

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

Order Instituting Rulemaking Regarding Policies, Procedures and Rules for Development of Distribution Resources Plans Pursuant to Public Utilities Code Section 769.	Rulemaking 14-08-013 (Filed August 14, 2014)
And Related Matters.	Application 15-07-002 Application 15-07-003 Application 15-07-006
<b>(NOT CONSOLIDATED)</b>	
In the Matter of the Application of PacifiCorp (U901E) Setting Forth its Distribution Resource Plan Pursuant to Public Utilities Code Section 769.	Application 15-07-005
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**COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE ON THE  
ADMINISTRATIVE LAW JUDGE’S RULING MODIFYING THE DISTRIBUTION  
INVESTMENT DEFERRAL FRAMEWORK PROCESS**

Jin Noh  
Policy Director

**CALIFORNIA ENERGY STORAGE ALLIANCE**  
2150 Allston Way, Suite 400  
Berkeley, California 94704  
Telephone: (510) 665-7811  
Email: [cesa\\_regulatory@storagealliance.org](mailto: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 comments on the *Administrative Law Judge’s Ruling Modifying the Distribution Investment Deferral Framework Process* (“Ruling”), issued by Administrative Law Judge (“ALJ”) Robert M. Mason III on April 13, 2020. Pursuant to the schedule established therein for annual Distribution Investment Deferral Framework (“DIDF”) implementation, CESA is submitting these comments on possible annual DIDF reforms on January 20, 2021.

## I. INTRODUCTION.

The DIDF continues to represent an effective mechanism to assess and source cost-effective distributed energy resource (“DER”) solutions to defer traditional distribution investments to deliver savings to ratepayers and support the reliability and resiliency needs of the distribution grid. Across the past three years, the DIDF Requests for Offers (“RFOs”) have yielded several DER procurements, in particular from in-front-of-the-meter (“IFOM”) energy storage projects that should be coming online in the coming years to finally realize the actual deferral benefits as identified in the Grid Needs Assessment (“GNA”) and Distribution Deferral Opportunity Report (“DDOR”) filings and reviewed in the Distribution Planning Advisory Group (“DPAG”) meetings and by the Independent Professional Engineer (“IPE”). The investor-owned utilities (“IOUs”) have made tremendous strides in improving these GNA/DDOR filings, screening and prioritizing best-fit projects, running DPAG meetings, and establishing operational requirements for DER solutions. To further streamline the existing procurement mechanisms and to establish new sourcing mechanisms such as tariffs and standard-offer contracts (“SOCs”),<sup>1</sup> the Commission should also be commended for its leadership in creating innovative and smartly targeted ways to position the DIDF to be a key to successfully identifying and pursuing cost-saving opportunities via DER solutions to provide distribution deferral services.

In the pursuit of continued reforms and refinements to the DIDF, the Commission identified and directed the IOUs to adopt and implement 56 reforms for the 2020-2021 DIDF cycle, with varying deadlines and milestones<sup>2</sup> that were subsequently modified in separate Rulings on

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<sup>1</sup> *Proposed Decision Adopting Pilots to Test Two Frameworks for Procuring Distributed Energy Resources that Avoid or Defer Utility Capital Investments* issued on January 5, 2021 in R.14-10-003. <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M358/K022/358022608.PDF>

<sup>2</sup> Attachment A: List of Reforms of *Administrative Law Judge’s Ruling Modifying the Distribution Investment Deferral Framework – Filing and Process Requirements* issued on May 11, 2020 in R.14-08-

August 11, 2020 and October 8, 2020 to grant extensions for implementation. CESA appreciated and supported many of these adopted reforms and understands that many of these reforms will bear results for the 2021-2022 DIDF cycle. Given the volume of reforms as well as the pilots proposed for adoption in R.14-10-003 for testing in the 2021-2022 DIDF cycle, CESA is reluctant to propose any additional substantive reforms at this time. Rather, the focus may be appropriately set on ensuring the successful implementation of the aforementioned changes and pilots.

Notwithstanding this general perspective focused on implementing already-adopted reforms, CESA also adds two issues that could be addressed in the upcoming DIDF cycle that should not detract from this core focus: (1) planning for known load projects; and (2) how DERs can be fully valued and operationalized for multiple services.

