

**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.

Rulemaking 10-12-007  
(Filed December 16, 2010)

**REPLY COMMENTS OF THE CONSUMER FEDERATION OF CALIFORNIA ON  
THE ADMINISTRATIVE LAW JUDGE’S RULING ENTERING INITIAL STAFF  
PROPOSAL INTO RECORD AND SEEKING COMMENTS**

I. INTRODUCTION

The Consumer Federation of California (“CFC”) respectfully submits these reply comments to the California Public Utilities Commission (“Commission”) as directed in Administrative Law Judge’s (“ALJ”) December 14<sup>th</sup> Ruling Entering Initial Staff Proposal Into the Record and Seeking Comments (“Ruling”).

II. GENERAL COMMENTS

Opening comments from parties represent divergent viewpoints on issues presented in the Energy Division’s *Energy Storage Framework Staff Proposal* (“Staff Proposal”). CFC offers the following comments on the issues below:

1. Energy Storage Analysis: Many parties agreed with the Commission’s ‘end use’ framework; however some parties expressed mixed feelings about how effective an end-use analysis will be in overcoming barriers to widespread adoption of energy storage. Specifically, MegaWatts Storage Farms (MegaWatt) views the Staff Proposal’s proposed end-use analysis as the biggest impediment to

energy storage adoption and proposes setting procurement targets in lieu of any energy storage economics analysis. CFC disagrees with MegaWatt's statements.

2. Procedural Schedule Revision: In Opening Comments, CAISO suggests that the Commission allow for another round of comments once the Staff Proposal is revised. CFC agrees.
3. Valuation Framework: CFC agrees with both Brookfield Renewable Energy Partners ("Brookfield") and the Sierra Club opening comments on the need for a valuation framework. These comments are consistent with CFC's opening comments.

## DISCUSSION

### b. End Use Framework

Setting procurement targets is an issue of contention among parties to the instant proceeding. Whether or not parties believe there should be procurement targets, only MegaWatt advocates using procurement targets in lieu of any energy storage economics analysis. MegaWatt storage opposes the Staff Proposal's end-use framework. However, MegaWatt's comments seem to suggest that not only does MegaWatt disagree with implementing the end-use framework, but that MegaWatt disagrees with any form of analysis, including a cost-effective analysis, prior to adopting energy storage. MegaWatt storage states in its opening comments that procurement targets should be paramount to energy storage analysis:

MegaWatt believes the Staff's proposed "end use" analysis is complex, expensive, time consuming and is unlikely to be reliable or conclusive. Storage is a grid resource no matter where it is located or who owns it. For example, storage on the distribution grid and the customer side of the meter can provide frequency regulation services to the ISO in the same way that transmission grid storage can. Because the analysis of storage is complex, and the barriers to be overcome to deploy it are complex (see Appendix A), MegaWatt believes procurement targets are the only feasible way to avoid paralysis-by-analysis. Unless storage procurement targets are defined quickly, fossil fuel plants will be deployed for renewables integration and storage will not contribute its unique services of fast response, locations close to the load, low environment impact and increased local reliability at a lower cost when considered as an element of the overall fossil, DR, efficiency and renewable portfolio. As noted in Appendix A, the 33% RPS goal is waived to the extent that curtailment of renewables

1 makes its achievement impractical - without deployment of storage, curtailment is highly likely, as is failure to achieve the 33% RPS goal.

CFC disagrees with this statement and feels that an analysis of energy storage applications is necessary in order to 1) develop a cost-effective methodology to result in choosing the best technology based on application and location; 2) develop a valuation framework that monetizes benefits according to application, not the individual technology; 3) will aid the Commission in formulating a cost-recovery model; and 3) will aid the Commission in allocating costs accurately. Relying solely on procurement targets will not achieve these goals. Procurement targets do not take into the consideration the level of versatility and complexity that accompany energy storage and its applications. As Southern California Edison mentioned in opening comments “A procurement target misses the critical reality that much of storage may be deployed in conjunction with transmission or distribution planning. Procurement targets fail to recognize the diverse applications of storage and are inappropriate for varied resources.”<sup>2</sup> Using an analysis that takes into account the many variables and uses of energy storage is the only way to develop and effectively integrate cost-effective energy storage technologies into the grid. By contrast, setting procurement targets without proper analysis would be an expensive, “one-size-fits-all” approach, an approach that is cautioned against by most stakeholders. In sum, a procurement target approach without analysis would inevitably rely on selecting energy storage based on the individual technology and would discount the complexity of choosing the best technology according to a specific application and location.

#### b. Procedural Schedule Revision

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<sup>1</sup> MegaWatt opening comments at page 3.

<sup>2</sup> SCE Opening Comments at 16.

In opening comments, CAISO suggested the Commission revise the procedural schedule to allow for one more round of comments before the Commission issues a decision. CFC agrees with CAISO. The Commission should allow for parties to comment on a staff proposal that incorporates parties' viewpoints in order to have a more complete record.

c. Valuation Framework

Some parties commented on the need for a valuation framework. Brookfield stated: “[w]hile we recognize the challenges of precisely valuing the important benefits that electric energy storage can provide, we believe that such value is significant and should be taken into account when doing a cost-benefit analysis or establishing storage procurement targets.”<sup>3</sup> Sierra Club also stated: “The greatest impediment to the deployment of EES that the Commission can address is the creation of a valuation methodology for the costs and benefits of storage, which is the very purpose of this proceeding.”<sup>4</sup> CFC agrees with these statements. As mentioned earlier in comments, a valuation framework is necessary in order to accurately analyze energy storage cost-effectiveness.

Dated February 21, 2012

Respectfully Submitted,

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<sup>3</sup> Brookfield opening comments at 7.

<sup>4</sup> Sierra Club Opening Comments at 16.