BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Continue Electric Integrated Resource Planning and Related Procurement Processes.	Rulemaking 20-05-003 (Filed on May 7, 2020)

REPLY COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE ON THE ADMINISTRATIVE LAW JUDGE'S RULING SEEKING COMMENTS ON STAFF PAPER ON PROCUREMENT PROGRAM AND POTENTIAL NEAR-TERM ACTIONS TO ENCOURAGE ADDITIONAL PROCUREMENT

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In accordance with the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission" or "CPUC"), the California Energy Storage Alliance ("CESA") hereby submits these reply comments on the *Administrative Law Judge's Ruling Seeking Comments on Staff Paper on Procurement Program and Potential Near-term Actions to Encourage Additional Procurement* ("Ruling"), issued by Administrative Law Judge ("ALJ") Julie Fitch on September 9, 2022. These reply comments are being submitted in a timely fashion according to the schedule set by the Commission through the *Administrative Law Judge's Ruling Seeking Comments on Electricity Resource Portfolios for 2023-2024 Transmission Planning Process*, issued by ALJ Fitch on October 7, 2022.

I. INTRODUCTION.

CESA appreciates the opportunity to respond to select parties' opening comments on the Ruling, and the details of the Reliable and Clean Energy Procurement Program ("RCPP") submitted to this ruling on December 12, 2022. After a thorough review of comments, most parties support the need for the RCPP. It is abundantly clear that the Commission must develop and implement a procurement framework that dispatches appropriate, clear, and consistent market

signals to expediate near- and long-term resource development. CESA reiterates our support for a program utilizing a method based on net load allocation, which would require the use of marginal effective load carrying capability ("ELCC"). Several parties[1] agreed with this position, noting that marginal ELCC best reflects the incremental value of new resources, supporting the effort to design the RCPP to procure assets that can best mitigate not only current need, but future loss-of-load probability ("LOLP"). In these reply comments, CESA seeks to underscore five key points:

- The Commission should leverage the advantages of allowing for some degree of resource-specific procurement through the use of sub-categories, along with joint procurement mechanisms.
- The Commission should favor the Mass-Based approach for greenhouse gas ("GHG") emissions accounting and acknowledge that the Clean Energy Standard ("CES") approach will misconstrue the GHG emissions of energy storage.
- The Commission should incorporate local reliability needs into the Integrated Resource Plan ("IRP") Planning Track and the scope of the RCPP.
- The Commission should reject the Standard Fixed Price Forward Contract ("SFPFC") outlined in the Ruling, as there are more efficient ways of addressing market power and financial risk.
- At this time, the Commission should wait to align the Resource Adequacy ("RA") Slice-of-Day ("SOD") framework to the IRP until after the 2024 Test Year and appropriately defer certain issues to the RA proceeding.

[1] *See* Wind Power Trading Forum, National Resource Defense Council, Middle River Power, and Independent Energy Producers Association Opening Comments.

II. THE COMMISSION SHOULD LEVERAGE THE ADVANTAGES OF ALLOWING FOR SOME DEGREE OF RESOURCE-SPECIFIC PROCUREMENT THROUGH THE USE OF SUB-CATEGORIES, ALONG WITH JOINT PROCUREMENT MECHANISMS.

As stated in our opening comments, CESA believes there are material advantages to allowing some level of resource-specific procurement. Southern California Edison Company ("SCE") speculates that resource-specific carve-outs will lead to uneconomic procurement, and ultimately, increase customer rates.[2] CESA wishes to relieve any doubt and encourages the Commission to review several other parties' support for resource-specific procurement.[3] As noted by the Environmental Defense Fund ("EDF"), investments in certain types of resources (*e.g.*, clean firm resources) will reduce ratepayer costs in the long run. For example, EDF recommended that California procure 30 gigawatts of clean firm resources by 2045 to see a portfolio that is 32-50% cheaper, as opposed to a portfolio reliant on solar.[4] CESA agrees with the spirit of comments such as these, where certain resources (*e.g.*, clean firm resources, long-duration energy storage, distributed energy resources) may be overlooked or undervalued in the modeling conducted in the Planning Track, or require clear directives from the Commission to procure due to certain barriers, such as their novelty as a first-of-a-kind commercial deployment, large infrastructure-scale or "non-routine" deployment that requires collective action beyond any single load-serving entity ("LSE"), or long expected useful life that requires longer contracts (*e.g.*, 25-50 years) than the current norm (*e.g.*, 10-25 years).

