

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

Order Instituting Rulemaking to Consider Electric
Procurement Policy Refinements pursuant to the Joint
Reliability Plan.

R.14-02-001
Filed February 5, 2014

**COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE
ON PRELIMINARY SCOPING MEMO**

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February 20, 2014

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ON PRELIMINARY SCOPING MEMO**

The California Energy Storage Alliance (“CESA”)¹ hereby submits these comments pursuant to Rule 14 of the California Public Utilities Commission’s (“Commission’s”) Rules of Practice and Procedure, and the *Preliminary Scoping Memo* contained in the *Order Instituting Rulemaking*, filed on February 5, 2014 (“Preliminary Scoping Memo”).

I. INTRODUCTION.

CESA appreciates the opportunity to provide comments on the Preliminary Scoping Memo. CESA is very encouraged that the Commission has determined to consider multi-year Resource Adequacy (“RA”) procurement. The multi-year RA, or forward capacity, policy construct will enable preferred resources and energy storage, to participate in many business models and various financing options, and allow for the accelerated deployment of energy storage technology and greater integration of renewable and other preferred resources. As examined in depth by stakeholders at the CAISO/CPUC 2013 Long-Term Resource Adequacy

¹ The views expressed in these Comments are those of CESA, and do not necessarily reflect the views of all of the individual CESA member companies. <http://storagealliance.org>.

Summit,² long-term capacity procurement is a key policy gateway issue in California, and CESA will actively engage in the dialogue among stakeholders for multi-year procurement of preferred resources, and energy storage described in the Preliminary Scoping Memo. CESA will of course, stress the critical importance of energy storage, as described in the Commission's Energy Storage Framework Decision.³

II. RESPONSES TO QUESTIONS POSED BY THE COMMISSION.

CESA provides the following responses to certain, but not all, of the specific questions posed in the Preliminary Scoping Memo. At the same time, CESA defers at this time to other stakeholders regarding issues of central concern as they relate to their respective roles and policy focus. CESA will engage in the full range of broad policy topics to be considered in this proceeding going forward as appropriate and useful to promotion of a robust policy discussion among stakeholders.

III. DETERMINING NEED FOR PROPOSED NEW POLICY.

A. Do reliability needs justify adopting forward resource adequacy obligations? The Commission must determine whether new rules requiring forward procurement of resources are needed to support grid reliability.

CESA's Response:

The forward reliability needs discussed in the Preliminary Scoping Memo certainly do justify the Commission taking a proactive course of action. While forward obligations have the capability to mitigate some level of risk, the State should shape requirements to leverage the

² See generally, *Long-Term Resource Adequacy Summit Briefing Book*, February 26, 2013 (<http://www.caiso.com/Documents/BriefingBook-Long-TermResourceAdequacySummit.pdf>).

³ See, *Decision Adopting Energy Storage Procurement Framework and Design Program*, D. 13-10-040, issued October 17, 2013.

broad scope of technologies and applications that can address such needs. This forward capacity obligation should include the necessity for procurement of system, local, and flexible capacity.

B. Do safety considerations justify adopting forward resource adequacy obligations? As safety is a top priority for the California Public Utilities Commission (CPUC), we may consider how our commitment to public safety and health weighs in our consideration of forward procurement requirements.

CESA Response:

CESA vigorously supports safety and health considerations in every way, and any multi-year capacity procurement should include these considerations. There is considerable potential for forward capacity procurement of preferable resources, including energy storage, to increase safety and health considerations.

IV. REVIEW OF COSTS AND BENEFITS OF PROPOSED NEW POLICY.

A. Would forward procurement requirements contribute positively to reliability, and if so, how?

CESA's Response:

It is reasonable to assume that any forward assessment of reliability based on system conditions will be an overall system economic gain. Procurement rules should allow for near-term adjustments up to the deliverability year, not only to secure additional capacity if needed, but also to ensure there has not be an over-procurement that will cost ratepayers. This reliability includes capacity at the system, local, and flexibility levels.

