

January 4, 2021

CPUC Energy Division Tariff Unit
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Re: Comments of the California Energy Storage Alliance to Draft Resolution E-5117: Partially approves San Diego Gas & Electric’s plan submitted in Advice Letter 3605-E to procure 164 megawatts of resources to satisfy requirements of D.19-11-016

Dear Sir or Madam:

Pursuant to the provisions of General Order 96-B, the California Energy Storage Alliance (“CESA”) hereby submits these comments to the above-referenced Draft Resolution E-5117 (“Draft Resolution”) issued on December 11, 2020, partially approving Advice Letter 3605-E of San Diego Gas and Electric Company (“SDG&E”).

I. INTRODUCTION & SUMMARY.

On September 11, 2020, SDG&E submitted an advice letter to obtain approval of five energy storage contracts resulting from their 2020 System Reliability Request for Offers (“RFO”). In total, SDG&E procured 164 MW of energy storage projects, with 154 MW of Resource Adequacy (“RA”) capacity coming online by August 1, 2021 and the remaining 10 MW being phased into completion by August 1, 2022. With SDG&E needing approximately 150 MW of System RA capacity by August 1, 2021 pursuant to Decision (“D.”) 19-11-016, these contracts submitted for Commission approval would count toward these requirements. Subsequently, SDG&E submitted supplemental advice letters on November 12, 2020 and December 4, 2020 that provided additional information requested by Energy Division related to the bid evaluation metrics, including the inputs and formulas used, among other things.

Upon review, Draft Resolution E-5117 was issued by the Commission on December 11, 2020 that partially approved SDG&E’s advice letter filing, whereby only 124 MW of the total 164 MW in contract capacity was approved. Specifically, the two utility-owned generation (“UOG”) contracts each for 20 MW of System RA capacity (or 40 MW in total) were rejected. Due to heavy redactions included in the Draft Resolution, it is extremely challenging for CESA to comment on the merits or reasonableness of the Commission’s decision, so instead we recommend that the Commission consider the broader context of the 2021 Emergency Reliability Capacity

Procurement Ruling recently issued by the Commission in Rulemaking (“R.”) 20-11-003.¹ Considering the important role of energy storage in the state’s Integrated Resource Planning (“IRP”) goals and resource buildout, CESA recommends that the Commission consider SDG&E’s proposed contract amendments to address any issues or deficiencies in SDG&E’s showing.

As a result, CESA supports the timely approval of the Draft Resolution at the upcoming January 14, 2020 Commission voting meeting, such that the three energy storage contracts already proposed for approval can proceed with bringing their resource capacity online and the two UOG energy storage contracts currently proposed for rejection can also be approved, assuming the proposed contract amendments submitted by SDG&E address the Commission’s concerns. Our comments can therefore be summarized as follows:

- The two rejected UOG energy storage contracts should be approved as amended assuming they address issues identified in the Draft Resolution to meet the requirements of D.19-11-016 and to address overlapping concerns in R.20-11-003.
- The RA Only and power purchase agreement (“PPA”) contracts should be approved and not be contingent on the proposed contract amendments recommended above.
- The determinations on greenhouse gas (“GHG”) reduction requirements and contract term length are reasonable.

II. COMMENTS.

A. The two rejected UOG energy storage contracts should be approved as amended assuming they address issues identified in the Draft Resolution to meet the requirements of D.19-11-016 and to address overlapping concerns in R.20-11-003.

The Draft Resolution rejected the two UOG energy storage contracts submitted for Commission approval by SDG&E, presumably due to contract details for these projects.² Some additional details were revealed through SDG&E’s comments to the Draft Resolution, which cited concerns regarding the potential online date of the two UOG energy storage contracts.³ Furthermore, the use of “novel assumptions” such as the avoided curtailment value was highlighted as an issue, which may not be unique to the UOG contracts but was cited as an area that “requires further development” such that it could have contributed to the Commission’s determination on the two rejected UOG energy contracts. However, due to

¹ Assigned Commissioner’s Ruling Directing the State’s Three Large Electric Investor-Owned Utilities to Seek Contracts for Additional Power Capacity to be Available by the Summer of 2021 or 2022 issued on December 28, 2020 in R.20-11-003.

² Draft Resolution at 11.

³ SDG&E comments at 2.

heavy redactions, it is challenging to pinpoint the key issues that led to the Commission's determination.

Notwithstanding these concerns, CESA recommends that the Commission approve the two rejected UOG energy storage contracts, as submitted in proposed contract amendments by SDG&E, given the urgent need for capacity – evidenced by the Commission opening R.20-11-003 and the issuing the December 28, 2020 procurement order for Summer 2021 emergency capacity.⁴ Among the capacity being considered for incremental procurement to address reliability needs caused by extreme weather events (*e.g.*, heat storms like those observed in August and September 2020), the Commission initially proposed incremental efficiency upgrades to existing power plants, re-contracting for at-risk generation, firm forward import contracts, and incremental energy storage capacity. In the Commission's efforts to procure capacity wherever they can, CESA urges the Commission to consider how they can make it possible for the two UOG energy storage contracts to be approved with key modifications or further substantiation, given that energy storage represents a critical resource type to meet the state's IRP goals and a clean alternative to any of the other procurement options contemplated in R.20-11-003 (*e.g.*, securing uncontracted thermal generation, incremental efficiency upgrades to existing gas generation). By finding a pathway for these two UOG energy storage contracts, the Commission will align with the 2019-2020 Reference System Plan that selected 8,873 MW of battery storage capacity by 2030 to meet the 46 million metric ton ("MMT") GHG constraint⁵ while at the same time supporting emergency capacity needs and delivering System RA capacity pursuant to D.19-11-016.