Designing the RCPP with a focus on the procurement of these more complex resources, such as long-duration energy storage ("LDES") and offshore wind, will aid in providing

[2] *See* SCE Opening Comments at 2.

[3] *See* American Clean Power, EDF, NRDC, Avangrid, and MRP Opening Comments.

[4] *See* EDF Opening Comments at 8.

prospective developers with potential contract opportunities. These market signals will facilitate both near- and long-term development, a cornerstone of this program's ability to meet the needs of a changing grid. EDF suggests that the Commission adopt a "Clean Energy Deployment Plan," which would include specific quantities, locations, and timing of new resources as well as transmission infrastructure expansion to eliminate the artificial line that has been created between generating and transmission resources.[5] CESA believes there is merit to this proposal in some form because having specific quantities of resources and transmission capacity needed would provide market certainty and measurable targets. At the same time, CESA cautions the Commission against rigid limits of prescriptive quantities and locations, to not limit the autonomy of and flexible procurement by LSEs, leading to CESA's and many other parties' comments in support of an attributes-focused procurement requirements or guidance.

To achieve resource-specific procurement, CESA recommends that the Commission advance the development of the "sub-categories concept" as part of the need determination mentioned in the Staff Paper. These sub-categories should require a minimum amount of firm clean resources and LDES, or for any other new resource attributes that may require long lead times or face unique procurement barriers. CESA does not believe this corners the Commission to requiring centralized procurement, but a bilateral market structure gives LSEs the flexibility needed to accommodate proposals to the needs of their own portfolios. The Commission should also allow joint procurement mechanisms to incentivize parties willing to invest when economically feasible. Such a coordination strategy to direct the execution of long-term contracts will allow the state to achieve Senate Bill ("SB") 100 and SB 350 goals. CESA's study, *Long Duration Energy Storage for California's Clean, Reliable Grid,* found that LDES can reduce in-

[5] *See* EDF Opening Comments at 3.

state use of fossil fuels for electric generation by 25%, ultimately leading to reduced emissions and lower portfolio costs, among other benefits.[6] The rate and scale of procurement needs will only increase as time goes on; the Commission's ability to apply a system-wide and holistic lens to procurement should be exercised to provide the direction needed to ensure the right portfolio is developed.

III. THE COMMISSION SHOULD FAVOR THE MASS-BASED APPROACH FOR GREENHOUSE GAS ("GHG") EMISSIONS ACCOUNTING AND ACKNOWLEDGE THAT THE CLEAN ENERGY STANDARD ("CES") APPROACH WILL MISCONSTRUE THE GHG EMISSIONS OF ENERGY STORAGE.

CESA understands the position of several parties[7] that the CES approach is the simplest and most fungible method for GHG emissions accounting, as it resembles the Renewable Portfolio Standard ("RPS") framework that LSEs are familiar with. CESA believes that the simplicity of the RPS program is also its greatest weakness. As explained by the Sierra Club and the California Environmental Justice Alliance,[8] the RPS focuses on the production of renewable energy as opposed to the optimization of zero-carbon resources and fails to account for the impact of new resources. CESA is most concerned with the CES's ability to misconstrue the GHG emissions of energy storage. Energy storage can shift energy through time and space, a benefit that would not be captured by the CES approach. In fact, it is more certain that storage would be shown as a high GHG emitter, an unfortunate outcome for a technology that creates diversity benefits through its interaction with other renewable resources. Since SB 350 and SB 100 require the reduction of

[6] CESA's Long Duration Energy Storage for California's Clean, Reliable Grid Report. Read more here: https://static1.squarespace.com/static/5b96538250a54f9cd7751faa/t/5fcf9815caa95a391e73d053/1607440419530/LDES_CA_12.08.2020.pdf

[7] *See* Avangrid, San Diego Gas & Electric, California Community Choice Association, WPTF, and MRP Opening Comments.

