

CPUC Staff Response to Comments

On December 12, 2011, CPUC Staff released a draft version of the “Energy Storage Framework Staff Proposal” (Staff Proposal). This Staff Proposal outlined the perspective of CPUC Staff on how to address policies and barriers as they apply to energy storage in California. The purpose of the Staff Proposal was to outline a framework to meet the requirements of AB 2514, which directed the CPUC to consider whether or not to adopt an energy storage procurement target. The CPUC Staff Proposal was organized around three main topics: Barriers, Framework, and Next Steps. The Staff Proposal identified nine barriers that are currently limiting the widespread adoption of energy storage in California, and identified a framework for addressing those barriers. As part of that framework, the Staff Proposal identified 20 “end uses” of energy storage which would guide continued analysis of energy storage and how to best address any barriers to those end uses. Finally, the Staff Proposal sought comments from parties on a proposed analytical approach to using the framework and asked for comments on how best to proceed on developing a cost-effectiveness methodology for energy storage.

Initial Comments on the Staff Proposal were due on January 31, 2012, and Reply Comments were due on February 21, 2012. The CPUC received initial comments from 13 parties,¹ and reply comments from 10 parties.² This Staff Response does not address all comments received on the Staff Proposal, but attempts to cover the broad themes raised by the parties. Staff Response is divided into five topics: Framework, Cost-Effectiveness, Procurement Targets, Roadmap, and Barriers.

Framework

Comments received on the end-use Framework can be divided into those that support the Framework and those that do not. Several parties support the use of an end-use Framework to help identify costs and benefits in preparation for a cost-effectiveness methodology, as well as enabling a more technology-neutral approach to storage. Additionally, parties suggested that the CPUC Staff should prioritize a specific set of end-uses and applications.

Other parties opposed the end-use Framework, raising concerns that the Framework would lead to a drawn-out review process of storage projects and delay the implementation of energy storage systems in California. One party also commented that storage itself does not fit within a specific set of end-uses, and attempts to do so will limit the ability of storage projects to respond to opportunities.

¹ Initial Comments were filed by Brookfield Renewable Energy Partners (Brookfield), California Energy Storage Alliance (CESA), California ISO (CAISO), Calpine, Consumer Federation of California (CFC), Division of Ratepayer Advocates (DRA), Jack Ellis, MegaWatt Storage Farms, Pacific Gas & Electric (PG&E), San Diego Gas & Electric (SDG&E), Sierra Club, Southern California Edison (SCE), and Vote Solar.

² Reply Comments were filed by CESA, CFC, DRA, Mark B. Lively, NGK Insulators (NGK), PG&E, SCE, SDG&E, Sierra Club, and Vote Solar.

CPUC Staff continues to support the use of an end-use Framework as a means to identify potential applications of energy storage, and as a framework that can be used to support a cost-effectiveness methodology. CPUC Staff also agrees with those parties that a set of those end-uses should be prioritized. As such, in the revised Staff Proposal, CPUC Staff identified four basic high-priority scenarios for deploying energy storage systems based on alignment with existing CPUC and state policies, with each scenario involving a different combination of multiple end-uses. These storage scenarios should be the focus of the parties, CPUC Staff and the CPUC going forward. The CPUC Staff's suggested priorities are as follows:

1. Renewables Support / Dispatchability
2. Distributed Storage
3. Demand-side Management
4. Ancillary Services

The priorities identified above are preliminary and may be revisited in Phase 2 of the proceeding. CPUC Staff believes that this addresses the concerns raised by parties that opposed the Framework as too open-ended and will facilitate focused analysis in terms of cost-effectiveness, barriers, and policy options.

Cost-Effectiveness

The Staff Proposal sought comments on the use of the Standard Practice Manual (SPM) as a tool to measure the cost-effectiveness of energy storage resources. The Staff Proposal also identified the need for a new phase of the OIR to develop a cost-effectiveness model. CPUC Staff also sought comments on how to use the end-use framework in the development of a cost-effectiveness model.

