

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)

**REPLY COMMENTS OF THE DIVISION OF RATEPAYER ADVOCATES  
ON ADMINISTRATIVE LAW JUDGE'S RULING ENTERING INITIAL STAFF  
PROPOSAL INTO RECORD AND SEEKING COMMENTS**

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INTO RECORD AND SEEKING COMMENTS**

The Division of Ratepayer Advocates (DRA) provides the following reply comments to parties' comments pursuant to the Administrative Law Judge (ALJ) Ruling issued on December 14, 2011. DRA appreciates the opportunity to provide reply comments and looks forward to working with other stakeholders to develop the end use framework for storage applications and assessing the cost effectiveness of energy storage.

Based on its review of other parties' opening comments, DRA has grouped the comments together by major issue, and offers these with additional DRA comments as follows:

- DRA, like the other parties, supports removing barriers to energy storage at the Commission, California Energy Commission (CEC), and California Independent System Operator/Federal Energy Regulatory Commission (CAISO/ FERC) as the best approach to increasing energy storage applications rather than setting storage procurement goals. The CAISO is adopting tariffs that can apply to storage, and DRA supports this effort to remove barriers to energy storage.
- Several parties, including DRA, identified current Resource Adequacy (RA) accounting rules as a barrier to energy storage development and deployment in

California. DRA agrees with the Staff Proposal’s observation that the “first important outcome of this rulemaking should be to begin the process of having RA value assigned to energy storage as part of the new RA rulemaking (R.11-10-023).”<sup>1</sup> DRA agrees and stresses the need for parties to participate in the RA rulemaking to develop RA rules for energy storage resources.

- Southern California Edison (SCE) proposes a revised regulatory matrix to clarify the role of each proceeding for addressing the different barriers to energy storage. DRA generally agrees with SCE’s proposed revised matrix and believes it will facilitate the process of resolving barriers to energy storage. DRA does not, however, support SCE’s Track III proposal to open a new proceeding to develop a long term contracting mechanism via competitive auction.<sup>2</sup> This proposal appears to be similar to the centralized forward capacity market, which the Commission has already rejected, and DRA has opposed in its LTPP testimony.
- DRA also supports SCE’s proposal to establish a roadmap with milestones and enablers. This proposed roadmap appears reasonable and assigns priorities to the more critical areas where barriers should be removed initially (namely, the various CAISO processes). Further, if the need for flexible capacity and flexible resources needed to support renewables integration is established in a LTPP proceeding, then energy storage can and should compete with other flexible capacity resources.
- DRA agrees that need for procurement of additional capacity resources should be determined in the Long Term Procurement Planning (LTPP) and/or the Resource Adequacy (RA) proceedings, and the resulting solicitation process should allow for storage to compete with other technologies
- A potential advantage of energy storage over other resources is the ability to act as a “load” during over-generation conditions and thus provide downward ramping services. This is especially important in California where much of the energy

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<sup>1</sup> Energy Storage Framework Staff Proposal, R.10-12-007 (Dec. 12, 2011), p. 7, available at: <http://docs.cpuc.ca.gov/efile/RULINGS/155568.pdf>.

<sup>2</sup> See SCE’s Opening Comments, R.10-12-007 (Jan. 31, 2012), p. 7 (SCE’s revised matrix, Table 1, Row 7), available at <http://docs.cpuc.ca.gov/efile/CM/158861.pdf>.

generated from wind happens during low demand periods (e.g., at night). As energy generated from wind resources increase in the next decade, over-generation conditions will likely increase but energy storage could provide a valuable method to reduce wasting, or spilling, wind energy. This stored energy can then be dispatched to provide regulation, ramping and load following at a later time when needed, and be able to compete against other resources to meet needs.

- Vote Solar proposes to start with "pilot projects" if the Commission identifies a need for energy storage applications in the shorter term. DRA agrees with this approach and notes that the Commission has already approved at least two pilot energy storage projects in California—SCE’s Tehachapi wind storage project (8 MWs), and Pacific Gas and Electric’s (PG&E’s) compressed air storage preliminary study with a capacity of up to 300 MWs. DRA believes that pilot projects such as these should be reviewed on an individual basis, but that there is no need to establish target levels for energy storage pilot projects.
- DRA supports the market determination of storage cost-effectiveness for applications where it can be applied competitively (such as competitive bidding RA and other ancillary services). In cases where the cost and value of storage cannot be determined by competitive market forces (for example in certain demand-side applications), then it may be appropriate to use methodologies similar to those utilized to determine cost-effectiveness for Energy Efficiency (EE) and Demand Response (DR). In any event, the Commission should select an approach that results in the development of a robust cost-effectiveness methodology and framework for storage resources. DRA recommends that the

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Commission hold workshops to address the methodologies, including whether there should different approach for customer-sited versus grid-sited storage projects.

Respectfully submitted,

/s/ CANDACE MOREY

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