

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

Order Instituting Rulemaking to
Continue Electric Integrated Resource
Planning and Related Procurement
Processes.

Rulemaking 20-05-003
(Filed on May 7, 2020)

**REPLY COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE ON
THE ORDER INSTITUTING RULEMAKING TO CONTINUE ELECTRIC
INTEGRATED RESOURCE PLANNING AND RELATED PROCUREMENT
PROCESSES**

Alex J. Morris
Executive Director

Jin Noh
Senior Policy Manager

CALIFORNIA ENERGY STORAGE ALLIANCE
2150 Allston Way, Suite 400
Berkeley, California 94704
Telephone: (510) 665-7811
Email: cesa_regulatory@storagealliance.org

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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 *Order Instituting Rulemaking to Continue Electric Integrated Resource Planning and Related Procurement Processes* (“OIR”), issued by the Joint Commissioners on May 14, 2020. In addition, pursuant to the *Administrative Law Judge’s Ruling Scheduling Prehearing Conference and Seeking Comments on Proposed Proceeding Schedule* (“Ruling”), issued by Administrative Law Judge (“ALJ”) Julie A. Fitch on June 15, 2020, CESA is also including herein our comments on the proposed three-year integrated resource planning (“IRP”) schedule.

I. INTRODUCTION.

The IRP framework established in Rulemaking (“R.”) 16-02-007 has laid a solid foundation in which to model medium- and long-term needs and helped stakeholders become familiar with the process and modeling tools to assess the optimal resource mix to reach the state’s environmental and policy goals. CESA commends the Commission in establishing this important foundation for a new process and approach to long-term planning. However, as other parties have

noted, CESA has not yet seen the linkages between this forward-looking IRP modeling and procurement process with the reliability needs identified in the Resource Adequacy (“RA”) Program, leading to short-lead-time procurement processes to address near-term reliability needs. Rather than pursuing orderly procurement with forward-looking plans to replace fossil generation, such expedited procurement processes only serve to increase ratepayer costs. In addition, given the role that the current gas fleet plays in providing local reliability, plans or strategies to phase out and retire natural gas generation has not been sufficiently advanced or informed by the IRP modeling process.

As such, CESA agrees with the call from parties to prioritize procurement needs and to plan for the retirement of gas generation such that load-serving entities (“LSEs”) are guided or directed to conduct orderly, informed, and timely procurement for preferred resources. To this end, CESA respectfully disagrees with the proposed three-year schedule for the IRP as proposed in the Ruling and recommends that the Commission maintain the current two-year cycle to ensure that modeling is timely and responsive to market conditions and dynamics. The energy storage asset class, for example, represents a constantly evolving and diverse set of technologies that are improving in performance, cost, commercial availability, and configurations (*e.g.*, innovative hybrids) that would face lags in being reflected in modeling exercises under a three-year cycle. In these comments, CESA replies to parties’ comments and makes the following points:

- A focus on procurement needs and guidance should be a priority in this rulemaking.
- The current two-year cycle should be maintained to ensure that rapidly changing market dynamics and to inform timely policy guidance in alignment with modeling.
- Any procurement guidance would be more timely and informative if based on modeling results in a two-year cycle and based on one reference portfolio.
- Storage performance characteristics and incentives should be addressed in other proceedings.

II. A FOCUS ON PROCUREMENT NEEDS AND GUIDANCE SHOULD BE A PRIORITY IN THIS NEW RULEMAKING.

A number of parties are in line with CESA’s recommendation to urgently focus on procurement needs given the unsustainability of current rapid procurement processes and due to the need to more aggressively focus on how the IRP can inform gas retirements and phase outs.¹ In particular, in the near term, CESA agrees with the California Independent System Operator (“CAISO”) that a procurement decision for 2024-2025 is needed in the coming months to replace the Diablo Canyon Power Plant, especially as extensions are not possible, as was done for the once-through-cooling (“OTC”) facilities for 2021-2023 needs.² Furthermore, CESA wholeheartedly agrees with the CAISO that long lead-time procurement needs must be prioritized in the procurement track given that least-regrets Commission action is needed in the near term to ensure long-term needs are met.³ While the CAISO referred to these needs in relation to transmission investments with 10-year lead times, the same logic applies for many long-duration storage projects needed in the 2026-2030 period that have relatively longer construction timelines and/or require ramping up of supply chains.

