

October 1, 2020

CPUC Energy Division Tariff Unit
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**Re: Response of the California Energy Storage Alliance to Advice Letter 3605-E
of San Diego 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 3605-E of San Diego Gas and Electric Company (“SDG&E”), *Request for Approval of System Reliability Contracts Resulting from SDG&E’s Request for Offers under D.19-11-016* (“Advice Letter”), submitted on September 11, 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, SDG&E launched their 2020 System Reliability Request for Offers (“RFO”) on December 13, 2019 and subsequently submitted this Advice Letter on September 11, 2020 seeking Commission approval of five agreements for 164 MW of incremental storage nameplate capacity for standalone battery storage projects including two utility-owned projects. Each of the agreements require commercial online dates (“CODs”) by August 1, 2021 and span 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 SDG&E’s Advice Letter. By procuring new, incremental standalone energy storage resources, SDG&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, SDG&E also reduces the need to default to the use of once-through-cooling (“OTC”) facilities, improving the odds that they remain last-resort System RA resources given their carbon and environmental impacts. SDG&E’s proposed contracts thus 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 SDG&E’s Advice Letter, the proposed contracts represent procurement of entirely new storage resources, as well as incremental System RA relative to the baseline adopted in D.19-04-040.² Furthermore, these new storage resources represent preferred resources and are contracted with term lengths at or exceeding 10 years, thus meeting this requirement.³ Finally, based on the publicly-available information, the solicitation is reported to have been conducted without bias towards any ownership model in the treatment of bids/bidders and during bid evaluation,⁴ pursuant to D.19-06-032 and D.19-11-016.⁵ In accounting for the above, CESA believes the proposed contracts are compliant with the procurement parameters of D.19-11-016.

B. Resolutions E-5100 and E-5101 set the precedent for review of SDG&E’s contracts for approval and should support streamlined approval where appropriate.

To support streamlined review, the Commission should leverage the precedent established with the approval of new resource procurement by Pacific Gas and Electric Company (“PG&E”) and Southern California Edison Company (“SCE”) through the issuance of Resolutions E-5100 and E-5101, respectively. These Resolutions determined, among other things, that additional greenhouse gas (“GHG”) emissions impact analysis

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

² *Ibid* at FOF 18 and Conclusion of Law (“COL”) 14.

³ *Ibid* at COL 28.

⁴ SDG&E Advice Letter Attachment C: Report of the Independent Evaluator at 17-19 and 23.

⁵ Appendix A of D.19-06-032 at 2 and D.19-11-016 at OP 8-9.

is not a prerequisite for approval of the proposed energy storage contracts⁶ and that interim cost tracking mechanisms and balancing accounts can be used in the interim until a modified cost allocation mechanism (“CAM”) is adopted for costs associated with procurement directed through D.19-11-016.⁷ These issues have been raised in protests, responses, and comments, and were ultimately either dismissed or deferred in approving the resulting contracts. Given these prior determinations, the Commission should streamline review wherever possible for issues that have already been addressed.

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

In the public version of SDG&E’s Advice Letter, CESA is unable to view the bid comparison metrics and results, as required in D.19-11-016;⁸ 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.⁹ In addition, the IE reports that the selected bids had “positive scores” and that the total score was “optimal”.¹⁰ Normally, more extensive review of the LCBF evaluation may be warranted, but in this case where time remaining for approval and deployment is limited, CESA recommends that the Commission rely on the IE evaluation results to the degree feasible as providing reasonable assurances that these resources were the most effective and cost-effective resources bid into the solicitation.

D. 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.¹¹ Given the near-term nature of the looming reliability need, SDG&E requested that the Commission issue a Final Resolution by December 17, 2020.¹² For similar reasons, potential delays, including due to Commission approval, was also cited in the IE report as being developers’ point of concern in meeting project milestones.¹³

CESA agrees with the need to ensure timely approval of contracts but recommends a more aggressive timeline than proposed by SDG&E for a Final

⁶ Resolution E-5101 Finding 9 and Resolution E-5100 Finding 1.

⁷ Resolution E-5100 Finding 3.

⁸ *Ibid* at COL 23.

⁹ SDG&E Advice Letter Attachment C: Report of the Independent Evaluator at 12-13.

¹⁰ *Ibid* at 25.

¹¹ D.19-11-016 at FOF 28 and OP 9.

¹² SDG&E Advice Letter at 13.

¹³ SDG&E Advice Letter Attachment C: Report of the Independent Evaluator at 29

Resolution to be issued by November 5, 2020. SDG&E's proposed timeline is likely the maximum allowable period before contracts can be terminated, but CESA believes that the Commission should strive to accelerate contract review and approval. SDG&E's proposed timeline by December 17, 2020 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 contrast to Resolutions E-5100 and E-5101 that approved a set of storage contracts pursuant to D.19-11-016, the timeline is even more compressed for SDG&E's contracts to meet the same commercial online date. Whereas the PG&E and SCE contracts would have 9 to 11 months to be fully commissioned and operational by the August 1, 2021 deadline, the proposed SDG&E contracts would have their lead time reduced by three months.

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 procedural timeline.¹⁴ D.20-07-009 was subsequently issued that ultimately denied CESA's PFM but made an important determination that the "Commission staff should consider shortening or eliminating comment periods on resolutions where no protests were received in response to the advice letter filing."¹⁵ 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. If many of the same protests or responses are made in response to SDG&E's Advice Letter as done in the case for PG&E's and SCE's Advice Letters for procurement pursuant to D.19-11-016, the Commission should more expeditiously advance to Draft and Final Resolution issuance, as noted above.

To better ensure success of the solicitation and reduce regulatory costs and risks, the Commission should strive to pursue final contract approval on a more accelerated timeline than recommended by SDG&E. Timely contract approval is 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 or a month, 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.

¹⁴ *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>

¹⁵ 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.

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III. CONCLUSION.

CESA appreciates the opportunity to submit this response in support of SDG&E's Advice Letter and looks forward to collaborating with the Commission and stakeholders in this proceeding.

Respectfully submitted,



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cc: Gregory Anderson, SDG&E (ganderson@sdge.com)
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Service lists R.20-05-003 and R.16-02-007