BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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.

Rulemaking 20-11-003
(Filed November 19, 2020)

REPLY COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE ON THE PROPOSED DECISION DIRECTING PACIFIC GAS AND ELECTRIC COMPANY, SOUTHERN CALIFORNIA EDISON COMPANY, AND SAN DIEGO GAS & ELECTRIC COMPANY TO TAKE ACTIONS TO PREPARE FOR POTENTIAL EXTREME WEATHER IN THE SUMMERS OF 2021 AND 2022

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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 *Proposed Decision Directing Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company to Take Actions to Prepare for Potential Extreme Weather in the Summers of 2021 and 2022* ("PD"), issued by Administrative Law Judge ("ALJ") Brian R. Stevens on March 5, 2021.

I. INTRODUCTION.

In comments to the PD that directs the investor-owned utilities ("IOUs") to take a number of actions targeting Summer 2021 and 2022 needs, there was a wide range of responses to the procurement order and the creation of a new Emergency Load Reduction Program ("ELRP"). Notably, some of the action not taken, or the lack of explanation, was a common theme in many comments. Keeping in mind the interest of ensuring that Summer 2021-2022 emergency reliability needs and risks are addressed with least-regrets strategy and in line with long-term decarbonization objectives, CESA responds to some of these points below.

II. THE PROCEEDING SHOULD REMAIN OPEN TO ENSURE IMPLEMENTATION SUCCESS OF THE EMERGENCY LOAD REDUCTION PROGRAM AND ADDRESS ALL POTENTIAL DEMAND-SIDE MEASURES.

While supportive of the PD in certain respects, CESA shares the views of certain parties about the shortcomings of the PD in not activating the full potential of demand-side measures to support emergency reliability needs in relative short order for Summers 2021 and 2022. CESA also shares the sentiment that many viable proposals were not addressed with explanation regarding their merits or shortcomings in the PD.[1] Due to time constraints, CESA understands that the Commission may have been unable to address all proposals, but wide range of proposals warrant further review, especially as the Commission considers solutions for Summer 2022 and has opened the door to longer-term proposals with the creation of the ELRP.

To this end, CESA supports the recommendation to keep this proceeding open to consider the range of unaddressed proposals[2] that will improve the odds that emergency reliability needs can be met by preferred resources like DR and energy storage instead of creating a default and longer-than-necessary reliance on fossil resources. By keeping this proceeding open for some reasonable extended period of time, the Commission can also refine the implementation next steps and program design refinements necessary to support the success of the ELRP. Even if the ELRP refinements and evaluation occurs outside of R.20-11-003 (*e.g.*, 2023-2027 DR Applications) at a later time, CESA does not believe that the PD has sufficiently established the starting program design details and next steps to ensure successful implementation or customer interest. Without an open proceeding and/or third-party-facilitated working group processes, CESA is concerned that many program elements, especially those related to the ELRP, will be delayed until Summer 2022 or later at the sole discretion of the IOUs. Some of those program elements are highlighted below, and we particularly echo many of the recommendations offered by the DR Coalition:[3]

A. At minimum, a higher energy-only payment of $2,000/MWh should be established.

CESA supports the recommendation from OhmConnect that the ELRP compensation rate should be set at $2,000/MWh for Group A customers and at the greater of $2,000/MWh or five-minute locational marginal price for Group B customers, citing the allowance of such energy prices for imports pursuant to Order No. 831 implementation without cost verification.[4] Not only is this

[1] DR Coalition comments at 5-6 and Joint DR Parties comments at 7 and 9-10.

[2] Joint DR Parties comments at 3 and 8.

[3] DR Coalition comments at 7-10. CESA supports the following recommendations: not limiting the program availability requirement to 4-9pm; removing minimum size requirements or export thresholds (or at least establishing consistent ones that incentivize participation); establishing quarterly instead of annual financial settlement periods; and removing the bounds for compensation around pre-nominated load shed.

[4] OhmConnect comments at 3-4 and DR Coalition comments at 8.

fair and reasonable given the societal cost of the alternative loss-of-load and rotating outage scenario, but it would also generate greater customer participation and response to emergency events. Absent a capacity or reservation payment, which should still be explored for Summer 2022, a higher ELRP energy-only compensation rate would more appropriately value ELRP resources as an insurance policy.

B. Absolute delay of certain program elements should not be permitted, where a phased implementation schedule, if needed, should be pursued instead.