## **II. THE 2021-2022 DISTRIBUTION INVESTMENT DEFERRAL FRAMEWORK CYCLE SHOULD LARGELY FOCUS ON IMPLEMENTING ALREADY-ADOPTED REFORMS.**

CESA reiterates our appreciation of the many reforms adopted in the previous DIDF cycle and wishes to see their successful implementation. Many of these changes are particularly important to improve transparency, inform the DPAG process to identify best-fit projects, and structure successful procurement and deployment of DERs when deferral opportunities are appropriately screened, prioritized, and selected. We highlight several of these reforms (in abbreviated form below) as key areas to follow-up on over the course of this proceeding or through the DPAG:

- **Reform 6: The GNA/DDOR filings shall include a description and listing of any DER-driven needs and the required equipment and steps taken by the IOU to develop any non-DER solutions to address the DER-driven needs.** With a required implementation date of August 15, 2020, CESA observed some mention of DER-driven needs in the DDOR filings but they could be presented more clearly

for the relevant projects. In particular, as explained further in the Section III below, CESA views DER-driven needs as being an important focus as the state advances its transportation electrification goals.

- **Reform 16: In their recommendations for DIDF reform filed in the 2020 GNA/DDORs, the IOUs shall describe projects that may be feasible to defer by DER but do not meet the three-year timing screen and discuss the possibility of a shorter timing screen for implementation in the 2020-2021 DIDF cycle.** With a required implementation date of November 16, 2020, as extended by the ALJ, parties have not had the opportunity to assess the implementation of this reform. With the aforementioned Proposed Decision (“PD”) in R.14-10-003 proposing to adopt new DER tariffs that can be layered onto existing DERs as an incremental grid service, an assessment into the implementation of this reform may inform how tariff-based approaches could address these short-lead-time needs, such as voltage support, that could be provided by DERs equipped with smart inverter capabilities.
- **Reform 27: The IOUs shall provide narratives about expected value stacking opportunities for each candidate deferral in their GNA/DDOR filings and any requested by Energy Division.** CESA supports each of the value-stacking reforms (Reforms 26-28) but the consideration of value-stacking may be limited to the IOU perspective instead of the broader benefits that could be provided by allowing for DERs to be utilized by other load-serving entities (“LSEs”). While this may be considered out of scope of an IOU-centric process such as the DIDF, the Commission should explore ways to ensure that value stacking is not limited in ways that would otherwise allow DERs to provide value to all ratepayers given needs and policy objectives elsewhere, such as the state’s long-term decarbonization goals and short-term system capacity reliability needs. We discuss in further detail in the Section IV below.
- **Reform 42: The May 7, 2019 Ruling requires the IOUs to file a Tier 2 Advice Letter to explain changes to DIDF project forecast and operational requirements subsequent to the November 15 filing date. This Ruling clarifies that a Tier 2 Advice Letter is also required for changes to cost caps (deferral values) and planned investment costs subsequent to the November 15 filing date.** CESA strongly supports the Commission’s adopted reforms (*e.g.*, Reform 33 and 42) to add greater certainty to DER providers, via these guardrails, in responding to solicitations and deferral opportunities. This is critical to avoid a “moving target” issue, which would otherwise deter market participation. To provide added market certainty, the Commission should also consider refinements related to this reform where the IOU specifies in RFO documentation on when any forecast updates are planned by each IOU and if that information can be released before any service agreement is signed. A greater sense of the timing and likelihood of a cancelled or materially changed need will better guide market participation.

- **Reform 44: The IOUs shall encourage bids for all forms of resource ownership (e.g., utility-owned, third-party owned, customer-owned, joint ownership) in their DIDF RFOs, allowing for bid participation and evaluation without any bias towards a specific ownership model.** The implementation of this reform will likely require further examination in the 2021-2022 DIDF cycle in order to potentially establish alternative approaches, where reasonable, to pursue utility-owned projects given the complexities of running solicitations for all ownership models while at the same time ensuring a level playing field. The results of PG&E's 2021 DIDF RFO will likely not provide results in time to discuss their experience in pursuing DERs under all types of ownership models, but this issue warrants some follow-up consideration.

Generally, CESA supports an evaluation of how well the various reforms have been implemented and have advanced the goals and objectives of the DIDF, but we highlight the above as some of our priority focus areas.

