BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company (U 39-E) for Approval and Recovery of Oakland Clean Energy Initiative Preferred Portfolio Procurement Costs.	Application 20-04-013 (Filed April 15, 2020)

REPLY BRIEF OF THE CALIFORNIA ENERGY STORAGE ALLIANCE

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

December 4, 2020

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company (U 39-E) for Approval and Recovery of Oakland Clean Energy Initiative Preferred Portfolio Procurement Costs.	Application 20-04-013 (Filed April 15, 2020)

REPLY BRIEF OF THE CALIFORNIA ENERGY STORAGE ALLIANCE

In accordance with the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission"), the California Energy Storage Alliance ("CESA") hereby submits this reply brief as part of the proceeding for the *Application of Pacific Gas and Electric Company (U 39 E) for Approval of Oakland Clean Energy Initiative Preferred Portfolio Procurement Costs* ("Application"), submitted and filed by Pacific Gas and Electric Company ("PG&E") on April 15, 2020.

I. INTRODUCTION.

CESA continues to support Commission approval of the portfolio of energy storage resources under Local Area Reliability Service ("LARS") agreements from the Oakland Clean Energy Initiative ("OCEI"). The OCEI represents an innovative, one-of-a-kind solicitation in collaboration with East Bay Community Energy ("EBCE") that advances the state's decarbonization goals while delivering ratepayer value by providing both transmission reliability to PG&E and resource adequacy ("RA") benefits to EBCE. Given the innovative nature of this procurement, CESA can understand where there may be concerns regarding the benefit-cost analysis, proposed cost recovery methods, and other issues identified in the Scoping Memo. However, in reviewing the record, CESA believes that the Commission has reasonable assurances of the value and benefits of the agreements submitted to the Commission for approval, especially in delivering the reliability needed to replace the Oakland Power Plant.

In this reply brief, CESA briefly responds to comments raised in parties' opening briefs and makes the following points in support of the approval of the Application:

- The California Independent System Operator ("CAISO") has thoroughly assessed the portfolio as the most cost-effective transmission reliability solution in the Transmission Planning Process ("TPP").
- The scope of the proceeding should focus on the attributes procured by PG&E and compare them to the reliability must-run ("RMR") contract alternative.
- A greenhouse gas ("GHG") emission reduction demonstration is not necessary for energy storage contract approval.
- Federal Energy Regulatory Commission ("FERC") approval of the load transfer agreement dispute should not be a prerequisite for OCEI contract approval.

II. THE CAISO HAS THOROUGHLY ASSESSED THE PORTFOLIO AS THE MOST COST-EFFECTIVE TRANSMISSION RELIABILITY SOLUTION IN THE TRANSMISSION PLANNING PROCESS.

Despite questions from certain parties to the reliability of the energy storage resources and operational feasibility in delivering on its reliability obligations, PG&E and the CAISO have thoroughly demonstrated that the contracted energy storage resources will deliver on its reliability obligations. The California Large Energy Consumers Association ("CLECA") contends that the LARS agreement relies on perfect foresight to ensure sufficient state of charge of the energy storage resource to deliver on the transmission reliability need,[1] but the CAISO addresses these concerns by citing how the energy storage resources will use existing day-ahead market tools

[1] CLECA Opening Brief at 2.

currently being used for long-start gas units to respond to contingency needs.[2] If such tools are capable of responding to contingency needs for long-start gas units, they should be capable for use for energy storage state of charge management and dispatch, especially as a fast and flexible resource. CLECA's arguments are thus moot. Broadly, CESA urges the Commission to not relitigate extensive and rigorous technical review of the TPP, which contemplated issues around portfolio reliability, cost-effective alternatives, and performance of portfolio resources.

III. THE SCOPE OF THE PROCEEDING SHOULD FOCUS ON THE ATTRIBUTES PROCURED BY PG&E AND COMPARE THEM TO THE RELIABILITY MUST-RUN CONTRACT ALTERNATIVE.

The Alliance for Retail Energy Markets and Direct Access Customer Coalition ("AReM/DACC") recommends that the Commission evaluate the totality of costs of the energy storage resources, including the RA procured by EBCE, while Public Advocates Office ("PAO") recommends a total cost comparison with other RA-only contracts or contracts for similar resources. CESA believes that such recommendations are unnecessary, out of scope, and not comparable in many ways. First, the RA benefits are outside the scope of review of this Application, considering PG&E is not procuring for these attributes. How the energy storage resource monetizes other value streams are irrelevant to PG&E so long as the transmission reliability requirements under the LARS agreement are met. PG&E is only procuring for the transmission reliability attributes of the energy storage resource as a non-wires investment, where the costs of the investment or the service payments are what should be compared to conventional transmission alternatives. To that end, PG&E has met this obligation. These findings were affirmed through the CAISO's approval of the portfolio in their annual Transmission Plans.

[2] CAISO Opening Brief at 3-4.

Second, CESA agrees with EBCE's comments that the appropriate framing of the cost-effectiveness of the energy storage resources is to compare them to much more expensive reliability must-run ("RMR") contracts for the Oakland Power Plant.[3] Not only was the OCEI portfolio identified as the most cost-effective transmission alternative, it would provide immediate and obvious cost savings and local emissions reduction benefits by avoiding the need to extend the RMR contract with the Oakland Power Plant.

VII. <u>A GHG EMISSIONS REDUCTION DEMONSTRATION IS NOT NECESSARY FOR ENERGY STORAGE CONTRACT APPROVAL</u>.

As noted in our Rebuttal Testimony, CESA explained that an upfront demonstration of GHG emissions reduction is not needed to procure and contract for energy storage resources. PAO continues to advocate for this type of showing, finding that PG&E has failed to do so. However, for contract approvals related to Decision ("D.") 19-11-016 and many before, the Commission has not made this a requirement for approval, which would be overly complex and yield minimal benefit given that rational energy storage responding to wholesale market prices will deliver GHG emissions reduction. As EBCE highlighted, the OCEI portfolio will deliver immediate local emissions reduction benefit in a disadvantaged community by replacing the Oakland Power Plan and these GHG reduction benefits can be assessed qualitatively.[4]

VIII. <u>FERC APPROVAL OF THE LOAD TRANSFER AGREEMENT DISPUTE SHOULD NOT BE A PREREQUISITE FOR OCEI CONTRACT APPROVAL</u>.

CESA cannot speak to the merits of the load transfer agreement dispute between Alameda Municipal Power ("AMP") and PG&E, but we agree with the CAISO and PG&E that the determination by FERC on this matter should not be determinative to the approval of the LARS

[3] EBCE Opening Brief at 2, 7, and 11-12.

[4] EBCE Opening Brief at 4 and 16.

agreements in this proceeding, especially considering that the disallowance of the load transfer will merely increase the need for resources in the area.[5] As a result, depending on the outcome in that FERC proceeding, PG&E and the CAISO will have a future opportunity to assess the need for additional resources in the TPP. The alternative would be to continue reliance on the much higher-cost RMR resource that comes with associated local emissions. A more reasonable and risk-mitigated approach would be to approve the LARS agreement notwithstanding the determinations made at FERC.

IX. CONCLUSION.

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

Respectfully submitted,

Alex J. Morris
Executive Director
CALIFORNIA ENERGY STORAGE ALLIANCE

Date: December 4, 2020

[5] CAISO Opening Brief at 4 and PG&E Opening Brief at 16-17.