

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

Order Instituting Rulemaking Regarding  
Policies and Protocols for Demand Response  
Load Impact Estimates, Cost-Effectiveness  
Methodologies, Megawatt Goals and  
Alignment with California Independent  
System Operator Market Design Protocols.

Rulemaking 07-01-041  
(Filed January 25, 2007)

**OPENING COMMENTS OF THE CALIFORNIA ENERGY STORAGE  
ALLIANCE ON DIRECT PARTICIPATION OF RETAIL DEMAND  
RESPONSE IN CAISO ELECTRICITY MARKETS**

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December 4, 2009

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Pursuant to Rule 14.3 of the California Public Utilities Commission's ("Commission's") Rules of Practice and Procedure, the California Energy Storage Alliance ("CESA")<sup>1</sup> respectfully submits these Opening Comments on the *Assigned Commissioner and Administrative Law Judge's Ruling Amending Scoping Memo, establishing a Direct Participation Phase of this Proceeding, and Requesting Comment on Direct Participation of Retail Demand Response in CAISO Electricity Markets*, filed November 9, 2009 ("Ruling").

**I. INTRODUCTION.**

CESA's primary goal as a party in this proceeding will be to advocate that energy storage should be a central part of the stakeholder discussion of the Commission's demand response policy as a *discrete topic*. It's planned contribution will be to assure that the broad policy implications of energy storage do not become "lost in the shuffle" as the Commission and the parties address the national-level issues presented by the California Independent System

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<sup>1</sup> The California Energy Storage Alliance consists of A123 Systems, AltairNano, Beacon Power, Chevron Energy Solutions, Debenham Energy, Enersys, Fluidic Energy, Ice Energy, Prudent Energy, PVT Solar, StrateGen Consulting, Xtreme Power and ZBB Energy Corporation. The views expressed in these Opening Comments are those of CESA, and do not necessarily reflect the views of all of the individual CESA member companies.

Operator's ("CAISO's") compliance with the Federal Energy Regulatory Commission's ("FERC's") Order No. 719. It may well be that the workshop process contemplated by the Ruling will lead to the conclusion that energy storage is best treated as one *sui generis* aspect of this proceedings. It is also possible that other proceedings, such as the next phase of the Smart Grid Rulemaking (R.08-12-009), or alternatively, a new energy storage proceeding focused on energy storage – perhaps along the lines of the Commission's Alternative-fueled Vehicle Rulemaking (R.09-08-009) - may be a better approach.

CESA is not aware of any California laws or rules that would prohibit retail customers from participating in the CAISO's wholesale markets, but is very mindful of the Commission's statement in the Ruling that:

“As a result of the responses to this Ruling, the Commission may expand this or other proceedings, or create one or more new proceedings, to address related issues. If necessary, the Commission may issue further guidance specifying appropriate processes for resolving issues identified in comments that cannot be addressed in a decision in this phase of this proceeding.” (p. 9).

Certainly there is much that can, and will, be accomplished within the initial scope identified in the Ruling, and CESA will be an active participant. However, experience with the ever-burgeoning catalog of parts and subparts spawned by the CAISO's Stakeholder Initiative process over the past several years make it very clear that energy storage policy issues go well beyond the list of questions posed in Appendix A to the Ruling. CESA believes that this is the appropriate time and place to take a holistic view of energy storage and define a Commission work plan that will (i) compliment the interests of the CAISO's stakeholders, and (ii) that will come to grips with state-level issues and opportunities outside of the ambit of the FERC's Order 719.

**II. THE COMMISSION SHOULD ADDRESS AS MANY ENERGY STORAGE-RELATED ISSUES AS POSSIBLE IN THIS PROCEEDING AND USE THE WORKSHOP PROCESS TO IDENTIFY OTHER PROCEEDINGS AND PROCESSES THAT SHOULD BE COORDINATED WITH THIS ONE.**

The CAISO’s Stakeholder Initiative process demonstrates that it is very difficult to assign one location to deal with the broad range of policy and technical issues that relate to energy storage. Today, energy storage technology is categorized as a subset of the CAISO’s Integration of Renewable Resources Program (“IRRP”), but it is also the subject of numerous others that deal with markets. The schedule of CAISO-led stakeholder activities that relate to a greater or lesser degree with energy storage technology and markets for this month alone illustrates the phenomenon.

<b>Subject</b>	<b>Comments Due</b>	<b>Teleconference</b>	<b>Workshop</b>
1. <i>Non-Generator Ancillary Services</i>		12/01	
2. <i>Proxy Demand Resources</i>	12/01	12/04 (9:00 am – Noon)	12/08 (8:00 – 10:00 am)
3. <i>Getting to 33%</i>			12/08 (10:00 – 3:00 pm)
4. <i>Hour Ahead Procurement of Ancillary Services</i>	12/09		12/14 (10:00 – Noon)

As stated at the outset, CESA is not aware of any legal impediments to participation of retail demand response resources in the CAISO’s wholesale markets. Rather, CESA’s concern is that the subject of energy storage in California is much broader than FERC-jurisdictional transactions. Indeed, it extends well beyond into unregulated markets that are beyond the Commission’s jurisdiction as well. CESA believes it is critically important to draw clear lines of demarcation as to regulatory jurisdiction as a necessary, but not sufficient, part of a holistic market-based approach to take full advantage of all of the benefits that energy storage, in its many forms, will bring to California.

**III. CONCLUSION.**

CESA thanks the Commission for the opportunity to provide these Opening Comments on the Ruling, and looks forward to active participation in this phase of the proceeding, beginning with the workshops envisioned by the Commission.

Respectfully submitted,



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Counsel for  
**CALIFORNIA ENERGY STORAGE ALLIANCE**

Date: December 4, 2009

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a copy of the foregoing ***Opening Comments of the California Energy Storage Alliance on Direct Participation of Retail Demand Response in CAISO Electricity Markets*** on all parties of record in ***R.07-01-041*** by serving an electronic copy on their email addresses of record and, for those parties without an email address of record, by mailing a properly addressed copy by first-class mail with postage prepaid to each party on the Commission's official service list for this proceeding.

This Certificate of Service is executed on December 4, 2009, at Woodland Hills, California.

  
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Michelle Dangott

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