### **III. PLANNING FOR KNOWN LOAD PROJECTS SHOULD BE EXPLORED IN THE UPCOMING 2021 DISTRIBUTION INVESTMENT DEFERRAL FRAMEWORK CYCLE.**

CESA recommends that the upcoming DIDF cycle focus on gaining further understanding and developing potential reforms to better accommodate certain known load growth projects. These projects have generally presented challenges to the DIDF process regardless of sourcing mechanism due to the large, lumpy, and seemingly unpredictable nature of these projects. For example, as learned through the DPAG process, while specific electric vehicle (“EV”) load applications may not always be known in advance and with granularity, the IOUs should have visibility into a significant share of EV charger siting through their make-ready infrastructure plans, which identify best-fit corridors for EV chargers, and in other cases, may involve working with pre-approved EV charging station vendors to site projects. This visibility, along with greater coordination with EV service providers (“EVSPs”), could allow DERs to be sited in advance to make locations ready for siting EV chargers. Generally, this ties in with the above adopted reforms around addressing potential DER-driven needs.

Beyond just working with EVSPs to get their long-term plans for deployment, the Commission should broadly consider reforms to the EV service connection process to initiate an automatic sourcing process via a tariff, such as the one contemplated in the Staff Proposal, to solicit DERs to defer primary system upgrades. Though the interim policy to ratebase all utility side of the meter secondary infrastructure upgrades has been extended through the DRIVE rulemaking and has been deemed a permanent policy through the passage of Assembly Bill (“AB”) 841, there are opportunities to pursue DER deferrals in an expeditious fashion outside of the DPAG process by immediately and automatically launching a DER tariff upon a determination that an EV service interconnection application requires primary distribution upgrades. Depending on the EV service connection application, the tariff could be an effective means to manage distribution upgrade investments and address some of the timing and certainty issues around incremental EV load forecasts and being tied to a prescriptive DPAG schedule.

Even though some may argue that this should be addressed in the DRIVE proceeding instead of this one, CESA believes that the DIDF represents an effective coordinating venue for primary system upgrades related to EV infrastructure investments given the transparency of the DIDF process and the nature of the DIDF in considering all forms of alternatives that could serve as cost-effective alternatives. The DRIVE proceeding, by contrast, focuses on transportation electrification plans and narrowly considers the potential role for vehicle-grid integration (“VGI”) strategies. The DIDF, however, considers all forms of DERs, including VGI solutions, that could mitigate these upgrade needs. The deferral of these primary upgrades are also likely not being addressed in R.18-12-006. Similarly, to the degree that the DIDF can be leveraged to identify substations where there are long-term risks of de-energization, the DIDF could play a coordinating role to plan for potential DER opportunities to provide distribution resiliency. The Track 2

Decision in R.19-09-009 directed the IOUs to assess substations that could transition from diesel generation to clean microgrids to address resiliency needs in the face of public-safety power shutoff (“PSPS”) events, where the processes and structures in place in the DIDF could well-fit this purpose.

**IV. HOW DISTRIBUTED ENERGY RESOURCES CAN BE FULLY VALUED AND OPERATIONALIZED FOR MULTIPLE SERVICES SHOULD BE CONSIDERED IN THE 2021-2022 DISTRIBUTION INVESTMENT DEFERRAL FRAMEWORK CYCLE.**

In CESA’s response to Advice Letter 4316-E of Southern California Edison Company (“SCE”) regarding their submission for Commission approval of a 14-MW IFOM energy storage contract, CESA raised an issue that warrants consideration either in this proceeding or in R.14-10-003.<sup>3</sup> Specifically, if the IOUs pursue value-stacking opportunities for DERs to provide both distribution deferral and other services such as Resource Adequacy (“RA”) capacity, refinements are needed to the bid evaluation criteria for these resources as well as regarding stipulations that would disallow such resources from contracting its spare capacity to other LSEs. How this issue applies to SCE versus Pacific Gas and Electric Company (“PG&E”) may be different due to the contrast in procurement approaches, where the former seeks to procure both deferral and RA services from the same resource and the latter seeks to only procure deferral services, leaving it to the DER provider to contract for any other services. In either case though, establishing clear procurement parameters as it relates to multiple-use applications (“MUAs”) will better support value stacking opportunities.