[8] *See* Sierra Club Opening Comments at 21.

actual GHG emissions, the CES approach fails to provide evidence that the applicable resources do just that.

Thus, CESA remains a supporter of the Mass-Based approach. If the Commission decides to pursue the CES approach, the Commission should consider the modification presented by SCE. To demonstrate compliance, LSEs should file an annual report including the Resource Data Template ("RDT") and Clean System Power ("CSP") calculator. To provide am accurate estimate of an LSE's GHG emissions throughout each hour of the year, the RDT and CSP tools would utilize *"the 8,760-hour production of the clean energy and storage resources procured and brought online and the LSE's use of system power."*[9] This method would accurately capture LSEs use of GHG-emitting resources, as well as demonstrating the benefits of reliability driven procurement. In addition, it would allow for LSEs to underscore the importance of their energy storage procurement strategies.

IV. THE COMMISSION SHOULD INCORPORATE LOCAL RELIABILITY NEEDS INTO THE IRP PLANNING TRACK AND THE SCOPE OF THE RCPP.

In opening comments, CESA and other parties requested that local reliability needs be integrated into the Planning Track so that locationally-targeted procurement directives can inform transmission and distribution planning assumptions, as well as to guide LSEs in more efficiently procuring both system and local reliability attributes from the same resources. This would also allow for a more holistic view of the investments throughout the electric system. Middle River Power ("MRP") states it eloquently: "*a longer-horizon, programmatic approach to procurement*

[9] *See* SCE Opening Comments at 23.

that does not consider significant resource needs within local reliability areas is unlikely to help catalyze or integrate a solution to those needs that is optimal from a cost perspective."[10]

If incorporating this into the Planning Track is not possible or limited now, order-by-order procurement with locationally-targeted procurement directives will suffice in the interim. Energy storage is a flexible resource that can support local needs either as a local generation resource or storage as a transmission asset ("SATA"), such that it can address IRP supply-side needs as well as address transmission constraints, thereby enabling the interconnection of additional load or generation resources. The Commission's procurement orders for the Pacific Gas and Electric Company ("PG&E") Central Procurement Entity ("CPE") to procure energy storage to meet transmission needs at the Kern-Lamont and Mesa Substations are good examples of this coordination between the Commission's IRP and the CAISO's Transmission Planning Process ("TPP"). Referencing PG&E Advice Letter 6801-E, the Kern-Lamont Request for Offers ("RFO") was closed after shortlisted RFO participants pulled out due to interconnection issues. The Commission should evaluate the solicitation results to assess whether unnecessary procurement and deployment barriers are being erected for this use case by requiring SATA resources to have deliverability. As noted by New Leaf, deliverability from the onset was not a required criteria in D.22-02-007 nor in the 2020-2021 TPP.[11]

CESA would like to clarify that local procurement directives should not limit storage to SATA use cases, per SCE's opening comments.[12] Currently, local reliability areas ("LRAs") hold a large share of aging, polluting capacity. In planning for LRAs, LSEs should consider all alternatives (*e.g.*, repowering with storage, hybridization, further development of existing local

[10] *See* MRP Opening Comments at 15.
[11] *See* New Leaf Energy's Opening Comments at 2.
[12] *See* SCE Opening Comments at 37.

resources). As mentioned in Cal Advocates' opening comments, the RCPP should also coordinate with the CAISO, considering local capacity requirements are determined by the CAISO through the local capacity technical study ("LCT") process.[13] The utilization of the LCT process can identify the effectiveness of generation resources as LCRs grow and evaluate how transmission can then reduce those LCRs. Because the matter of local reliability is a complex one, CESA agrees with New Leaf's request for the Commission and the CAISO to hold a workshop to advance the discussion.[14] In particular, CESA would like to see the agencies touch on the issue of deliverability.