Effective and robust modeling is an important aspect of the IRP process, but CESA urges a more balanced focus on procurement to advance progress toward the modeled needs, ensuring that timely, least-regrets procurement is launched in the near term while also taking action to begin addressing long-term needs.

¹ California Community Choice Association (“CalCCA”) comments at 2 and 5; Vote Solar, Large Scale Solar Association (“LSA”), and Solar Energy Industries Association (“SEIA”) comments at 6; Public Advocates Office (“PAO”) comments at 2 and 5-6. California Environmental Justice Alliance (“CEJA”) Sierra Club, Natural Resources Defense Council (“NRDC”), and Union of Concerned Scientists (“UCS”) comments at 6-7 and 11-13; and Southern California Edison Company (“SCE”) comments at 7-8.

² CAISO comments at 2-3.

³ *Ibid* at 4.

III. THE CURRENT TWO-YEAR CYCLE SHOULD BE MAINTAINED TO ENSURE THAT MODELING REFLECTS CHANGING MARKET DYNAMICS AND TO INFORM TIMELY POLICY GUIDANCE IN ALIGNMENT WITH MODELING.

The Ruling proposes a three-year IRP cycle that would entail Reference System Portfolio (“RSP”) development in Year 1, LSE-specific IRP preparation and consideration in Year 2, and Preferred System Portfolio (“PSP”) adoption in Year 3. The intent of this modified schedule is to allow more time for modeling analysis, stakeholder review, and IRP development by individual LSEs. At the same time, the proposal includes an opportunity for procurement to be directed at multiple times in the IRP cycle after the adoption of the RSP or PSP.⁴ CESA understands the need to provide additional time to conduct robust modeling, vet modeling assumptions and results, and enable stakeholder review

However, CESA is concerned that a three-year cycle would create significant lags in the modeling results being rooted in dynamic market conditions. Technology inputs and assumptions are dynamic and thus any modeling outputs have the potential to become stale with longer modeling cycles. For example, in moving from the 2017-2018 IRP cycle to the 2019-2020 IRP cycle, the Commission noted the rapidly-declining technology costs of solar and battery storage resources,⁵ outpacing expectations⁶ and thus driving the resulting optimal portfolio to be concentrated in solar and storage resources. Such rapid market dynamics would be missed or be reflected with a time lag in the modeling results under a three-year planning cycle. Similarly, future continuing cost declines of solar and storage and the emergence of different long-duration storage and behind-the-meter (“BTM”) technologies could face similar time lags in future RSP results.

⁴ Ruling at 4 and Attachment A at 1.

⁵ *2019-2020 Electric Resource Portfolios to Inform Integrated Resource Plans and Transmission Planning*, D.20-03-028, issued on April 6, 2020 in R.16-02-007 at 10.

⁶ Attachment A of *Administrative Law Judge’s Ruling Seeking Comment on Proposed Reference System Portfolio and Related Policy Actions* filed on November 5, 2019 in R.16-02-007 at 38.

Even if LSEs were afforded some flexibility to reflect updated inputs in their individual IRPs, the resulting PSP from the aggregated IRPs would then not be comparable to the RSP.

As explained further below, CESA believes that the two-year planning cycle will also inform timely policy and procurement guidance in line with the latest technology and resource costs, performance characteristics, and commercial availability. Under a three-year cycle, CESA believes that the policy guidance will be delayed and potentially misaligned with current market conditions of available technologies and resources needed to meet the state's policy and environmental goals.

IV. ANY PROCUREMENT GUIDANCE WOULD BE MORE TIMELY AND INFORMATIVE IF BASED ON MODELING RESULTS IN A TWO-YEAR CYCLE AND BASED ON ONE REFERENCE PORTFOLIO.

