

**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)

**REPLY 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 the *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 reiterates our support for the Commission’s least-regrets procurement directive, but as the California Independent System Operator (“CAISO”) highlighted, the magnitude of the procurement need is significant, potentially requiring 4,700 MW of incremental procurement based on an assessment of operational needs from System Resource Adequacy (“RA”) resources. With the pending retirement of the Diablo Canyon Power Plant (“DCPP”) in 2024-2025, the Commission will be faced with another near-term reliability need without a more aggressive least-regrets procurement requirement today to address procurement needs not only from 2021-2023 but also looking through a time horizon stretching through 2025. In the 2019-2020 Integrated Resource Planning (“IRP”) cycle, it is vitally important for the Commission to assess incremental procurement for future capacity and renewable integration needs through 2025 in order to direct a medium-term procurement plan and vision that allows cost-effective procurement of the ‘right’ resources, including potentially for long lead-time projects. A follow-up procurement decision

should be issued by the end of 2020 upon completing a round of IRP modeling in the 2019-2020 cycle.

In their opening comments, several parties raised concerns about the PD and proposed refinements that aligned with those expressed by CESA. In these reply comments, CESA responds to these parties and makes the following recommendations:

- Procurement requirements and costs should be allocated in a system-wide and equitable fashion.
- The Commission should direct load-serving entities (“LSEs”) to base their procurement on a best-fit methodology compliant with California’s policy goals.
- Capacity counting methodologies for hybrid resources are urgently needed.
- Appendix A from Decision (“D.”) 19-06-032 represents an appropriate starting point for assessing different storage ownership structures and bids.
- The Demand Response Auction Mechanism (“DRAM”) contracts do not need to be the starting point for demand response (“DR”) resources.

II. PROCUREMENT REQUIREMENTS AND COSTS SHOULD BE ALLOCATED IN A SYSTEM-WIDE AND EQUITABLE FASHION.

The PD should be amended to reflect procurement responsibility falling on all LSEs and appropriately account for System RA “positions” to fairly allocate costs to deficient LSEs. Despite the PD’s acknowledgement that the directed procurement is necessary due to potential shortfalls in System RA, the Commission opted to allocate the procurement need solely to LSEs in the Southern California Edison (“SCE”) transmission access charge (“TAC”) area due to expected OTC retirements. Several parties including SCE, CAISO, LS Power, and the Natural Resources Defense Council (“NRDC”) pointed out that it would be inadequate to leave the procurement of System RA to a subset of the LSEs that would benefit from it.

As the Union of Concerned Scientists (“UCS”), Natural Resources Defense Council (“NRDC”), LS Power and Golden State Clean Energy noted in opening comments, resources that provide System RA can be located in any TAC area under CAISO’s jurisdiction. Considering this, it is not reasonable for the Commission to limit eligibility of procurement based on whether or not a particular resource is interconnected to SCE’s TAC area. Furthermore, if the Commission does not allocate procurement in a system-wide fashion but allows resources outside SCE’s TAC area

to be eligible, any procurement would complicate cost allocation and counting for Local RA requirements for external generators that provide both System and Local RA. CESA agrees with LS Power’s conclusion that a system-wide procurement allocation with rules that allow the procurement of resources within all of CAISO’s TAC areas is the most fair, expeditious, and reasonable method.¹

III. THE COMMISSION SHOULD DIRECT LOAD SERVING ENTITIES TO BASE THEIR PROCUREMENT ON A BEST-FIT METHODOLOGY COMPLIANT WITH CALIFORNIA’S POLICY GOALS.

Relative to the procurement of existing resources, CESA agrees with the comments of several parties that seek to ensure near-term reliability challenges are not met solely by greenhouse gas (“GHG”) emitting, low-cost resources. In particular, CESA seconds the comments made by CPower, Enel X North America, and EnergyHub (“Joint DR Parties”) regarding the consideration of GHG emissions as a relevant variable for procurement.² CESA believes a procurement methodology that does not account for the potential increase of local and system pollution could seriously hinder California’s progress towards a fully decarbonized grid by 2045, pursuant to SB 100. Thus, CESA recommends the Commission direct all applicable LSEs to include GHG emissions as a criterion for procurement and demonstrate no combination of preferred resources could match the reliability benefits provided by a conventional resource, if selected.

