

**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 BRIEF OF THE CALIFORNIA ENERGY STORAGE ALLIANCE

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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 this reply brief pursuant to the *Assigned Commissioner’s Scoping Memo and Ruling* (“Scoping Memo”), issued by Assigned Commissioner and President Marybel Batjer on August 10, 2021. CESA also timely served opening and reply testimony on September 1 and 10, 2021, respectively, in the request for Phase 2 party proposals.

I. INTRODUCTION.

In this reply brief, CESA responds to contentions that capacity payments are inappropriate for the Emergency Load Reduction Program (“ELRP”), which is one of the significant and impactful changes that the Commission could take as part of Phase 2 of this proceeding. CESA continues to stand by and enthusiastically endorse all of our proposals and comments submitted extensively in opening and reply testimony, as well as in our opening brief. Considering much has already been said regarding these other proposals, CESA focuses our reply brief on this one issue regarding ELRP capacity payments.

II. CAPACITY PAYMENTS ARE APPROPRIATE GIVEN THE SCOPE AND NATURE OF THE NEED, AND THE NECESSITY TO PROCURE QUICKLY DEPLOYABLE AND FREQUENTLY DISPATCHABLE EXPORT-CAPABLE BEHIND-THE-METER ENERGY STORAGE RESOURCES.

Pacific Gas and Electric Company (“PG&E”) and the California Independent System Operator (“CAISO”) commented on how the ELRP should not offer a capacity payment for participation because it is an out-of-market, voluntary pay-for-performance program that should not interfere with the Resource Adequacy (“RA”) Program, and if parties wanted capacity-based compensation, they could participate in the Capacity Bidding Program (“CBP”), Base Interruptible Program (“BIP”), or other existing programs or solicitations where RA capacity is being sought for procurement and contracting; PG&E adds that D.21-03-056 prohibits penalties for non-performance.¹ However, CESA respectfully disagrees and believes that capacity payments in the ELRP are needed to encourage meaningful and robust customer participation to support emergency reliability needs.

First, CESA is not convinced that the ELRP would displace RA resources if ELRP capacity payments are offered since the ELRP is intended to support needs as established by an effective 17.5% planning reserve margin (“PRM”), above and beyond the 15% PRM in place for load-serving entities (“LSEs”) to procure and show in their RA supply plans. Considering the 17.5% PRM is intended to procure additional supply resources to address extreme weather conditions and risks and because it has been established as an “effective” requirement (until the Commission determines otherwise and adopts it as the official PRM requirement, likely upon further analysis in the RA proceeding), the resources procured to this incremental need do not need to be RA-counting resources. Yet, to support these needs in a reliable manner and with more forward

¹ PG&E Opening Brief at 7-8 and CAISO Opening Brief at 14.

planning certainty, it is logical for a certain portion of ELRP resources to receive capacity payments and be subject to penalties for non-performance, essentially functioning as “RA-like” resources when the conditions dictate (*e.g.*, extreme weather events, Flex Alerts). To add, the CAISO highlighted how LSEs “only met a 17.5% planning reserve margin in two-of-the-five months and fell short of even meeting the existing 15% planning reserve margin during the critical months of August and September,”² which CESA views as underscoring the challenges of procuring additional RA-qualifying resources in short order and the need to more flexibly consider solutions that can address these incremental needs from non-RA but still RA-like resources, such as ELRP resources with capacity payments and associated obligations and penalties.

Second, PG&E cites several examples of demand response (“DR”) opportunities where potential customers and resources can participate and seek capacity payments and obligations. While true that such resources have a means to participate as capacity resources, there is no other program like the ELRP where exports are explicitly incorporated. As the Joint DR Parties aptly explain, “the main differentiator and benefit of ELRP compared to existing supply side programs is the former’s allowance and compensation for grid exports from BTM storage resources (inclusive of standalone storage and V2G), which is not a feature of the latter.”³ CESA wholly agrees. Even if exports can be counted as incremental load reduction (“ILR”) via dual participation in the ELRP and in these other existing DR programs, the exports are not valued from a capacity perspective but as incremental energy exports during ELRP events, which are limited and infrequent in nature. As such, there is no DR program in place that recognizes and the capacity contributions of export-capable distributed energy resources (“DERs”) for their ability to provide

² CAISO Opening Brief at 9.

³ Joint DR Parties Opening Brief at 29.

both load reductions and exports on a regular basis. Without a capacity payment to support the capital investments and optimal sizing and configuration of behind-the-meter (“BTM”) energy storage and bidirectional electric vehicle (“EV”) chargers, the scale of export-capable DER participation in the ELRP and in existing DR programs will be limited, leading to lost and/or stranded export capacity value.

Finally, PG&E commented on D.21-03-056 prohibiting penalties for non-performance, but CESA would contend that previous determinations made by the Commission should not serve as a reform to solutions that would overcome barriers identified since Phase 2 of this proceeding, after all, is dedicated to considering the various changes needed to existing rules, regulations, and policy determinations. In addition to the existing customer groups to maintain ELRP on the large part as a voluntary, pay-for-performance program, CESA and other parties instead proposed that a new standalone program or customer group class could be established that would subject eligible customers and DERs to capacity performance obligations and penalties. By no means, CESA did not propose capacity payments for non-performance; rather, capacity payments and performance obligations and penalties should be put into place for resources that wish to be dispatched more frequently. In the interest of not repeating ourselves, CESA instead refers the Commission to the Joint Parties’ synthesis of these various proposals and how the Commission can move forward.⁴ To extract more out of a subset of some potential ELRP resources, especially as the number of Flex Alert events are increasing in frequency,⁵ CESA believes it is prudent to offer capacity payments to resources that can come online in short order (*i.e.*, BTM energy storage and V2G) by

⁴ Joint DR Parties Opening Brief at 30.

⁵ CAISO Opening Brief at 4-5.

Summer 2022/2023 and offer frequently dispatchable services for the full range of capabilities that they can provide, inclusive of exports.

III. CONCLUSION.

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

Respectfully submitted,

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

Jin Noh
Policy Director
CALIFORNIA ENERGY STORAGE ALLIANCE

Date: September 27, 2021