

To: All Parties in R.10-12-007 (Energy Storage), R.12-03-014 (2012 LTPP), and R07-01-041 (Demand Response)

Please note that on July 13, Commissioner Michel Florio issued an Assigned Commissioner's Ruling in the LTPP proceeding (R.12-03-014), which, among other issues, specified the following related to consideration of "non-traditional resources" in the utility Request for Offers (RFO) resource solicitation process:

"What barriers may currently exist to ensuring effective all source RFOs? What specific performance characteristics should be accounted for in this RFO to effectively enable the participation of non-traditional resources like energy storage, demand response and distributed generation? Would the Commission need to be specific about the characteristics of the resources needed to meet the need (e.g., minimum hours of availability required to meet local reliability needs)? If so, what characteristics should the Commission require?"

Additionally, many Parties have commented on the need to coordinate efforts of the Storage Proceeding, demand-side programs, and LTPP to ensure that the CPUC fully leverages near-term opportunities to examine the benefits and value of flexible resources, including energy storage, as a utility resource.

Energy Division Staff are planning a series of workshops to explore issues related to the evaluation and cost-effectiveness of resources able to provide operating flexibility, or other types of flexibility, as part of developing a record for Phase 2 of R.10-12-007, implementing AB 2514 (the Energy Storage Act).

Because of the potential for a finding of need for new resources by the year 2022 in the current Long-Term Procurement Plan proceeding (R.12-03-014), Staff will coordinate efforts for consideration of Requests for Offers (RFOs) that may be used to procure additional resources to meet capacity and operating flexibility needs that may be authorized in the LTPP proceeding.

In particular, Staff is interested in exploring real or perceived barriers to RFO participation, particularly for non-conventional resources (such as, energy storage or demand response) or upgrades to existing generation resources. This examination may inform the understanding and oversight of RFOs issued to meet future needs. Through this process, Staff seeks comments or ideas for assigning economic and non-economic benefit valuations for a variety of "flexibility characteristics" that may not be explicitly considered or properly valued in the process to evaluate offers submitted in response to utility RFOs, such as:

- a. Flexible ramping capacity,
- b. Complementary applications,
- c. Locational flexibility/mobility,
- d. Faster time to site and install,
- e. Multi-site aggregation,
- f. Modularity (Incremental build of additional capacity),

- g. Optionality,
- h. Procurement flexibility, and
- i. Other factors that should be considered.

Lack of proper valuation of such attributes could be a tangible barrier for some resources that should be studied further.

Staff notes that these considerations may have some overlap with Resource Adequacy procurement, but the focus of this workshop is to understand options for upgrading existing resources or for the acquisition of new resources, not contracting with unmodified existing resources.

In addition, the workshop will explore several options for procuring flexible resources, such as:

1. Continuation of current practices for procurement;
2. A “portfolio approach” that allocates, based on strategic/portfolio considerations, the total quantity of new flexible resources among various eligible resource;
3. Establishing a set of minimum criteria for operational flexibility characteristics for all acquired resources;
4. A “strong showing” requirement that the utility must demonstrate that its procurement process was substantially open to all resource types and appropriately considered all of the values discussed above and that the resulting portfolio of resources is an optimal solution.

In conducting these workshops, Staff may invite stakeholders with a broad range of resource interests to provide presentations, lead discussion, or answer questions.