IV. CAPACITY COUNTING METHODOLOGIES FOR HYBRID RESOURCES ARE URGENTLY NEEDED.

In their opening comments, CAISO, SCE, AReM, the American Wind Energy Association (“AWEA”) and the Large-Scale Solar Association (“LSA”), the California Community Choice Association (“CalCCA”), the Center for Energy Efficiency and Renewable Technologies (“CEERT”), and UCS all raised the issue of capacity counting methodologies for hybrid resources. The shared view among parties is that procurement of hybrid resources will be heavily determined by whether their capacity contributions are fairly accounted for or not. As a stopgap measure, CESA agrees with AWEA and LSA that the PD is an appropriate forum to establish an interim

¹ LS Power comments at 6-7.

² Joint DR Parties’ comments at 8.

QC methodology for hybrids given the urgency of procurement and the proposed procurement timeline, while the RA proceeding develops more refined methodologies.³ If the Commission decides to do so, CESA would support the CAISO’s proposal for an interim methodology, in which the storage component to be counted at the four-hour duration sustained output and the renewable component to be counted at the existing effective load carrying capability (“ELCC”), subject to deliverability and capped at the interconnection capacity rights.⁴

V. **APPENDIX A FROM DECISION 19-06-032 REPRESENTS AN APPROPRIATE STARTING POINT FOR ASSESSING DIFFERENT STORAGE OWNERSHIP STRUCTURES AND BIDS.**

CESA disagrees with the comments by SCE and San Diego Gas and Electric Company (“SDG&E”) that Appendix A of D.19-06-032 represents an inappropriate starting point for assessing utility-owned storage projects, instead recommending D.13-10-040 as the starting point to evaluate bids.⁵ The framework adopted in D.13-10-040 was established pursuant to early-stage market transformation of energy storage resources across different grid domains, with utility ownership limits up to 50% of the cumulative procurement targets in order to “encourage competition, innovation, partnerships, and affordability.”⁶ However, energy storage as a resource class has matured to the degree, including to provide RA capacity, that an all-source solicitation *should not* be subject to a bias toward a specific ownership model or with ‘carve-outs’ for utility-owned storage projects, as allowed under D.13-10-040, but *should* transparently allow for head-to-head comparisons of utility-owned and third-party-owned storage offers, which is best achieved through guidelines from Appendix A of D.19-06-032. Importantly, Appendix A of D.19-06-032 does not preclude investor-owned utilities (“IOUs”) from proposing and/or selecting utility-owned offers, so long as the IOUs demonstrate why a head-to-head competitive solicitation is not possible or if particular value streams are only attainable by utility-owned storage assets.

³ AWEA and LSA comments at 7-8.

⁴ CAISO comments at 7.

⁵ SCE comments at 14.

⁶ D.13-10-040, *Decision Adopting Energy Storage Procurement Framework and Design Program* filed on October 17, 2013 in R.10-12-007 at 51.

<http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M079/K533/79533378.PDF>

VI. THE DEMAND RESPONSE AUCTION MECHANISM CONTRACTS DO NOT NEED TO BE THE STARTING PLACE FOR DEMAND RESPONSE RESOURCES.

SCE raised concerns with using the DRAM contracts as a starting point for negotiations for DR resources given the outstanding issues related to making improvements and seeing the effects of recent contract changes.⁷ CESA generally agrees that the DRAM contract does not need to be the starting point of contracts for DR resources bidding into all-source solicitations, given that DR contracts have been successfully negotiated and executed to provide RA capacity in other all-source solicitations to address local capacity requirements (“LCR”) needs, such as SCE’s 2013 LCR Request for Offer (“RFO”) and its 2018 Aliso Canyon Energy Storage (“ACES”) 2 RFO, to name a few.

VII. CONCLUSION.

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

Respectfully submitted,



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⁷ SCE comments at 13.