

June 8, 2020

CPUC Energy Division Tariff Unit
505 Van Ness Avenue
San Francisco, California 94102
EDTariffUnit@cpuc.ca.gov

Re: Response of the California Energy Storage Alliance to Advice Letter 5826-E of Pacific Gas and Electric Company

Dear Sir or Madam:

Pursuant to the provisions of General Order 96-B, the California Energy Storage Alliance (“CESA”) hereby submits this response to the above-referenced Advice Letter 5826-E of Pacific Gas and Electric Company (“PG&E”), *System Reliability Contracts Resulting from PG&E’s Phase 1 Request for Offers Under D.19-11-016* (“Advice Letter”), submitted on May 18, 2020.

I. INTRODUCTION & BACKGROUND.

In the Integrated Resource Planning (“IRP”) proceeding (R.16-02-007), the Commission issued Decision (“D.”) 19-11-016 on November 13, 2019 that directed all load-serving entities (“LSEs”) serving load within the California Independent System Operator (“CAISO”) balancing authority area to conduct incremental procurement for resources to meet project System Resource Adequacy (“RA”) shortfalls from 2021 to 2023. Interim procurement targets were established whereby LSEs must procure at least 50% of the LSE-specific targets to come online by August 1, 2021, 75% by August 1, 2022, and 100% by August 1, 2023. Any resulting contracts from the investor-owned utilities (“IOUs”) are required to be submitted for Commission approval via a Tier 3 advice letter.

Pursuant to D.19-11-016, PG&E launched Phase 1 of their 2019 System Reliability Request for Offers (“RFO”) on February 28, 2020 and submitted this Advice Letter on May 18, 2020 seeking Commission approval of seven agreements for 423 MW of incremental System RA from standalone battery storage projects and new storage retrofits to existing generation facilities. Each of the agreements require commercial online dates (“CODs”) by July 18, 2021 and span 10- to 15-year contract terms.

In reviewing the Advice Letter, CESA provides this response in support of timely Commission approval of the proposed contracts included in PG&E’s Advice Letter. By procuring new, incremental energy storage resources, PG&E will bring online resources that can not only provide incremental System RA to address the 2021-2023 reliability need but also provide

renewable integration and flexibility.¹ Importantly, by procuring energy storage resources to address the near-term need, PG&E also does not default to the use of once-through-cooling (“OTC”) facilities, ensuring that they remain last-resort System RA resources given their carbon and environmental impacts. Instead, PG&E’s proposed contracts advance the state’s decarbonization goals while providing reliability and flexibility at the same time. However, to ensure this outcome, the Commission should expeditiously approve the proposed contracts.

II. DISCUSSION.

In this response, CESA details our comments for supporting expedited approval of the submitted contracts.

A. The proposed contracts are consistent with the requirements of D.19-11-016.

As detailed in PG&E’s Advice Letter, the proposed contracts meet the various requirements of D.19-11-016:

- **PG&E’s procurement requirements:** PG&E’s procurement (423 MW) exceeds its 50% target by August 1, 2021 (358.45 MW, half of the 716.9 MW cumulative target by 2023).² Even after accounting for the LSEs that opted to not self-provide, PG&E had an interim 2021 target of 382.55 MW.
- **Incrementality:** By procuring entirely new storage resources, the contracts represent incremental System RA relative to the baseline adopted in D.19-04-040.³
- **Contract terms:** These new storage resources are contracted with term lengths at or exceeding 10 years, thus meeting this requirement.⁴

With the proposed contracts not utilizing onsite fossil-fueled generation or needing to assess for competitiveness with utility-owned offers,⁵ the assessment for compliance of the contracts pursuant to D.19-11-016 is made simpler.⁶ In accounting for the above, CESA believes the proposed contracts are compliant with the procurement parameters of D.19-11-016.

¹ D.19-11-016 at Finding of Fact (“FOF”) 17.

² *Ibid* at Ordering Paragraph (“OP”) 3.

³ *Ibid* at FOF 18 and Conclusion of Law (“COL”) 14.

⁴ *Ibid* at COL 28.

⁵ PG&E Advice Letter Attachment Hh2: Independent Evaluator’s Report at 37.

⁶ D.19-11-016 at OP 7-8.

B. The IE Report finds the solicitation process to be fair and reasonable.

In the public version of PG&E’s Advice Letter, CESA is unable to view the bid comparison metrics and results, as required in D.19-11-016;⁷ however, the Independent Evaluator (“IE”) report suggests a robust and fair outreach process and evaluation using the least-cost, best-fit (“LCBF”) methodology was conducted.⁸

C. Expedited contract approval is needed to ensure timely construction and deployment by August 1, 2021.

D.19-11-016 directed the use of Tier 3 advice letter for any IOU procurement approval requests, finding it to be an appropriate vehicle to balance a need for expedited approval and appropriate due process for parties.⁹ Given the near-term nature of the looming reliability need, PG&E requested that the protest period be shortened from the usual 20 days to 10 days, and to have the Commission issue a Resolution no later than 80 days from the submittal of this Advice Letter (*i.e.*, August 6, 2020), recognizing that “projects already have a very limited time to begin deliveries” and the feedback provided from energy storage developers.

CESA agrees with the need to ensure timely approval of contracts and advocated for final Commission approval of the contracts upon issuance of a Final Resolution by June 2020, or at the very latest, July 2020. PG&E’s proposed 80-day timeline would likely lead to late August or early September issuance of a Final Resolution, upon which the contracts in this Advice Letter would become “effective” – a review and approval timeline that runs the risk of developers incurring additional costs and risks related to late financing and project deployment delays given the extremely compressed time for permitting, construction, and equipment procurement.