Citing billing system challenges, firewalls pursuant to Rule 24, and other complexities to settlements and verification, San Diego Gas and Electric Company ("SDG&E") recommends that complete implementation of ELRP program elements by May 2022, whereas Pacific Gas and Electric Company ("PG&E") focused on delayed implementation of eligibility for third-party entities and aggregators and the need to address dual participation issues for third-party demand response providers ("DRPs").[5] Pointing to many of the same reasons, Southern California Edison Company ("SCE") sought the greatest level of delayed implementation to 2023 or later for Sub-Groups A.3 and A.4 and Group B customers.[6] While recognizing some of the implementation challenges, CESA opposes giving the IOUs such wide latitude to delay implementation. A phased implementation schedule, or "minimum viable product" strategies (*e.g.*, simplified and deemed methods as a start) for the ELRP should be pursued instead. Given the many program details that need to be discussed and resolved, CESA echoes parties' calls to keep this proceeding open and addressing outstanding ELRP issues, which could be supported through a dedicated working group process facilitated by a third party.

Given the voluntary nature of the program, PG&E and SCE recommended that the ELRP only offer the day-of option.[7] CESA agrees and supports this simplifying change, but the IOUs should strive to provide advanced notice of potential events where possible in order to support

[5] SDG&E comments at 3 and PG&E comments at 8-9. Regarding dual participation of Group B customers, CESA does not agree with PG&E's concern that the "DRP could also avoid uninstructed energy imbalance charges at the CAISO if it was uncertain of the amount of capacity it could achieve with its aggregation." CESA views it highly unlikely for third-party DRPs to "withhold" capacity from the CAISO market to pursue out-of-market energy revenue given the greater financial incentives and penalties to deliver on their contracted capacity and receive more financially attractive capacity payments.

[6] SCE comments at 6-7.

[7] PG&E comments at 10-11 and SCE comments at 8.

customer preparedness to respond. Under a capacity or reservation payment structure, the day-ahead option should be reinstituted.

C. Any outstanding questions with export counting or activation should not be used to delay implementation or eliminate their eligibility.

SCE expresses concerns with including exported energy in a DR product and being unable to avoid double compensation.[8] The fact that exports have not be considered in the DR construct to date should not serve as a barrier to developing new counting methodologies, especially given the incremental value that exports can provide in the near term and since the ELRP is a pilot intended for learning and testing of new products and methods. Using direct measurement approaches, performance evaluation and baselines are no longer load limited and incremental response can be measured based on "typical" exports on non-event days. For Sub-Group A.3 customers, export measurement and compensation may be simplified since there are no other sources of export compensation at this time outside of Net Energy Metering ("NEM") and the ELRP, such that any exports may be deemed fully incremental since such resources are not expected to have any exports on non-event days. Finally, SCE's concern about "perverse incentives" for customer load increase for a portion of the ELRP event window can be addressed by establishing enrollment parameters for exports.

III. THE PROCUREMENT ORDER IS NEEDED BY MARCH 25, 2021 TO GIVE ENERGY STORAGE RESOURCES A CHANCE TO MEET 2022 NEEDS.

Several parties took issue with the procurement authorization and order without sufficient needs analysis and evidence. However, for energy storage resources to be viable to meet Summer 2022 needs, a timely procurement order is needed with a final decision by March 25, 2021, as planned. With the development of appropriate procurement parameters and parameters, CESA believes that many parties' concerns about the order and resulting outcomes can be addressed.

A. Procurement guardrails can mitigate long-term reliance on fossil generation.

As expressed in our opening comments, any openings to procure fossil generation capacity can be limited to very short-term contracts (three years or less) for procuring uncontracted gas or extensive review processes for any incremental efficiency improvements, repowering, or

[8] SCE comments at 9.

redevelopment of fossil generation, mitigating concerns that the Commission is trading short-term reliability at the expense of both short-term and long-term environmental and equity goals.[9]

B. A focus on Summer 2022 is appropriate, with incremental capacity that can be delivered by September 1, 2022 also addressing this need.

While agreeing with the need to bound the procurement target, as done in the PD, CESA respectfully disagrees California Community Choice Association ("CalCCA") that the procurement order should be limited to 2021.[10] There is insufficient time to conduct additional needs analysis without creating lead time issues for incremental energy storage capacity to meet any identified needs, leading to the difficult trade-off considerations mentioned above. To this end, PG&E seeks to modify the effective 17.5% planning reserve margin ("PRM") to focus on June through September, instead of May through October.[11] CESA does not oppose the procurement of incremental capacity for multiple summer months in 2021 and 2022, but we seek clarification in the PD that incremental capacity that is procured with commercial online date ("COD") by September 1, 2022 and with pre-delivery capabilities ahead of full Resource Adequacy ("RA") deliverability should be permitted, based on CAISO analysis showing shortfalls in September.[12]

IV. CONCLUSION.

CESA appreciates the opportunity to these reply comments on the PD and looks forward to working with the Commission and other stakeholders in this proceeding.

Respectfully submitted,

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[9] Justice Parties comments at 1, 5, and 11.

[10] CalCCA comments at 5.

[11] PG&E comments at 4.

[12] Exhibit No. CAISO-01 at 11-12.