

DOUGLASS & LIDDELL

AN ASSOCIATION OF
PROFESSIONAL CORPORATIONS

2928 2ND AVENUE

SAN DIEGO, CALIFORNIA 92103

telephone 619.993.9096

facsimile 619.296.4662

Email liddell@energyattorney.com

Daniel W. Douglass, A.P.C.
4766 Park Granada, Suite 209
Calabasas, California 91302
Telephone 818.961.3001
Facsimile 747.222.1861

Gregory S.G. Klatt – Of Counsel
411 E. Huntington Drive, Suite 107-356
Arcadia, California 91007
Telephone 626.807.5733

May 19, 2016

VIA ELECTRONIC MAIL

Gabriel Petlin and Manisha Lakhanpal
Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Gabriel.Petlin@cpuc.ca.gov
Manisha.Lakhanpal@cpuc.ca.gov
EDtariffunit@cpuc.ca.gov

Re: Comments of the California Energy Storage Alliance on Draft Resolution E-4791 – Aliso Canyon Energy Storage Procurement for 2016-2017

Dear Mr. Petlin and Ms. Lakhanpal:

The California Energy Storage Alliance¹ (“CESA”) appreciates the opportunity to provide these comments on Draft Resolution E-4791 (“Resolution”) issued by the California Public Utilities Commission’s (“Commission’s”) Energy Division in response to the Aliso Canyon gas storage facility issues, declared state of emergency, and injection moratorium. The Resolution directs Southern California Edison (“SCE”) to solicit expedited energy storage offers to address local reliability challenges in the Los Angeles Basin. The Resolution authorizes this

¹ 1 Energy Systems Inc., Adara Power, Advanced Microgrid Solutions, AES Energy Storage, Amber Kinetics, Aquion Energy, Bright Energy Storage Technologies, Brookfield, California Environmental Associates, Consolidated Edison Development, Inc., Cumulus Energy Storage, Customized Energy Solutions, Demand Energy, Eagle Crest Energy Company, East Penn Manufacturing Company, Ecoult, Electric Motor Werks, Inc., ElectrIQ Power, ELSYS Inc., Enphase Energy, GE Energy Storage, Geli, Gordon & Rees, Green Charge Networks, Greensmith Energy, Gridscape Solutions, Gridtential Energy, Inc., Hitachi Chemical Co., Ice Energy, Innovation Core SEI, Inc. (A Sumitomo Electric Company), Invenergy LLC, Johnson Controls, K&L Gates, LG Chem Power, Inc., Lockheed Martin Advanced Energy Storage LLC, LS Power Development, LLC, NEC Energy Solutions, Inc., NextEra Energy Resources, NGK Insulators, Ltd., NRG Energy LLC, OutBack Power Technologies, Parker Hannifin Corporation, Powertree Services Inc., Qnovo, Recurrent Energy, RES Americas Inc., Saft America Inc., Samsung SDI, Sharp Electronics Corporation, Skylar Capital Management, SolarCity, Sovereign Energy, Stem, SunPower Corporation, Sunrun, Swell Energy, Trina Energy Storage, Tri-Technic, UniEnergy Technologies, Wellhead Electric, Younicos. 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>).

DOUGLASS & LIDDELL

AN ASSOCIATION OF
PROFESSIONAL CORPORATIONS

Gabriel Petlin and Manisha Lakhanpal
Energy Division
California Public Utilities Commission
May 19, 2016
Page 2

procurement as part of the already approved Local Capacity Reliability (LCR) procurement pursuant to D.15-11-041.

CESA strongly supports the Resolution and believes the Commission's actions are warranted. CESA recommends the Commission proceed quickly with finalizing the procurement directive and offers these comments in order to support the effectiveness of this effort. The Commission should err on the side of speed in this effort but, where feasible, should provide some further details and revisions to the Resolution. CESA also wants the Commission ensure this order is implemented in a fair and non-discriminatory manner so as to allow selection of the most effective least cost solutions to address the serious reliability issues. CESA appreciates the Commission's fast pace in developing the Resolution and will continue to facilitate supporting actions from the energy storage industry.

A. So long as deployment timelines and speed goals are met, the Commission should authorize procurement for all types of energy storage that can site and satisfy local challenges resulting from the Aliso Canyon closure.