B. Would forward procurement requirements reduce risks that existing resources may seek to retire prematurely, or address other systemic challenges to reliability such as those identified in the February 2013 briefing paper on long-term resource adequacy prepared by Commission staff?

CESA's Response:

CESA defers to other stakeholders and expresses no opinion on this question at this time.

C. What are the expected additional costs to implement new forward procurement requirements?

CESA's Response:

CESA defers to other stakeholders and expresses no opinion on this question at this time.

D. Should the Commission consider other proposals to achieve cost effective retention of resources that will be needed for grid reliability needs, and if so, what proposals?

CESA's Response:

Proposals for a forward capacity obligation should include the necessity for system, local, and flexible capacity needs.

E. Are forward procurement requirements likely to promote the development of additional preferred resources based on their funding and procurement cycles and processes?

CESA's Response:

If procurement rules are established such that reliability requirements can be fulfilled with a broad scope of products and/or services, preferred resources should benefit from such a policy change, including system, local, and flexible capacity.

F. Is three-years forward an appropriate time-frame for forward procurement requirements, or should there be a longer compliance horizon?

CESA's Response:

As stated without qualification in CESA's introduction above, long-term resource adequacy would be a vital part of a robust market for preferred resources, including energy storage. Extended time-frames, with inclusion of those over three years, provide greater market certainty that would incent developers of all forms of energy resources to pursue forward RA contracts.

V. **DESIGN OF MULTI-YEAR FORWARD RESOURCE ADEQUACY REQUIREMENTS IN THE CONTEXT OF PREFERRED RESOURCES AND RESOURCE CHARACTERISTICS.**

A. What kinds of capacity should be subjected to forward procurement requirements (e.g., system, local, or flexible capacity)?

CESA's Response:

Such requirements should be driven by local needs, because system-level assessments may not achieve the solicitation of appropriate or correctly sited resources. Flexible capacity resources may allow a single facility to fulfill a forward requirement via multiple market products.

B. What percentage of resources should we require LSEs to procure two- or three-years ahead of the resource adequacy delivery year for each kind of capacity?

CESA's Response:

CESA defers to other stakeholders and expresses no opinion on this question at this time.

C. How and when should the Commission determine forecasted capacity needs and set forward procurement requirements for LSEs, and what topics should we consider regarding the Commission's use of CAISO studies to establish such requirements?

CESA's Response:

See CESA's response above.

D. Will the existence of forward capacity obligations be likely to have a positive or negative impact on the development of preferred resources in the state?

CESA's Response:

See CESA's response above.

E. Should two- or three- year forward procurement requirements be based on monthly, seasonal, annual, or some other duration for resource adequacy products?

CESA's Response:

The ability of a single facility to provide various services from month-to-month provides the best opportunity for the deployment of preferred resources. Because seasonal variations in system needs can alter the economic return of market products.

VI. FORWARD RESOURCE ADEQUACY OBLIGATION PROGRAM REQUIREMENTS AND RULES.

CESA defers to other stakeholders and expresses no opinion regarding the Commission's questions a through e in this section of the Preliminary Scoping Memo.

A. How should we determine the capacity value two- and three-years ahead for resources such as renewable and preferred generation, or new conventional generation expected to come online within the forward compliance horizon?

CESA's Response:

Value should be driven by positive impact and need to the grid at the system, local, and flexibility levels. As stated above, multi-year procurement should be very favorable for the expanded deployment of preferred resources, and energy storage. Contract mechanisms greater than three years should be included in the capacity value determination. This modeling should incorporate long-term predictions of value and cost for grid operations. In addition, the value of these resources should follow the outcomes of Effective Load Carrying Capability ("ELCC") and Equivalent Firm Capacity ("EFC") modeling of different resource types to support valuation according to actual predicted contribution to system reliability.⁴

⁴ See generally, the CAISO's Flexible Resource Adequacy Criteria and Must Offer Obligations Stakeholder Processes.

VII. CONCLUSION.

CESA appreciates this opportunity to comment on the Preliminary Scoping Memo, and looks forward to working with the Commission and stakeholders in this proceeding.

Respectfully submitted,



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