

**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 (AYK)
(Filed December 16, 2010)

**OPENING COMMENTS OF SIERRA CLUB CALIFORNIA
ON PROPOSED DECISION ADOPTING PROPOSED FRAMEWORK
FOR ANALYZING ENERGY STORAGE NEEDS**

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Dated: July 23, 2012

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Pursuant to Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission (the “Commission”), Sierra Club California (“Sierra Club”) respectfully submits the following comments on the Proposed Decision of Commissioner Peevey (“PD”).

DISCUSSION

Sierra Club supports the Commission decision to finish phase one of the proceeding and initiate phase two. Energy storage will be a key component of California’s renewable energy future. This proceeding has the potential to fill a significant gap in the regulatory framework by creating a cost methodology and thus providing opportunities to fund energy storage. Yet, policies to integrate energy storage into the regulatory framework are not occurring at a fast enough pace. The current model of relying on new natural gas plants for renewable integration needs to end, but the regulatory process that would successfully integrate energy storage into the electric system and provide part of the solution still does not exist.

The Proposed Decision moves the ball forward. The PD adopts the Final Staff Report which proposes four priority scenarios. The Final Staff Report explains that there will be an opportunity in Phase 2 “for the parties to recommend adjustments to the scenarios and priorities.

The proposal . . . should be considered a point of departure and not a fixed direction.”¹ Sierra Club agrees that there should be opportunities in Phase 2 to make adjustments to scenarios and priorities. According to the PD, the second phase of the proceeding will address “issues concerning specific storage technologies and how they will be integrated into existing Commission procurement policies.”² The PD also recognizes that “[t]here is general consensus that development of an evaluation methodology should be included in the second phase of this proceeding.”³ Consideration of the evaluation methodology and of procurement targets will be important features of Phase 2.

Sierra Club supports the PD in prioritizing scenarios that “are intended to align with existing state and Commission policy objectives particularly those related to increasing renewables and distributed generation, reducing greenhouse gas emissions, limiting peak growth and modernizing the grid.”⁴ These are key roles that energy storage can and should play in the future energy grid. The California Energy Commission’s Public Interest Energy Research (PIER) Program released a report on energy storage that provides a strategic analysis of energy storage technology for California by 2020.⁵ According to that report, “[s]tudies indicate that California may require between 3,000 to 4,000 megawatts of fast-acting energy storage by 2020 to integrate the projected increase in renewable energy.”⁶ In addition, the need for energy storage will be greater by 2020, because it will play a role in the clean energy future which

¹ Energy Storage Framework Staff Proposal (“Staff Report”) (April 2012) p. 18, Attachment A to Decision Adopting Proposed Framework for Analyzing Energy Storage Needs, 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 (“PD”) (July 2012).

² PD, p. 6.

³ *Id.*, p. 15.

⁴ *Id.*, p. 25.

⁵ Public Interest Energy Research Program (“PIER”), 2020 Strategic Analysis of Energy Storage in California, CEC-5000-2011-047 (“PIER Report”) (Nov. 2011) <<http://www.energy.ca.gov/2011publications/CEC-500-2011-047/CEC-500-2011-047.pdf>> (as of July 20, 2012).

⁶ *Id.*, p. 6.

necessitates a move away from fossil fuels and towards more renewable power. To achieve California's goal of an 80% reduction in carbon emissions by 2050, the amount of storage on the grid will have to increase dramatically.⁷

Sierra Club's concern is that the Commission's approach to energy storage has been to delay decision making. For example, "[t]he purpose of the CPUC Staff proposal is not to resolve any of the barriers at this point in time, but rather outline a roadmap for how they can be addressed. . . . [T]he CPUC Staff proposal defines the steps to be taken in the next phase of the proceeding."⁸ It may be at least another year before the Commission develops proactive policies regarding energy storage in this proceeding.

Additionally, energy storage is currently given insufficient consideration in other proceedings. For example, energy storage was not included in the planning assumptions adopted in June in Track 2 of the Long-Term Procurement Proceeding, and CAISO did not assume the addition of incremental energy storage in its LCR analysis in Track 1.⁹ The PD and Staff Report explain that the resource adequacy value of the energy storage will be addressed in the Resource Adequacy proceeding, which will occur in a subsequent Phase 2 of that proceeding.¹⁰ Coordination among the various Commission proceedings considering energy storage will be an important aspect to developing a comprehensive energy storage framework.

Sierra Club supports the recommendation of the Commission Staff in its 2010 White Paper on Energy that action is needed to "increase the amount of [electric energy storage] in

⁷ Cal. Energy Commission, Renewable Power in California: Status and Issues, CEC-150-2011-002 (Aug. 2011) p. 50.

⁸ Staff Report, p. 3.

⁹ Assigned Commissioner's Ruling on Standardized Planning Assumptions, R. 12-03-014, June 27, 2012; Response of the California Independent System Operator Corporation to the First Set of Data Requests of Sierra Club California, Response to No. 5(a)&(b).

¹⁰ PD, p. 14; Phase 1 Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge, Order Instituting Rulemaking to Oversee the Resource Adequacy Program, Consider Program Refinements, and Establish Annual Local Procurement Obligations, Rulemaking 11-10-023 (Dec. 2011) p. 7.

operation throughout California’s electricity system.”¹¹ Staff’s White Paper concluded that “[t]he major barrier for deployment of new storage facilities is not necessarily the technology, but the absence of appropriate regulations and market mechanisms that properly recognize the value of the storage resource and financially compensate the owners/operators for the services and benefits they provide.”¹² This will continue to be the case until the Commission squarely deals with this issue in Phase 2 of this proceeding. Sierra Club looks forward to addressing the important issues of cost-effectiveness and procurement targets, among others, in Phase 2 of this proceeding.¹³ By addressing these topics in Phase 2, the Commission will be able to reduce regulatory barriers to energy storage, take a leadership position on the development of energy storage policy and contribute to creating California’s clean energy future.

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Respectfully submitted,

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¹¹ Policy and Planning Division, Cal. P.U.C., Electric Energy Storage: An Assessment of Potential Barriers and Opportunities (“White Paper”) (July 2010) p. 8, attachment A to the 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 (Dec. 2010).

¹² *Id.*, p. 10.

¹³ PD, p. 29.