The Resolution directs expedited actions to address a critical reliability challenge but limits the procurement directive to In Front of the Meter ("IFOM") energy storage only. While IFOM energy storage plays critical and important roles in providing grid, market, and other services, Behind the Meter ("BTM") energy storage can also provide relevant and useful services. CESA respectfully recommends the Commission expand the Resolution to expressly authorize BTM storage, within this procurement or in directing an alternative mechanism, where BTM energy storage can quickly respond to the Aliso Canyon reliability challenge. The Commission should also clarify that customer-sited, but IFOM-interconnected, energy storage projects would qualify.

B. Plans for expedited interconnection, permitting, and other critical path regulatory requirements should be directed in the Resolution.

The Resolution emphasizes that expedited actions are directed, but the feasibility of developing, permitting, constructing, and completing energy storage projects by December 31, 2016 necessarily involves many time-consuming steps. These steps may not or will not occur without supportive and facilitating actions by key government or regulatory bodies. Without needed support actions, these steps and projects cannot be online in time. For example, WDAT interconnection studies alone can take six months while LGIA studies can take up to eighteen months to complete through business as usual processes.

DOUGLASS & LIDDELL

AN ASSOCIATION OF
PROFESSIONAL CORPORATIONS

Gabriel Petlin and Manisha Lakhanpal
Energy Division
California Public Utilities Commission
May 19, 2016
Page 3

The Resolution should therefore recognize key regulatory difficulties and direct plans to address these known requirements. By clarifying that the Commission will work with SCE and successful bidders to address critical challenges, the Commission will both ensure a more robust and competitive solicitation and will commit to the ‘support actions’ needed to bring new energy storage capacity online by the end of 2016. CESA listed these support actions in its comments on Aliso Canyon issues, and in its remarks and presentation at the Aliso Canyon Joint-Agency Task Force Meeting on April 8, 2016.

CESA understands that some ‘support actions’ are outside Commission jurisdiction and appreciates the Commission’s recognition of the challenges. Commission efforts and willingness to coordinate or direct support actions, such as facilitating meetings with local governments on permitting, or with the California Independent System Operator (“CAISO”) on expediting interconnection, will be extremely necessary for the timely completion of energy storage projects.

CESA recommends the following support actions be coordinated, or directed by the Commission:

- Expedited permitting and planning at the local, regional and state level
- Expedited Rule 21 interconnection studies and new resource implementation process (and CAISO tariff waiver filing with FERC)
- Expedited WDAT processing and or CAISO material modification processing²
- Expedited LGIA processing (and CAISO Tariff Waiver at FERC)

Additionally, the Commission should direct advance work by SCE to hasten the process of site-identification and project-development through a bidders’ conference, in-person meetings, site identifications, site tours, and geotechnical reports, and timeframe commitments on SCE’s Rule 21, WDAT and related interconnection processes. CESA further recommends that SCE provide information on where and whether energy storage co-located at SCE’s in-basin gas-fired power plant is being considered. This information can highlight likely interconnection plug and play ‘sockets’ for some energy storage projects.

It is also important for the Commission to appreciate that CESA is not suggesting that projects procured in this emergency procurement will have a waiver from the requirements

² This may include expedited processing of changes to existing interconnections to substitute emergency energy storage capacity

DOUGLASS & LIDDELL

AN ASSOCIATION OF
PROFESSIONAL CORPORATIONS

Gabriel Petlin and Manisha Lakhanpal
Energy Division
California Public Utilities Commission
May 19, 2016
Page 4

applied on a non-discriminatory basis or special treatment which otherwise financially harm other projects that are complying with applicable rules and regulations. For example, a project that could meet the deadlines of this procurement would not be relieved of any cost responsibility that would arise in the normal course of activities nor would it prevent another project from coming on line to deliver to the grid. Though it may be impossible to conceive of every possible situation, this should be a clear principle to follow.

C. The clear focus of the procurement should be on the system and local reliability risks associated with the Aliso Canyon problem.

