

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

Order Instituting Rulemaking to
Oversee the Resource Adequacy
Program, Consider Program Reforms
and Refinements, and Establish
Forward Resource Adequacy
Procurement Obligations.

Rulemaking 21-10-002
(Filed October 7, 2021)

**COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE ON THE
ORDER INSTITUTING RULEMAKING**

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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 *Order Instituting Rulemaking* (“OIR”), issued on October 11, 2021.

I. INTRODUCTION.

CESA appreciates the Commission’s efforts to ensure the timely establishment of Resource Adequacy (“RA”) obligations as well as the continued development of much needed reforms to the broader RA framework. The present Rulemaking (“R.”) 21-10-002 has inherited a substantial and important record regarding potential improvements that should be considered to strengthen the RA program. As such, CESA exhorts the Commission to prioritize issues that parties have consistently raised to little or no avail. The Commission should pay particular attention to reforms that depend on the RA Program to gain traction and support the state’s climate goals. In this context, CESA’s comments can be summarized as follows:

- The Commission should prioritize modifications to the RA program that allow for the recognition of the capacity benefits provided by behind-the-meter (“BTM”) hybrid and energy storage resources.
- The Commission should consider unbundling RA characteristics to support cost-effective procurement and align the Central Procurement Entity (“CPE”) framework with the modifications considered in the Reform Track.

- The Commission should coordinate with the California Independent System Operator (“CAISO”) to analyze a Local Capacity Technical Study (“LCTS”) sensitivity case that models the eventual closure of the Aliso Canyon natural gas storage facility.
- The Commission should develop a revised deliverability methodology in coordination with the CAISO to focus on net load peak deliverability as an interim step toward full slice-of-day reform.

II. THE COMMISSION SHOULD PRIORITIZE MODIFICATIONS TO THE RA PROGRAM THAT ALLOW FOR THE RECOGNITION OF THE CAPACITY BENEFITS PROVIDED BY BTM HYBRID AND ENERGY STORAGE RESOURCES.

In the OIR, the Commission notes that R.21-10-002 shall be split in two Tracks: an Implementation Track and a Reform Track. The former, according to the OIR, will include regular yearly items, such as the adoption of Local and Flexible Capacity Requirements, but also the evaluation of qualifying capacity (“QC”) counting conventions, among other topics. CESA deeply appreciates the Commission’s recognition that any discussion of QC counting conventions shall include consideration of the California Energy Commission’s (“CEC”) Working Group and the BTM Hybrid Working Group, as directed in Decision (“D.”) 21-06-029.¹

As we have stated previously in R.19-11-009, the lack of a QC value for BTM energy storage exports represents a key barrier to realizing the full potential of existing BTM assets that contribute to reliability today.² While this is only one of a series of regulatory and technical hurdles BTM assets face today, modifications to the RA program are fundamental to ensure traction for addressing, for example, deliverability, incrementality, metering, visibility, and load forecasting. Moreover, in light of the potential need for expedited contracting of incremental system capacity

¹ OIR at 5.

² CESA, *Comments of the California Energy Storage Alliance on the Proposed Decision Adopting Local Capacity Obligations for 2022-2024, Flexible Capacity Obligations for 2022, and Refinements to the Resource Adequacy Program*, filed under R.19-11-009 on June 10, 2021, at 6.

in the near-term, recognition of BTM capacity is particularly urgent. As such, the Commission’s inclusion of this topic in the OIR is warranted and welcome by CESA.

CESA recommends one key modification to the OIR to allow the BTM Hybrid Working Group report and proposals to be submitted on the same timeline and deadline as the CEC Demand Response (“DR”) Qualifying Capacity (“QC”) Working Group Report by March 2022, instead of the general Implementation Track timeline for proposals by January 2022. Given the time required to develop and vet any proposals with a range of stakeholders, CESA believes that this timeline is necessary to present before the Commission a viable proposal for consideration.

III. THE COMMISSION SHOULD CONSIDER UNBUNDLING RA CHARACTERISTICS TO SUPPORT COST-EFFECTIVE PROCUREMENT AND ALIGN THE CPE FRAMEWORK WITH THE MODIFICATIONS CONSIDERED IN THE REFORM TRACK.

Last year, with the issuance of D.20-06-002, the Commission established a centralized procurement method for Local RA. This decision established a competitive, all-source, transparent CPE solicitation process for Local RA procurement and maintained the bundling of RA attributes throughout the solicitation process. Since the issuance of D.20-06-002, the Commission has made clear its intent to move towards a reformed System RA framework based on the concepts shared by Pacific Gas & Electric (“PG&E”) within its slice-of-day (“SOD”) proposal.

In discussing and further developing PG&E’s SOD proposal in working group processes, stakeholders have raised considerations of provisions that could incent transactability and further the utilization of System RA resources. By establishing requirements based on the time of the need, load-serving entities (“LSEs”) with complementary portfolios would be incented to trade their assets. As written, PG&E’s proposal could enable a single System RA resource to be shown by several LSEs within a season as long as they show it for different slices. This outcome would be in the interest of ratepayers, as it would mitigate the need for LSEs to overprocure and that RA assets are utilized to the fullest extent. While this outcome is desirable, the current formulation of the RA framework would not facilitate it. Given the CPE framework and the bundling of RA products, the Commission could be limiting the transformative potential of longer-term modifications considered within its Reform Track.