CESA is also concerned about the confusion that could be created by directing procurement based on either the RSP or PSP, as proposed in the Ruling, which makes it unclear to determine the basis for accountability. Beyond the current 2019-2020 IRP cycle, any new needs determination will be based off the adopted RSP or PSP, which could lend itself to becoming a source of confusion and controversy.⁷ If procurement is directed based on the RSP and LSEs adhere to the procurement directive accordingly, it is unclear and confusing as to whether any additional procurement should be directed in response to the PSP, if the PSP deviates from the RSP but reflects LSE priorities, preferences, or ongoing procurement activities. An LSE, for instance, that procures 10 MW of system RA in response to a procurement directive based on the RSP and their share of the system need may subsequently be subject to additional procurement for system need due to the other LSEs' portfolios, which may or may not be tied to the optimal resource mix or to their fair share of procuring for reliability and renewable integration needs.

⁷ Ruling Attachment at 2-5.

Instead, CESA supports a two-year cycle where the RSP is utilized to provide policy guidance and procurement directives, thereby providing one authoritative source by which the LSE activities and individual IRP filings would need to adhere to. This approach would potentially relieve the modeling burden by having the most intensive production cost modeling validation be conducted on this optimal resource mix as identified in the RSP via RESOLVE, as opposed to delaying any action or creating two sources of authority with such additional modeling steps being required for the PSP as well, which CESA views as driving the Commission’s proposal to prolong the IRP process to span three years. In particular, CESA supports the CAISO proposal to use the individual LSE plans and resulting PSP as a means to assess compliance and adherence to the RSP, measured in the form of “excess deviations” that would need to be defined. In doing so, the CAISO argued that it may “reduce the workload and complexity involved in creating an aggregated portfolio” and may “even eliminate the need for a Preferred System Plan” in order to maintain the current two-year cycle.⁸ CESA agrees and adds that, if the PSP is intended to adhere to closely with RSP guidance in meeting the greenhouse gas (“GHG”) emissions target but also offering some LSE flexibility,⁹ the intended purpose of the PSP would be maintained if the RSP is framed as the authoritative planning guidance and the PSP is positioned as a compliance measure. If this path is pursued, the Commission should consider how the CAISO’s proposed “excessive deviation” would be defined.

At the same time, an additional advantage of CAISO’s proposal is that it could potentially reduce or eliminate the burden of the IRP planning and modeling process by obviating the need for aggregation and additional production cost modeling verification for reliability. Rather than

⁸ CAISO comments at 8-9.

⁹ *Amended Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge* issued on May 14, 2018 in R.16-02-007 at 2.

dedicating additional time to conducting reliability-related modeling for the RSP and PSP, CESA believes that it is a more prudent use of Commission and contractors' time and resources to focus on completing such modeling for the RSP and ensure that the resulting RSP adheres to not only GHG emissions targets but also system reliability requirements.

V. STORAGE PERFORMANCE CHARACTERISTICS AND INCENTIVES SHOULD BE ADDRESSED IN OTHER PROCEEDINGS.

The California Wind Energy Association (“CalWEA”) casts doubts on energy storage performance and operations in their comments and recommends the development of standards for battery performance.¹⁰ CESA does not believe the IRP proceeding is the appropriate venue to address these issues, which are more appropriately addressed in the development of RA products, refinement of the CAISO market design, and refinement of LSE contracts or contracting mechanisms. Any developments on these fronts in other proceedings can be reflected in the IRP modeling, but it is important for the IRP to identify the specific performance attributes that are needed to meet the state’s policy, environmental, and reliability goals but not to prescribe specific standards, resource types, or diversity for its own sake in the procurement track. At the same time, it is still worthwhile and prudent for the Commission to consider any procurement barriers to various resource types to ensure that they are able to viably participate in competitive solicitations or other sourcing mechanisms. Additionally, any diversity should not be the means to an outcome but instead should be the result of RSP modeling outputs through the accurate modeling of a wider range of candidate resource technologies, or if justified, through sensitivity scenarios for certain special-case resource types that may warrant specific and targeted policy interventions. To this end, with the greater focus on the RSP, as recommended herein, CESA urges that the Commission

¹⁰ CalWEA comments at 13-14.

more flexibly consider a wider range of resource types and associated performance characteristics in the RESOLVE modeling, including for wind energy as CalWEA has recommended but also on additional types of long-duration storage and other emerging/evolving technologies.

VI. CONCLUSION.

CESA appreciates the opportunity to submit these reply comments to the OIR 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".

Alex J. Morris
Executive Director
CALIFORNIA ENERGY STORAGE ALLIANCE

Date: July 6, 2020