V. THE COMMISSION SHOULD REJECT THE STANDARD FIXED PRICE FORWARD CONTRACT OUTLINED IN THE RULING, AS THERE ARE MORE EFFICIENT WAYS OF ADDRESSING MARKET POWER AND FINANCIAL RISK.

Several parties object to the development of the SFPFC, as there are more efficient ways of addressing market power and financial risk.[15] The majority of parties opposed to implementing the SFPFC cite that it was rejected in the Reform Track of the previous Resource Adequacy ("RA") proceeding (R.19-11-009) because there was a lack of understanding on how the framework would operate, concerns it would reduce retail competition and uncertainty in incentives for storage.[16] CESA expressed similar comments in Tracks 3B.1, 3B.2, and 4 on March 12, 2021, for the RA proceeding, where we argued that the SFPFC is overly complex and disruptive to the RA Program. Moreover, CESA agrees with the Independent Energy Producers Association ("IEP"), which notes that concerns over market power is not in the purview of the IRP process and should be best left for the consideration of the California Independent System Operator ("CAISO").[17] Similar to how

[13] *See* California Advocates Opening Comments at 22.
[14] *See* New Leaf Energy's Opening Comments at 2.
[15] *See* CalCCA, MRP, and The Utility Reform Network Opening Comments.
[16] *See* MRP Opening Comments at 10.
[17] *See* IEP Opening Comments at 5.

the SFPFC was too complex and disruptive to the RA Program, it would present the same challenges for IRP procurement, which would only serve to complicate and slow new resource procurement and development when the state must maintain record levels of resource buildout to meet SB 100 goals. Already, coordination of IRP procurement across multiple LSEs poses challenges in ensuring our GHG emissions reduction trajectory and maintaining reliability, and further complexity is expected if and when SOD frameworks and approaches are incorporated into the IRP in coordination with the new RA framework. Further complexity and disruption should be avoided.

VI. AT THIS TIME, THE COMMISSION SHOULD WAIT TO ALIGN THE RESOURCE ADEQUACY SLICE-OF-DAY FRAMEWORK TO THE IRP UNTIL AFTER THE 2024 TEST YEAR AND APPROPRIATELY DEFER CERTAIN ISSUES TO THE RA PROCEEDING.

CESA understands several parties support over ensuring consistency between the IRP process and the RA Program.[18] In the future, CESA would like to see the SOD format used as the basis for need determination and resource counting. At this time, CESA agrees with San Diego Gas & Electric ("SDG&E") that it is premature to incorporate the reconfigured RA requirements into the IRP process.[19] There is also a point to be made that the IRP process, and a key aspect of the RCPP's design, is to promote long-term reliability planning. If the SOD framework is incorporated in the IRP process, the RA proceeding should continue focusing on near-term reliability. PG&E's recommendation to establish multi-year system RA requirements to align with the IRP's planning process is out of scope for the RCPP and should be addressed in the RA proceeding. Note that the CPUC has declined to adopt multi-year System RA requirements

[18] *See* California Wind Energy Association, Center for Energy Efficiency & Renewable Technologies, Large-Scale Solar Association, SCE, PG&E Opening Comments

[19] *See* SDG&E Opening Comments at 6.

throughout the years. In the meantime, and in the pursuit of certainty in contracting, CESA would like to underscore CalCCA's comments on the inclusion of a deferral process under the enforcement aspect of the RCPP's design.[20] The deferral of the assessment of penalties would apply to LSEs experiencing delays due to factors beyond their control. This is advantageous to many LSEs, especially those taking on long-lead time and expensive projects. Given the continued uncertainty in supply chain disruptions and interconnection issues, the ability to shift capacity obligations to the next compliance period can limit the need for backstop procurement and hold LSEs responsible for their share.

VII. CONCLUSION.

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

Respectfully submitted,

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Date: January 9, 2023

[20] *See* CalCCA's comments at 14.