

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

Order Instituting Rulemaking Pursuant to  
Assembly Bill 2514 to Consider the  
Adoption of Procurement Targets for Viable  
and Cost-Effective Energy Storage Systems.

R.10-12-007  
(Filed December 16, 2010)

**COMMENTS OF THE  
ALLIANCE FOR RETAIL ENERGY MARKETS  
ON ORDER INSTITUTING RULEMAKING**

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Consultant to  
**ALLIANCE FOR RETAIL ENERGY MARKETS**

Date: January 21, 2011

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The Alliance for Retail Energy Markets (“AReM”)<sup>1</sup> submits these comments in accordance with the Order Instituting Rulemaking (“OIR”), issued on December 21, 2010, which set this date for submittal of comments on “the facts and issues of laws that they believe to be relevant to this proceeding’s scope as guided by the directions and comments in this OIR and staff’s white paper”<sup>2</sup> as well as other “procedural or substantive issues parties believe to be relevant.”<sup>3</sup> AReM is a regulatory alliance of electric service providers (“ESPs”) that are active in the California retail direct access market as load-serving entities (“LSEs”). While ESPs are not identified as respondents to the proceeding, the OIR notes that the Commission may decide to apply any decision in this proceeding to all LSEs. Accordingly, AReM intends to participate actively in this proceeding.

AReM does not oppose the Commission’s investigation of viable and cost-effective energy storage systems, to the extent that the Commission’s investigation focuses on providing

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<sup>1</sup> AReM is a California non-profit mutual benefit corporation formed by electric service providers that are active in the California’s direct access market. This filing represents the position of AReM, but not necessarily that of a particular member or any affiliates of its members with respect to the issues addressed herein.

<sup>2</sup> See OIR, at p. 5.

<sup>3</sup> See OIR, at p. 6.

market participants with analysis of the various technologies and the role that each can play in the reliable integration of intermittent resources. AReM notes that energy storage technologies are at the nascent stages of development with unproven benefits and high cost of implementation. Therefore, AReM urges the Commission to take a thoughtful and deliberate approach in evaluating these technologies, and assessing whether there should be specific procurement targets for these systems. If the Commission fails to identify quantifiable benefits or if expected costs outweigh benefits, especially in comparison to other products or services that provide for renewable resource integration, the Commission should carefully consider whether establishing an obligation for LSEs to procure from energy storage systems is warranted at this time.

Of most specific concern to AReM is the fact that any energy storage obligation imposed on the Investor Owned Utilities (“IOUs”) will raise the thorny issues of cost recovery and cost allocation. AReM urges the Commission to address this significant policy issue upfront in the proceeding, by making it clear that, if any procurement targets are promulgated as a result of this rulemaking, the costs incurred by the IOUs will be for their bundled customers only, and that such investment mandates will not impose any new non-bypassable charges on customers that choose alternative retail service. Too often a decision on the allocation of costs is deferred to later phases or even bumped to another proceeding altogether. If competitive markets are to develop, the Commission must send strong signals that competition will be open and the playing field level between the utilities and other market participants. Decisions that impose subsidies or attempt to pick technology “winners” will only hamper the development of the market. Moreover, decisions that limit the flexibility of retail providers to optimize their supply portfolios while meeting renewable requirements, either by imposing specific technology choices

on them or that require their customers to pay for utility investments in mandated technologies, will undermine competitive markets as well.

In determining a cost allocation policy related to any LSE procurement target for energy storage, AReM urges the Commission not to allow this rulemaking to become a source of yet more utility-mandated investment that will concentrate renewable resources ownership and control with the IOUs, or that impose more onerous and stifling new non-bypassable charges on consumers who seek alternative service. In short, AReM believes that investment in new technologies should be guided by the relative efficiencies and economics of those technologies when compared to viable alternatives. Market forces are much more capable of discerning those efficiencies and economies than are command and control approaches. If, nevertheless, the Commission imposes an investment mandate on the IOUs, it should do so such that the level of investment is one that the IOUs will manage for the benefit of their bundled customers, as that load may change over time due to retail choice.

AReM also notes, and does not oppose, the recommendation contained in the Staff's *Electric Energy Storage: An Assessment of Potential Barriers and Opportunities* ("White Paper") to form an Energy Storage Collaborative. However, the OIR seems to suggest that participation in the Collaborative would come from the "CEC, CAISO, and FERC as well as from the utility, EES manufacturer and installer industries (among others)"<sup>4</sup> AReM strongly opposes any limitations on participation in this Collaborative, as limitations will restrict important market input to the deliberations, and potentially lead to biased and potentially unfair analysis. AReM urges the Commission to ensure that participation in the Collaborative is open to the broad spectrum of market participants, including ESPs.

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<sup>4</sup> See White Paper, page 9.

AReM agrees that Assembly Bill 2514 provides the Commission with “broad discretion”<sup>5</sup> and stands ready to work with the Commission staff and other market participants in its efforts.

Respectfully submitted,

/s/ Sue Mara \_\_\_\_\_

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<sup>5</sup> OIR, p. 5.

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a copy of *Comments of the Alliance for Retail Energy Markets on Order Instituting Rulemaking* on all parties of record in *R.10-12-007* by serving an electronic copy on their e-mail addresses of record and, for those parties without an e-mail 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 January 21, 2011 at Redwood City, California.

  
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Michelle Dangott

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