

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

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

R.11-10-023
Filed October 20, 2011

**REPLY COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE
ON ADMINISTRATIVE LAW JUDGE'S RULING REQUESTING COMMENT ON
STAFF PROPOSAL ON THE IMPLEMENTATION OF THE FLEXIBLE
CAPACITY PROCUREMENT FRAMEWORK**

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March 6, 2014

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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”)¹ hereby submits these reply comments on the *Request for Comment on Staff Proposal on the Implementation of the Flexible Capacity Procurement Framework*, issued as an email message addressed to the service list by Administrative Law Judge (“ALJ”) David M. Gamson on February 18, 2014 and further direction by ALJ Gamson on February 27, 2014, extending the due date for reply comments from March 3, 2014 to March 6, 2014 (collectively the “ALJ’s Ruling”).

CESA thanks the Staff of the Commission’s Energy Division for producing the “Staff Proposal on Implementation of the Flexible Capacity Procurement Framework” referred to in the ALJ’s Ruling (“Staff Proposal”).² CESA urges the Commission to work with the California

¹ The California Energy Storage Alliance (“CESA”) is a membership-based advocacy group committed to advancing the role of energy storage in the electric power sector through policy, education, outreach, and research. CESA’s membership includes technology manufacturers, project developers, systems integrators, consulting firms, and other clean tech industry leaders. 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 listed at: <http://storagealliance.org>.

² *Staff Proposal on the Implementation of the Flexible Capacity Procurement Framework*, issued by the Commission’s Energy Division Staff, February 10, 2014.

Independent System Operator's ("CAISO") to allow dispatchable load to count toward the Standard Flexible Capacity Product described in the Staff Proposal in a way that is consistent with the concepts proposed in the CAISO's Flexible Resource Adequacy Criteria and Must Offer Obligation ("FRACMOO").³

The methodological gap between the staffs of the Commission do not appear to be narrowing.⁴ CESA is thus in general agreement with Opening Comments filed by the Alliance for Retail Energy Markets (AReM⁵) on Resource Adequacy Implementation Staff Proposals⁵:

"A number of parties noted differences between the Staff Proposals and the proposals of the California Independent System Operator ("CAISO") in its Flexible Resource Adequacy Capacity—Must Offer Obligation ("FRACMOO") stakeholder efforts. These differences were underscored by the CAISO, which requested in one instance that the Energy Division replace its Effective Flexible Capacity ("EFC") calculation method for energy storage with the CAISO's method, and, in another instance, proposed a process for handling disparities between the EFC values calculated by the CAISO and the FC values calculated by the CPUC. As AReM noted in its February 24th comments on Energy Division's Flexible Capacity proposals, disparities that exist between the two organizations' proposals create uncertainty for market participants regarding protocols and compliance requirements and, until they are resolved, will hamper procurement efforts, leading to inefficiencies, unnecessary procurement costs, increased risk of non-compliance, and further diminution of the competitive markets and customer choice that both organizations profess to support. Accordingly, AReM reiterates the critical need for the two organizations to work together to resolve these disparities and present a unified set of proposals to market participants." [Footnotes deleted]" (AReM Reply Comments, p.3).

In its Opening Comments CESA stated that the Commission must be clear as to how operation and discharge are distinguished in adding flexible capacity to the existing RA lexicon.

³ See, *Qualifying Capacity and Effective Flexible Capacity Calculation Methodologies for Energy Storage and Supply-Side Demand Response*, January 16, 2013.

⁴ See, e.g., *Comments of the Staff of the California Public Utilities Commission on Flexible Resource Adequacy Criteria and Must-Offer Obligation*, submitted February 21, 2014.

⁵ *Reply Comments of the Alliance for Retail Energy Markets on Energy Division's Proposals*, filed March 3, 2014.

CESA also emphasized that energy storage resources that can operate for a specific duration need not provide full maximum output for the entire period of time.

In its Opening Comments, the CAISO states, “The ISO agrees that downward flexible capacity needs to address over-generation are a growing concern. However, at this time, the flexible capacity product that has been designed focuses on upward ramping capabilities. As such, cost causation should be assessed using a consistent measurement. Any allocations based on downward ramping needs can be addressed in greater detail at a later date.” CESA fundamentally disagrees with the CAISO’s view that downward ramping should be addressed at a later date. Since net load ramping needs can be reduced through downward ramping capabilities of dispatchable load resources, it makes infinitely good sense from a policy perspective to utilize downward ramping in addressing either flexible capacity or flexible need.

The Energy Division staff has taken a logical approach in identifying downward ramping – through dispatchable load – as a component of flexible capacity itself. This approach makes sense for grid operations, because dispatchable charging provides two important benefits to the grid:

1. Dispatchable load can reduce the overall amount of upward system ramping need. This in turn can reduce the need for procurement of short run time resources which would otherwise be needed to manage the required amount of ramping. Reducing the need for ramping also reduces the number of the starts and stops required of generation resources, which should substantially reduce overall system emissions.
2. Dispatchable load provided by energy storage charging also enables excess midday renewable generation to be used to provide upward flexibility during the evening ramp. This makes best use of renewable generation resources that are already being utilized rather than procuring new thermal generation resources to provide for the evening ramp.

There is simply no good reason from an operational or policy perspective to not explicitly recognize dispatchable charging as a component of flexibility as soon as possible.

CESA disagrees with the CAISO that the need for downward flexibility has not been identified because the need is inherent in the CAISO's calculation of flexibility. Even if the CAISO focuses on identifying flexibility as an upward ramping capability, downward ramping can still clearly be characterized as a reduction in the need for flexible capacity, in the terms identified by the CAISO. This need reduction is very clear, and accordingly should simply be factored into the overall flexible capacity requirement.

CESA thus agrees completely with TURN's recommendation in its Opening Comments that the Commission has no choice but to schedule one or more additional workshops before begging work on a proposed decision.⁶

“Consistent with its February 24 comments in this docket regarding ED's flexible capacity implementation proposal, TURN believes the two entities should operate from the same rulebook on such issues.¹⁷ TURN thus again recommends that ED organize a workshop to clarify and discuss these specific ED and CAISO proposals, their similarities and differences, and their relationship to one another.” (pp. 4-5).

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

Respectfully submitted,



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Date: March 6, 2014

⁶ *Reply Comments of the Utility Reform Network on Staff Proposals and January 27 Workshop*, filed March 3, 2014.