The draft Resolution is clear that the procurement is being ordered as a direct result of the Aliso Canyon problems and resulting closure but the linkages to the procurement authorized for the LA Basin in D.15-11-041 creates a degree of confusion. This is because there may well be energy storage solutions that will result in significant progress in addressing the reliability problem but they do not meet all of the requirements of that Decision. For example, an energy storage project outside of the defined LA Basin boundaries could result in a significant reduction in the gas that would otherwise have to be delivered from the SoCalGas system. Additionally, it is plausible that a portion, perhaps a significant portion, of the storage procured would not need to provide 4-hours of uninterrupted delivery to again significantly reduce the gas that would otherwise have to be delivered from the SoCalGas system. Energy storage projects located in the LA Basin or providing incremental RA should be recognized for their added value in the least cost selection process. But it would be suboptimal to disregard competitive proposals that could significantly help even though they do not provide these values too.

D. The Resolution should direct procurement under contracts that provide wholesale rate treatment for energy storage 'fuel', round-trip efficiency losses, thermal regulation loads, and other auxiliary loads.

SCE's contracts resulting from D.15-11-041 expressly directed thermal regulation loads and auxiliary loads to be measured and counted for retail billing. CESA believes this approach inappropriately disadvantages IFOM energy storage projects acting as market participants and undermines the roles and benefits of energy storage in the grid-mix. As the Commission has jurisdiction over utility rate-designs, CESA recommends the Commission direct a specific rate design for IFOM energy storage projects such that round-trip efficiency losses, thermal regulation loads, and other applicable auxiliary loads are billed at a rate equivalent to wholesale rates.

DOUGLASS & LIDDELL

AN ASSOCIATION OF
PROFESSIONAL CORPORATIONS

Gabriel Petlin and Manisha Lakhanpal
Energy Division
California Public Utilities Commission
May 19, 2016
Page 5

The Commission is currently considering these matters in R.15-03-011, a proceeding designed to address key barriers to energy storage resources and to meaningfully advance deployment of energy storage in addressing grid, reliability, customer, and other services. CESA understands that any Commission determination on the rate design for energy storage efficiency losses, thermal regulation loads, and applicable auxiliary loads will ultimately be determined in R.15-03-011, and elsewhere. Absent a near immediate decision on these points, the Commission should take action in the Resolution to support robust and competitive bidding to meet the Aliso Canyon challenge. Commission direction on this topic should also speed contract negotiations.

E. Different time-horizons for procurement and expanded procurement plans should also be considered.

CESA supports the Commission's timelines for the Resolution, which focuses on 2016, and Summer 2017 grid-reliability concerns for the Los Angeles Basin. In its directed solicitation, however, the Commission should also direct SCE to consider projects that would be developed (including further developed) in time for Summer 2017 and beyond. This solicitation should inform the Commission for expanded and future procurement.

CESA believes that greater capacity additions may be possible through consideration of alternate procurement timeframes, *e.g.* by January 31, 2016. The Commission may thus wish to augment immediate procurement with procurement direction that contemplates online dates for energy storage projects in early 2017, if the greater capacity levels cannot be in place by the end of 2016. Through a modest extension of on-line dates, critical capacity additions could be online by later in Winter yet in advance of next Summer and beyond.

F. Force majeure considerations should be anticipated in SCE's energy storage procurement

The Commission should foresee potential force majeure considerations in the event that such circumstances delay the contracted online dates for energy storage projects. CESA acknowledges this may require more due diligence by SCE to ensure that the developer's milestone dates are reasonable but it will reduce risk resulting in lower prices. This step would not delay the Commission's implementation timeframes but may improve participation in any SCE procurement by making contracts binding even if force majeure considerations delay online dates to some extent.

DOUGLASS & LIDDELL

AN ASSOCIATION OF
PROFESSIONAL CORPORATIONS

Gabriel Petlin and Manisha Lakhanpal
Energy Division
California Public Utilities Commission
May 19, 2016
Page 6

As the Commission moves quickly to hone and expand the Resolution to account for the points made here, CESA looks forward to ongoing collaboration and support of the Commission and all other affected stakeholders.

Very truly yours,



Donald C. Liddell
DOUGLASS & LIDDELL

DCL/md

cc: Michael Picker, President
Mike Florio, Commissioner
Carla Peterman, Commissioner
Liane Randolph, Commissioner
Catherine Sandoval, Commissioner
Edward Randolph, Director – Energy Division
Karen Clopton, Chief ALJ
Frank Lindh, General Counsel
Ehren Seybert, Energy Division
Bruce Kaneshiro, Energy Division
Service Lists: A.11-03-001, A.11-03-002 and A.11-03-003