The comments were nearly unanimous that the SPM was not a proper tool to measure cost-effectiveness of a storage system. Specifically, the SPM was designed for customer or behind-the-meter applications; therefore, the SPM may not accurately account for the benefits from the various identified end-uses of storage, such as benefits to the grid. One party advocated for the use of the Permanent Load Shifting (PLS) test that was developed in the recent Demand Response applications. Although the SPM may not be the appropriate test for cost-effectiveness, several parties argued that a cost-effectiveness methodology should be a priority for this proceeding. Finally, several parties stated that no cost-effectiveness test was needed, and that the market should determine the cost-effectiveness of a storage resource.

CPUC Staff agrees with the parties that the SPM approach may not be suitable for storage and that determining a cost-effectiveness methodology appropriate for storage is an important and a valuable outcome of this proceeding. As noted in the Framework discussion above, by prioritizing a specific set of storage deployment scenarios, CPUC Staff believes that the development of a cost-effectiveness methodology can be accelerated.

Procurement Targets

The Staff Proposal did not state a position on developing procurement targets for energy storage resources; nevertheless, since this proceeding is held pursuant to AB 2514, which directed the CPUC to investigate the adoption of energy storage procurement targets, parties did file comments on whether procurement targets are needed.

Several parties commented that procurement targets are unnecessary, will undermine markets, will not lead to an efficient selection of energy storage projects, and will increase costs for ratepayers.

On the opposite side, other parties argued that procurement targets are necessary to move the storage market forward more expeditiously, allow utility and system planners to develop experience with energy storage resources, and to support the various environmental goals of the state. Parties also state that issues around storage should be decided in this proceeding, and then have other proceedings implement the decisions made in this proceeding. Additionally, some parties suggested that discussion of targets should be determined in the Long-Term Procurement Proceeding.

The Staff Proposal remains silent on the determination of whether storage procurement targets are necessary. It is CPUC Staff's position that there is still more work to be done on addressing barriers, end-use's and cost-effectiveness before CPUC Staff can make a recommendation on whether storage procurement targets are appropriate. CPUC Staff expects to coordinate with other on-going efforts in Resource Adequacy, Long-Term Procurement, and activities at the CAISO to ensure that storage is being considered in those efforts.

Roadmap

The Staff Proposal sought comments on the development of a roadmap with goals or milestones and key enablers to reach the goals and how best the CPUC and parties can encourage the development of energy storage resources.

Comments were generally supportive to the use of a roadmap to guide the next steps and goals of the proceeding. One party developed a set of goals and milestones and a timeline necessary to realize those goals. Several parties identified an end-goal as allowing storage to actively and fairly participate in competitive markets and procurement solicitations. Parties also identified the need to prioritize issues that should be dealt with sooner.

CPUC Staff has revised roadmap section of the Staff Proposal to reflect parties feedback.

Barriers

The Staff Proposal identified nine regulatory/policy barriers that limit the ability of storage to participate in retail and wholesale markets. The comments generally agreed that those are appropriate barriers at this time. Some parties suggested that some barriers should be prioritized over others. Several comments discussed the impact of specific barriers on the adoption of energy storage. One party provided a revised matrix. Several parties also commented that the CPUC and the CAISO should work in closer cooperation to lower barriers at both the retail and wholesale levels. Finally, one party suggested that a definition of storage would be useful to ensure a common understanding going forward.

The revised Staff Proposal now includes a definition of energy storage system from AB 2514. CPUC Staff has also revised the matrix in response to comments.

Conclusion

CPUC Staff very much appreciates the thoughts and efforts that went into the comments filed on the draft Staff Proposal. CPUC Staff reviewed all comments filed on the Staff Proposal and revised the Staff Proposal in response to several comments, although not every comment is explicitly addressed here or in the revised Staff Proposal. The revisions made to the Staff Proposal reflect several common themes raised by the parties and help to make this document more useful to the CPUC and parties. It is CPUC Staff's recommendation that this proceeding move expeditiously into Phase 2 without an additional round of comments on the revised Staff Proposal.