As SDG&E explains in its comments to the Draft Resolution, the potential commercial online date ("COD") of the two UOG energy storage contracts by August 1, 2021 as required by D.19-11-016 was cited as one of the grounds for rejection. However, depending on SDG&E's planned contract amendments,⁶ CESA recommends that the Commission allow for these resources to still come online within the August to September 2021 period in line with the Commission's concerns in the Draft Resolution and the "overlapping" emergency reliability capacity needs being analyzed and considered in R.20-11-003. While not yet fully vetted or accepted by the Commission, some of the supplemental analyses being submitted in R.20-11-003 suggest that the emergency reliability needs extend through the September 2021 period and reliability in general is contingent on planned procured capacity coming online in a timely manner. Based on a 20% planning reserve margin ("PRM"), for example, the California Independent System Operator ("CAISO") has identified RA capacity shortfalls from 450 MW to 3,300 MW in the July through September 2021 period, particularly in the net peak load hours.⁷ In addition, Southern California Edison Company ("SCE") conducted 1-in-10 loss-of-load expectation ("LOLE") study on Summer 2021 needs that found the reliable 0.09

⁴ *E-Mail Ruling Directing Parties to Serve and File Responses to Proposals and Questions Regarding Emergency Capacity Procurement by the Summer of 2021* issued on December 11, 2020 in R.20-11-003.

⁵ See D.20-03-028 at 41.

⁶ SDG&E comments at 3.

⁷ See CAISO comments to Draft Resolution E-5117 at 2 and *Comments of the California Independent System Operator on Order Instituting Rulemaking Emergency Reliability* filed on November 30, 2020 in R.20-11-003 at 3-4. <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M353/K226/353226841.PDF>

LOLE result being heavily dependent on the on-time delivery of the 1,650 MW of procurement ordered by D.19-11-016.⁸ Taken together, the Commission should allow for some flexibility in the COD requirements beyond what is directed in D.19-11-016 to consider the context of emergency reliability needs through September 2021 that would minimize or limit the amount of reliance needed on fossil-fueled generation through re-contracting or upgrades. In this way, CESA believes that potential SDG&E contract amendments and compliance filings should be considered in approving the two UOG energy storage contracts.

Finally, the Draft Resolution comments on how SDG&E should have put forth a “greater effort” given the urgency of the procurement pursuant to D.19-11-016 and the level of competition for resources when every load-serving entity (“LSE”) is simultaneously going out to buy capacity to meet their respective requirements.⁹ Especially in light of D.19-11-016 having certain information requirements and the submission of supplemental advice letters to address information gaps,¹⁰ CESA understands that the Commission may have felt hard-pressed to review the submitted contracts for approval. CESA agrees that such issues should be addressed for all future procurements and have SDG&E more effectively substantiate the basis for Commission approval. However, at this time, due to time constraints to meet the COD in the August through September 2021 period, CESA recommends that the Draft Resolution with the aforementioned modifications be approved for the two UOG energy storage contracts.

B. The RA Only and PPA contracts should be approved and not be contingent on the proposed contract amendments recommended above.

The Draft Resolution briefly comments on the reasonableness of the two RA Only energy storage contracts in meeting the requirements of D.19-11-016.¹¹ CESA supports this determination and recommends approval of these contracts at the January 14, 2021 Commission voting meeting to ensure sufficient lead time to bring these resources online by August 1, 2021. Despite heavy redactions on the potential concerns related to “novel assumptions” used, the Draft Resolution also finds the one PPA energy storage contract to be “within acceptable bounds” and in line with the requirements of D.19-11-016.¹² Accordingly, CESA recommends timely approval of the Draft Resolution on January 14, 2021 with the modifications recommended above.

⁸ *Southern California Edison Company’s (U 338-E) Comments on Order Instituting Rulemaking to Establish Policies, Processes, and Rules to Ensure Reliable Electric Service in California in the Event of an Extreme Weather Event in 2021* filed on November 30, 2020 in R.20-11-003 at 2-3 and Appendix A.

<https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M352/K313/352313771.PDF>

⁹ Draft Resolution at 8.

¹⁰ *Ibid* at 5-6.

¹¹ *Ibid* at 9.

¹² *Ibid* at 9.

C. The determinations on GHG reduction requirements and contract term length are reasonable.

CESA supports and agrees with the Draft Resolution's determinations that a demonstration of GHG reduction of the procured energy storage resources to be reasonable.¹³ We add that this determination is consistent with Resolution E-5100 and Resolution E-5101 approving the energy storage contracts executed and submitted for approval by Pacific Gas and Electric Company ("PG&E") and Southern California Edison Company ("SCE"), respectively. D.19-11-016 also does not require such a demonstration to be required.¹⁴

Additionally, CESA supports and agrees with the Draft Resolution's determinations that SDG&E's signing of long-term contracts as reasonable in order to support new resource development.¹⁵ Again, CESA adds that long-term contracting for at least 10 years is required and justified in D.19-11-016 as avoiding a "cliff" from short-term contracts leading to another system reliability challenge.¹⁶

III. CONCLUSION.

CESA appreciates the opportunity to submit these comments to Draft Resolution E-5117 and looks forward to collaborating with the Commission and SDG&E.

Respectfully submitted,



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Service lists R.16-02-007 and R.20-05-003

¹³ *Ibid* at 10.

¹⁴ See D.19-11-016 at Ordering Paragraph ("OP") 9.

¹⁵ Draft Resolution at 11.

¹⁶ See D.19-11-016 at 47 and OP 10.