.16-12-036 as a starting point, with all resources generally being required to “show” their incrementality.²² While D.16-12-036 is a starting point, CESA believes that incrementality rules for behind-the-meter (“BTM”) DERs still lack clarity or sufficient granularity to fairly assess their incremental services or value, which can present unfair discounts or ineligibility of DER values in competitive solicitations or delays in the solicitation evaluation process since bidders are required to demonstrate their incrementality on a case-by-case basis. Incrementality of DERs is a complex issue and can be assessed from many different perspectives (*e.g.*, planning, operations). From a planning perspective in D.16-12-036, incrementality of DERs have relied on the forecasted adoption of DERs, among other things,²³ which are subject to uncertainties – just as any forecast. The Commission will use the 2017 IEPR forecast as the PSP baseline for load-modifying DERs,²⁴ but the 2017 IEPR forecasts are two years old. The California Energy Commission (“CEC”) forecasted 2019 DER deployment, for example, may not reflect the actual 2019 DER deployment, leading to an overestimation of how much DERs are on the grid to modify load and an underestimation of how much System RA capacity is actually needed in the 2021-2023 timeframe.

To support the “all-hands-on-deck” approach and encourage bringing as many new preferred resources online as reasonable and cost-effective that can also address the System RA need, CESA recommends clearer upfront clarity be provided on incrementality for DERs for this specific procurement directive, even as the Commission considers longer-term resolution on this topic in another proceeding, such as R.14-10-003. For example, for BTM energy storage resources, the CEC projects BTM energy storage deployment based on historical Self-Generation Incentive Program (“SGIP”) project data in their California Energy Demand 2018-2030 Revised Forecast, with some estimated peak capacity impact. Data underscores this point: the CEC

²² PD at 37-38.

²³ *Decision Addressing Competitive Solicitation Framework and Utility Regulatory Incentive Pilot*, D.16-12-036, issued on December 22, 2016 in R.14-10-003 at 83.

²⁴ PD at 56.

forecasted an installed capacity of 416 MW by 2019,²⁵ but SGIP project data shows that, as of September 30, 2019, only 169.47 MW of capacity have been deployed²⁶ – highlighting how the Commission may be seriously underestimating how much System RA capacity is actually “reduced” in the baseline by storage deployment by up to 250 MW, depending on how one estimates the system peak load reduction impact of BTM storage systems (*e.g.*, 80% or 90% of nameplate capacity). But in competitive solicitations for capacity, CESA has observed that SGIP-funded storage systems have been fully or partially discounted in their bid assessments, assuming that their deployment and peak load impacts are already captured in the IEPR forecast.

Given the forecasted versus actual differences, CESA recommends that the Commission consider a least-regrets incrementality criteria for DERs that simplifies incrementality assessments and supports the streamlined deployment of DERs to address the System RA capacity shortfall. Case-by-case assessments can be time-consuming and increase bidder uncertainty, while discounts based on incentive claims (*e.g.*, SGIP) may be inaccurate. Rather, CESA encourages the Commission to assess the baseline forecast and establish a simpler and clearer incrementality methodology that not only aligns forecasted DER deployment baseline with actual observed DER deployment data but also enhances DERs to provide firm capacity under RA contracts, beyond just load-modifying behavior in response to rates and customer needs. For example, for BTM storage, the Commission may wish to explore whether a certain megawatt number of SGIP-funded energy storage systems interconnected by a certain date would automatically qualify as fully incremental given the differences in the forecasted DER deployment baseline with actual observed DER deployment data. In doing so, the Commission does not only realize its baseline forecast but it also enhances these DERs to provide firm, market-integrated system capacity.

VIII. A LONG-TERM PROCUREMENT STRATEGY AND SCHEDULE SHOULD BE ESTABLISHED BEFORE THE END OF THE 2019-2020 IRP CYCLE.

The PD delays long-term procurement to the 2019-2020 IRP cycle currently underway. While CESA understands this calculus, there should continue to be an urgency to plan for further

²⁵ See the CAISO Load Modifiers (Corrected) Mid Baseline Mid AAEE-AAPV CED 2017 spreadsheet available at <https://efiling.energy.ca.gov/GetDocument.aspx?tn=222501>.

²⁶ CESA examined SGIP project data as of September 30, 2019 for projects that have payments completed or in the process of payment, which indicate that these projects are deployed, interconnected, and operational. See the SGIP Weekly Statewide Report available at:

https://www.selfgenca.com/documents/reports/statewide_projects.

ahead. Therefore, upon approval of a decision on 2021-2023 procurement, CESA strongly recommends that the Commission immediately begin an assessment of medium- and long-term reliability needs and establish a long-term vision and procurement framework that advance the state toward resource procurement that address reliability needs beyond 2023 while ensuring that the state is on a trajectory to meet its decarbonization goals. Ideally, such a vision and framework would entail a comprehensive plan to direct or encourage regular and/or phased procurement over time (*e.g.*, every year, looking 3-5 years ahead) as well as to consider procurement of long lead-time projects such as transmission upgrades and bulk long-duration storage resources to meet needs in the medium- and long-term timeframes. As a result, the Commission can avoid or mitigate the likelihood of ‘out-of-cycle’ or ‘emergency’ procurement as is being pursued through this PD. As the Commission is already aware, the Diablo Canyon Power Plant (“DCPP”) is planned for retirement in 2024 and 2025, when the state may be faced with another System RA capacity shortfall without new, preferred resource procurement planned over the next 5-6 years. While the Commission may wish to consider the impacts of a DCPP retirement in the context of the current 2019-2020 IRP cycle, the Commission should also consider a contingent RFO process to get actual deliverable costs, which may assist in avoiding a last-minute emergency procurement. Such a process was undertaken in New York in relation to the Indian Point Energy Centre, a nuclear generating station where there was uncertainty regarding an extension of its license.²⁷

In an effort to increase feedback loops between the modeling efforts and procurement considerations, CESA also recommends that the Commission conduct production cost modeling reliability checks on interim years from now until 2030. Currently, production cost modeling by the Commission and other parties was focused on the 2030 Reference and Hybrid Conforming Portfolios, which do not provide guidance on potential medium-term procurement needs in the intervening years between 2022 and 2030. This is particularly sensitive considering only Local RA has a multi-year procurement framework, leaving System and Flexible RA requirements dependent on the yearly fluctuations of supply-side resources and load forecasts. CESA thus supports the PD for indicating the Commission’s intent is to conduct such additional interim-year reliability checks.²⁸

²⁷ See New York Public Service Commission Case 12-E-0503:

<http://documents.dps.ny.gov/public/MatterManagement/CaseMaster.aspx?MatterCaseNo=12-E-0503>

²⁸ PD at 14.

IX. CONCLUSION.

CESA appreciates the opportunity to submit these comments to the PD and looks forward to working with the Commission and stakeholders in this proceeding.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Alex J. Morris".

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CALIFORNIA ENERGY STORAGE ALLIANCE

Date: October 2, 2019