In a Petition for Modification (“PFM”) of D.19-11-016, CESA detailed the financing challenges and various development risks faced by developers if final Commission approval takes the usual 4-6 month timeline, where 30-day approval timelines will play a critical role in increasing the probability that projects will be deployed in a timely manner to meet the August 1, 2021 COD deadline.¹⁰ A Proposed Decision (“PD”) was subsequently issued by Administrative Law Judge (“ALJ”) Julie Fitch on June 3, 2020 that ultimately denied CESA’s PFM but made an important determination that the “Commission staff should consider shortening or eliminating

⁷ *Ibid* at COL 23.

⁸ PG&E Advice Letter Attachment Hh2: Independent Evaluator’s Report at 21 and 35.

⁹ D.19-11-016 at FOF 28 and OP 9.

¹⁰ *California Energy Storage Alliance’s Petition for Modification of Decision 19-11-016* filed on April 1, 2020 in R.16-02-007. <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M331/K080/331080307.PDF>

comment periods on resolutions where no protests were received in response to the advice letter filing.”¹¹

In line with the intent of these determinations, CESA urges the Commission Energy Division to issue a Draft Resolution as soon as possible and to shorten or eliminate the comment period upon issuance of the Draft Resolution. Even if protests are made in response to the Advice Letter, CESA recommends that the Commission staff consider whether the issues raised by these parties warrant special or exceptional considerations given the urgency of the reliability issue faced in 2021, or can be addressed outside of the contract approval process. CESA understands that there are several regulatory uncertainties related, for example, to cost recovery and capacity counting methodologies, but these issues can be addressed outside of the process for assessing and approving the contracts submitted in this Advice Letter. In other words, it will be important not to delay contract approval to address broader policy or implementation issues that will be addressed elsewhere.

Specifically, CESA recommends that the Commission seek to prepare a Draft Resolution as soon as possible and reasonable so that a Final Resolution on PG&E’s Advice Letter can be voted for approval by the June 25, 2020 voting meeting (ideally) or the July 16, 2020 voting meeting (at the latest). Thus, a more expedited approval process than the one proposed by PG&E is needed.

Timely contract approval is thus important because many developers have already had to make equipment procurement and financing decisions on executed contracts seeking final Commission approval, thus requiring at-risk financing and further increasing the risk that projects will be unable to be delivered for the August 1, 2021 COD deadline. Even if it represents a matter of several weeks, such accelerated contract approval makes a significant difference in mitigating the financing costs and reducing project development risks that increases the likelihood of project success to deliver on the promised reliability and GHG benefits of the procured storage projects.

D. Counting conventions for hybrid resources will be determined in R.19-11-019 and should not impact the Commission’s determination to approve these contracts.

One area of uncertainty revolves around the capacity counting methodology for hybrid resources that D.19-11-016 said will be determined by counting protocols considered in R.17-09-020.¹² The capacity counting methodology will likely impact the RA value and thus the net market value calculation of some of the storage resources procured in this solicitation that are paired with generating resources. At the same time,

¹¹ Conclusion of Law 8 and Order 3 of *Proposed Decision Denying California Energy Storage Alliance Petition for Modification of Decision 19-11-016* issued on June 3, 2020 in R.16-02-007.

¹² D.19-11-016 at COL 26.

June 8, 2020
Page 5 of 5

in the new RA proceeding (R.19-11-019), the Commission issued a Proposed Decision (“PD”) on May 22, 2020 on, among other things, proposed counting conventions for hybrid resources that would supersede the “conservative interim methodology” adopted in D.20-01-004 in R.17-09-020.

The adoption of the PD in R.19-11-019 should not delay the review and approval of the contracts detailed in PG&E’s Advice Letter for several reasons. First, only one contract in the Advice Letter includes a hybrid resource claiming the investment tax credit (“ITC”) that may be impacted by the PD (*i.e.*, Blythe Energy Storage 110 Project), where any delay tied to this PD would unnecessarily slow down Commission approval of all contracts that have greater certainty on their qualifying capacity (“QC”) value. Second, while not final, the Commission’s determination on the QC value of hybrid resources will likely attribute greater capacity value to such resources based on an initial read of the PD.¹³ As a result, CESA assumes that the RA valuation of the hybrid resource contract will be higher than detailed in the Advice Letter. Third, despite this regulatory uncertainty, PG&E’s procurement (423 MW) in excess of its 50% target by August 1, 2021 (358.45 MW, half of the 716.9 MW cumulative target by 2023) mitigates any compliance risk.

III. CONCLUSION.

CESA appreciates the opportunity to submit this response in support of PG&E’s Advice Letter and looks forward to collaborating with the Commission and PG&E to support the Phase 2 solicitation that addresses the remaining needs as identified in D.19-11-016.

Respectfully submitted,



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cc: Erik Jacobson, PG&E (PGETariffs@pge.com)
Service list R.16-02-007

¹³ At the same time, the Commission should seek to provide clarifications on this matter that they will calculate the QC value of incrementally procured resources pursuant to D.19-11-016 based on the latest methodology adopted in R.19-11-019, as opposed to the conservative, interim one adopted in R.17-09-020. This is the subject of the *California Community Choice Association Petition for Modification of Decision 19-11-016* filed in R.16-02-007 on May 14, 2020.