Questions for Parties to consider and discuss during the workshop:

1. “What specific characteristics or attributes must a demand-side, storage, or distributed resource provide in order to meet LCR needs?”
2. Is energy storage (ES) a “preferred” resource? To the extent it can be shown that ES reduces the emissions profile, should it be considered a “preferred resource” in the procurement process?
3. Some parties suggest that ES-based bids and demand-side resources have been disadvantaged during the evaluation process conducted by IOUs for all-source RFOs. What can be done to correct this in future solicitations and evaluations?
4. Currently, energy storage does not have a defined Net Qualifying Capacity value (NQC). How should we measure the NQC for resources such as energy storage or demand-side resources?
5. How can we ensure short-lead time resources are fairly considered in addressing the overall need? What process/infrastructure do we need to ensure that adequate planning and investments occur to enhance the viability of short-lead time resources?
6. In IOU evaluation process, it sometimes happens that resources are rejected because of “non-conforming terms” offered by bidders, including contract lengths that vary from the stated RFO. Is there some need to add more “flexibility” in the contract terms in order to remove barriers to non-fossil flexibility resources? How could we assess the values associated with differing terms of contracts?

7. In its Opening Testimony in the LTPP proceeding, SDG&E argued that it would be “premature” to include storage as a resource planning purposes or for meeting peak load, as this type of resource would not be developed in time to meet a need identified in this 2012 proceeding, and that available storage technologies are better suited to deal with “intermittency issues” of variable energy resources but not peaking capacity or energy. Are there currently storage technologies that can provide the kind of flexible capacity required to meet needs that might be identified in this LTPP?
8. During the LTPP hearings, SCE’s witness described two potential ways to conduct a resource procurement, 1) Establishing requirements for resources to meet (i.e., full dispatchability) that might preclude some technologies from effectively competing, or 2) evaluating all potential resources bids for cost-effectiveness, viability, and “best fit” resources. Are there other approaches to a solicitation that might be more inclusive of non-conventional resource types?
9. Also, SCE and Energy Division have suggested that besides conducting an all-source procurement, it would like to be able to enter bilateral negotiations for “cost-of-service” contracts with certain resource owners. Which method might be more amenable to contracting for non-conventional, flexible resources: an all-source solicitation or bilateral negotiations?
10. Please consider and provide specific proposals for structuring an RFO for LCR procurement that would allow preferred resources to compete and be considered fairly.

Agenda for Workshop

Intro	9:30	9:45	15
PG&E	9:45	10:25	40
SCE	10:25	10:55	30
Break	10:55	11:10	15
SDG&E	11:10	11:30	20
Vote Solar	11:30	12:00	30
Lunch	12:00	1:00	60
AES	1:00	1:30	30
GenOn	1:30	1:50	20
Calpine	1:50	2:10	20
TAS	2:10	2:40	30
Break	2:40	2:55	15
EnerNoc	2:55	3:25	30
TURN	3:25	3:45	20
Q&A/Next Steps	3:45	4:00	15

Public Workshop Notice: Energy Division Workshop on Meeting Resource Needs as Determined in the 2012 LTPP with Preferred Resources

<i>September 7, 2012 9:30 am – 4 pm</i>	<i>California Public Utilities Commission 505 Van Ness Avenue. Auditorium (Corner of Van Ness Avenue and McAllister Street) San Francisco Conference Phone Line: 1-866-758-1675 Participant Code: 3481442</i>
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AGENDA

The 2012 LTPP (R.12-03-014) may determine new resources are needed to meet Local Capacity Requirements and System Need. This workshop will explore the definition and valuation of energy products and resources that can meet Local Capacity Requirements and System Need, including preferred resources such as storage, demand response, and distributed generation alongside conventional generation. Furthermore, the workshop may explore potential procurement targets for energy storage being determined in the Storage Proceeding (R.10-12-007). Contact Arthur O'Donnell (415-703-1184) or Nat Skinner (415-703-1393).

Topic: Energy Storage Proceeding (R10-12-007) Workshop II
Date: Friday, September 7, 2012
Time: 9:00 am, Pacific Daylight Time (San Francisco, GMT-07:00)
Meeting Number: 742 772 641
Meeting Password: storage

To start or join the online meeting

Go to
<https://van.webex.com/van/j.php?ED=188243962&UID=491292852&PW=NYTMxZTQ4YTcy&RT=MiM0>

Teleconference information

1-866-758-1675, participant passcode: 3481442