In order to ensure the full and efficient utilization of RA assets, CESA recommends the Commission include consideration of unbundling RA characteristics in R.21-10-002. The bundling

of RA attributes is counterproductive, inefficient, and results in unduly high costs and potential overprocurement of RA resources. Moreover, the bundling of RA attributes limits the adoption of technologies with clear competitive advantages when providing a particular type of RA or, in the context of this proposal, fulfilling a specific RA need. With SOD-related RA needs defined by gross or net load curves, there may also be advantages in defining requirements in a similar way instead of applying, for example, resource effectiveness factors or in completing the CPE solicitation through “black-box” evaluation and selection processes. Furthermore, as stated above, unbundling is essential to ensure the optionality provided by the SOD framework is consistent with the existence of a Local RA CPE. In essence, unbundling of RA characteristics would lessen the likelihood that reforms to the System RA framework hinder the Local RA markets. Given the importance of this issue, CESA recommends the Commission include the topic of unbundling in the context of the CPE framework in the list of issues within the OIR.

IV. THE COMMISSION SHOULD COORDINATE WITH THE CAISO TO ANALYZE A LCTS SENSITIVITY CASE THAT MODELS THE EVENTUAL CLOSURE OF THE ALISO CANYON NATURAL GAS STORAGE FACILITY.

In the OIR, the Commission notes that the Implementation Track shall include the adoption of local capacity requirements (“LCRs”).³ The OIR underscores that this issue encompasses consideration of how the study’s process, parameters, methods, assumptions, and timeline might be improved, including consideration of an LCR Working Group Report to be submitted in February 2022, as directed in D.21-06-029.⁴ To this end, CESA recommends the Commission initiate the necessary coordination with the CAISO to analyze a LCTS sensitivity case that models the eventual closure of the Aliso Canyon natural gas storage facility.

Currently, Local RA requirements are based on the technical analyses conducted by the CASIO. The CAISO performs LCTS every year, estimating the LCR by area and sub-area in a year-ahead fashion. In addition, long-term studies looking at LCRs five years ahead are conducted every other year, in a biennial fashion. For RA Year 2022, the CAISO will only estimate LCRs for the year-ahead timeframe. The evaluation of LCRs considering the impacts of the closure of Aliso Canyon will undoubtedly be a complex process that will require significant coordination, cross-

³ OIR, at 4.

⁴ *Ibid.*

disciplinary analyses, and public party feedback. As such, it is timely that the Commission begin aligning with the CAISO and other parties materially involved in Investigation (“I.”) 17-02-002 on how these scenarios should be developed.

Urgency on this issue is warranted considering the complexities that the studies performed within I.17-02-002 have uncovered, as well as the pressing nature of the state’s environmental targets. As noted by the Commission within the Integrated Resource Planning (“IRP”) proceeding, the issue of Aliso Canyon is particularly complex as it involves two highly interconnected systems (gas and electric) with different peaking needs and stakeholders. In addition, given the Los Angeles (“LA”) Basin is an electric-transmission-constrained local area, better understanding the effects of the retirement of Aliso Canyon may have material impacts not only on the LCRs, but also on transmission planning. While the particularities of these issues are unique to this case, it is CESA’s perspective that planning for reduced reliance on fossil fuels, particularly in local reliability areas (“LRAs”) will become more important as the state moves towards achieving its carbon goals. Thus, in preparation for the next long-term LCTS which will estimate needs for 2024 and 2028, CESA urges the Commission to utilize the results from I.17-02-002 to begin coordinating with the CAISO to study a sensitivity that models the eventual closure of the Aliso Canyon natural gas storage facility.

V. THE COMMISSION SHOULD DEVELOP A REVISED DELIVERABILITY METHODOLOGY IN COORDINATION WITH THE CAISO TO FOCUS ON NET LOAD PEAK DELIVERABILITY AS AN INTERIM STEP TOWARD FULL SLICE-OF-DAY REFORM.

In the Implementation Track of the OIR, CESA recommends that the Commission coordinate with the CAISO to develop a new category of RA deliverability to focus on net peak needs, which energy storage and other resources may be well-positioned to provide in the context of the Commission’s move toward slice-of-day reforms. Whereas the current CAISO deliverability assessment methodology focuses on very few, highly unlikely hours, a new methodology that allows specific resources to meet specified periods of energy need, particularly in the evening peak hours, could help bring many Energy-Only (“EO”) and Partial Capacity Deliverability Status (“PCDS”) energy storage resources currently in the queue online in the near term (*i.e.*, 2022-2024).

Knowing that we are moving to slice-of-day reforms in some form, the Commission should consider ways that the RA Program could be modified in the near term to support new resource

procurement and buildout by immediately focusing on the net load peak “slice” and developing a deliverability assessment methodology around this critical time period. Establishing a monthly net demand peak requirement was an interim step recommended and echoed by the CAISO as well.⁵ To this end, in collaboration with the California Wind Energy Association (“CalWEA”), CESA proposed a new CAISO initiative to be launched to address these matters, as well as a process to allocate deliverability for the evening peak period based on information in CAISO’s High System Need evaluation. In particular, based on the expected operations of energy storage to charge during the mid-day solar hours and discharge during the evening peak hours, a new net peak deliverability methodology would unlock significant battery storage capacity currently in the queue by not requiring excessive and unnecessary upgrades to be deliverable across all hours of the day and by not limiting energy storage deliverability based on mid-day hours rather than when it is more likely to be needed and used.

VI. CONCLUSION.

CESA appreciates the opportunity to submit these comments on the OIR and looks forward to working with the Commission and stakeholders in this proceeding.

Respectfully submitted,



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Date: November 1, 2021

⁵ *Opening Comments on Proposed Decision on Track 3B.2 Issues: Restructure of the Resource Adequacy Program of the Resource Adequacy Program of the California Independent System Operator Corporation* filed on September 30, 2021 in R.19-11-009 at 2.

<https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M389/K956/389956349.PDF>