

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)

**OPENING COMMENTS OF THE CONSUMER FEDERATION OF CALIFORNIA ON
THE DECISION ADOPTING PROPOSED FRAMEWORK FOR ANALYZING
ENERGY STORAGE NEEDS.**

I. INTRODUCTION

Pursuant to Rule 14.3 of the California Public Utilities Commission (“CPUC” or “Commission”) Rules of Practice and Procedure, Consumer Federation of California (CFC) respectfully submits opening comments on the Commission’s Decision Adopting Proposed Framework For Analyzing Energy Storage Needs (“Proposed Decision” or “PD”).

II. SUMMARY OF POSITION

CFC supports most of the Commission’s Proposed Decision. CFC asks the Commission to address the following issues in the Proposed Decision:

- The Proposed Decision adequately summarizes the different barriers to Energy Storage deployment, and identifies current proceedings that have implications for energy storage. However, the Proposed Decision fails to include in its regulatory framework all existing proceedings that are currently allocating ratepayer money toward energy storage projects. CFC feels that including proceedings that are already funding energy storage projects is essential to analyzing energy storage needs and developing a complete regulatory framework as it increases transparency and coordination and reduces the potential for multiple cost-recoveries and double counting.
- The Proposed Decision should include current CPUC proceedings that may impact the value of energy storage in the energy storage regulatory framework.

III. DISCUSSION

A. IN ORDER TO INCREASE TRANSPARENCY AND PRODUCE A COMPLETE REGULATORY FRAMEWORK, THE ENERGY STORAGE STAFF PROPOSAL SHOULD INCLUDE PROCEEDINGS THAT ARE ALREADY ALLOCATING RATEPAYER MONEY TOWARD ENERGY STORAGE PROJECTS.

The Proposed Decision properly identifies barriers to energy storage deployment and addresses the need to coordinate with different policy proceedings in order to achieve a more cohesive regulatory framework. One of the barriers that the Staff Proposal identifies is a lack of a cohesive regulatory framework. The Staff Proposal correctly explains that “the California markets are currently operated under the premise that energy cannot be stored in a practical cost-effective manner”¹ and that in order to help remedy this situation “coordination is therefore especially needed both across policy proceedings at the CPUC, as well as between regulatory agencies.”² CFC agrees with this position. However, in order to accurately analyze energy storage needs as well as develop an effective regulatory framework that promotes transparency, there should be increased coordination across proceedings that are presently funding energy storage investments.

Decision 12-04-045 in consolidated Applications of PG&E, SCE, and SDG&E for Approval of Demand Response Programs, Pilots and Budgets for 2012-2014 (A. 11-03-001, A.11-03-002, A.11-03-003) has allocated approximately \$32 million ratepayer dollars to fund

¹ Energy Storage Framework Staff Proposal at 6.

² Id.

energy storage projects. In addition, the Smart Grid Deployment Plans (A. 11-06-029, A. 11-06-006, A. 11-07-001) include energy storage investments as part of IOU Smart Grid Investments. Although, the Smart Grid Deployment Plans proceedings are not a procedural vehicle by which to authorize cost recovery, energy storage investments are already included in the Smart Grid Deployment Plans with the intention of these investments to be recovered in IOU General Rate Cases.³ For example, Southern California Edison has invested in energy storage projects as part of their Smart Grid Deployment plan to be recovered in their 2012 GRC Phase 1 Application (A. 10-11-015). PG&E has also invested in energy storage as part of their Smart Grid Baseline Investments.⁴

CFC feels that incorporating proceedings that disclose the level of current energy storage funding, such as the Smart Grid Deployment plan, IOU General Rate Cases, and Demand Response applications are part and parcel of developing a cohesive regulatory framework because it increases transparency, coordination, and accurate accounting, all of which are necessary in adequately analyzing energy storage needs.

B. THE PROPOSED DECISION SHOULD INCLUDE CURRENT CPUC PROCEEDINGS THAT MAY IMPACT THE VALUE OF ENERGY STORAGE AS PART OF THE ENERGY STORAGE REGULATORY FRAMEWORK.

³ A.11-07-001, *Application of Southern California Edison Company For Approval of Its Smart Grid Deployment Plan* at 5.

⁴ See A.11-07-001, *Application of Southern California Edison Company For Approval of Its Smart Grid Deployment Plan* at 111, 113; See A. 11-06-029, *Pacific Gas & Electric Smart Grid Deployment Plan* at 66,75, and 77.

The PIER program final project report: *2020 Strategic Analysis of Energy Storage in California* (“Pier Report”), notes other CPUC regulatory proceedings and how policies developed in other proceedings may have a significant impact on the cost and value of energy storage. One such proceeding is the Alternative Fueled Vehicles Proceeding. Although, this proceeding is not directly related to energy storage, the policies developed in this proceeding could directly impact the cost and value of energy storage⁵:

While the rulemaking is beyond the scope of this report, changes to facilitate growth of the plug-in hybrid and electric vehicle market and increase deployment of electric vehicles are likely to have significant implications for the cost, development, and deployment of energy storage, especially battery storage technologies. For example, the CPUC recognizes that electric vehicle charging “could represent a new and substantial increase in load” and may require changes to electric rate design in order to ensure that increased load does not compromise grid stability or increase peak load. Impacts on load during off-peak hours also may impact the value of energy storage applications for electric energy time-shifting and arbitrage. In addition, widespread deployment of electrified transportation has the potential to serve a variety of grid flexibility needs.

This concern is also mentioned in “Energy Storage for the Electricity Grid: Benefits and Market Potential Assessment Guide,” whitepaper and was mentioned earlier in CFC’s comments⁶:

Although the implications for energy storage generally are somewhat unclear, the expected proliferation of plug-in electric vehicles (PEVs) and plug-in hybrid electric vehicles (PHEVs) could have a significant impact on the potential for utility-related storage. One possibility is that purchases of off-peak energy to charge storage will increase off-peak energy prices enough to reduce the benefit.

⁵ 2020 Strategic Analysis of Energy Storage in California at 91.

⁶ “Energy Storage for the Electricity Grid: Benefits and Market Potential Assessment Guide,” at 144; CFC’s opening comments on the ALJ’s Ruling entering Initial Staff Proposal into record and Seeking Comments (submitted January 31st) at 5.