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<sup>3</sup> Since this issue pertains to the delivery of distribution reliability, CESA believes it is in the scope of R.14-08-013, *et al.* while the consideration of bid evaluation methodologies may be more appropriately addressed in R.14-10-003, which deals with sourcing mechanisms and the technology neutral *pro forma* contract. However, for the purposes of consolidated consideration of this issue, it may be more efficiently addressed in this proceeding since the provision of the service and contracting for the service are intertwined matters.



In the SCE case, even as CESA supported the contract for approval, we articulated our understanding of the issue and our interpretation of how the MUA rules established in Decision (“D.”) 18-01-003 should be applied in cases where DERs pursue multiple value streams. Specifically, SCE and the Independent Evaluator (“IE”) pointed to Rule 6 of D.18-01-003 of only applying the RA value in its net present value (“NPV”) assessment to months in which there is not an expected distribution deferral need based on the month-by-month provision of RA capacity. They added that incremental RA benefit will be attributed to oversized DERs during the deferral months if the capacity of the DER exceeds that of the deferral need.<sup>4</sup> Specifically, Rule 6 states that “[p]riority means that a single storage resource must not enter into two or more reliability service obligation(s) such that the performance of one obligation renders the resource from being able to unable to perform the other obligation(s).”

However, in CESA’s view, the rules stipulate that the provision of one reliability service must not render the ability of the resource to perform another reliability service if contracted for both, but as CESA understands the planned dispatch and operations of the project, the provision of both services will be through the bidding and scheduling in the California Independent System Operator (“CAISO”) market. During periods where RA is being delivered, the seller bids and schedules the resource, whereas during Local Resource Constrained Days (“LRCD”), SCE essentially “takes over” the dispatch and operations of the resource – both through the CAISO market. Since the resource is not being taken out of the CAISO market for the provision of either service and because the distribution deferral capacity need appears to generally align with RA Availability Assessment Hours (“AAHs”),<sup>5</sup> it is unclear why the resource would not be attributed

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<sup>4</sup> SCE Advice Letter 4316-E at 11 and IE Report at 23.

<sup>5</sup> See “Distribution Planning Advisory Group Meeting: SCE Update on 2020 DIDF RFO” presentation on April 30, 2020 at 9-10.

both values or at least partially some of the RA value for the energy storage resource in the deferral months. As an in-market resource, the CAISO would still have visibility to this RA resource. SCE could also still count the resource in their monthly supply plan given this coincidence of need.

Second, pursuant to MUA rules and other policies and regulations in place, CESA also urges the Commission to consider whether and how this type of energy storage project could sell its “unsold” RA capacity to improve ratepayer investments and avoid over-procurement for RA resources at large. For example, in all other days of the deferral month, if SCE is not counting the resource toward RA capacity (per its NPV evaluation) and thus presumably not including the resource in its monthly supply plan, CESA imagines that the resource should be available to sell its unsold RA, if excess capacity is available, to other LSEs in the short-term RA market. Likely, the energy storage project will be built to its full 14-MW capacity upon completing the cluster study process and achieving deliverability since it makes no economic sense to proceed through such a process in incremental fashion.<sup>6</sup> As such, there will likely be unsold RA capacity to sell in the deferral months and/or all other months for the oversized capacity in the early years of the 10-year deferral period. The rules appear to be opaque on this type of use case, where clarification is warranted.

Instead of addressing this issue in the disposition of the aforementioned advice letter, CESA believes it is more appropriate for a policy-making proceeding such as this. CESA thus recommends that the Commission consider this issue as an additional reform in the 2021-2022 DIDF cycle, which should not impair or significantly impact the ability of implementing the long list of already-adopted reforms.

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<sup>6</sup> In other words, when entering the queue cluster study process, a developer is unlikely to enter the queue for 2.8 MW for one year, then additional capacity up to 7 MW in another year, etc. per the terms of agreement where capacity is phased over time. This would be a burdensome, costly, and inefficient project development.

V. **CONCLUSION.**

CESA appreciates the opportunity to submit these comments to the Ruling. We look forward to working with the Commission and stakeholders in this proceeding.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'J. Noh', written in a cursive style.

Jin Noh  
Policy Director  
**CALIFORNIA ENERGY STORAGE ALLIANCE**

Date: January 20, 2021