

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Integrate
and Refine Procurement Policies and
Consider Long-Term Procurement Plans.

Rulemaking 12-03-014
(Filed March 22, 2012)

**THE DIVISION OF RATEPAYER ADVOCATES' REPLY COMMENTS IN RESPONSE
TO THE ADMINISTRATIVE LAW JUDGE'S RULING
SEEKING COMMENT ON WORKSHOP TOPICS**

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I. INTRODUCTION

The Division of Ratepayer Advocates (DRA) submits the following reply comments in response to the September 14, 2012 “Administrative Law Judge’s Ruling Seeking Comment on Workshop Topics” (Ruling). The Ruling seeks comments on a series of topics related to workshop discussions held jointly in this proceeding and the energy storage proceeding, Rulemaking (R.)10-12-007.

II. DISCUSSION

2. **What amendments, if any, would be necessary to the most recent long-term Request for Offers issued by Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric (SDG&E), and Southern California Edison (SCE) to ensure that all resources are eligible to compete in meeting future Request for Offers (RFO)?**

DRA generally supports the direction of refinements to the RFO process recommended in the comments of the California Energy Storage Alliance (CESA) and Beacon Power LLC.¹ However, there are nuances and details in CESA/Beacon’s proposal that may not be resolved through reply comments, and should be fully vetted through workshops and or hearings.

DRA agrees that the RFO process should be revised to seek offers from viable storage providers, as well as other resources, to meet specifically identified needs. The RFO evaluation process should consistently and fully value the attributes of all offered resources, including ramping capability, lead time, modularity, availability, viability, accuracy, and dependability. Utilization of the current least-cost best-fit methodology, with an emphasis on best-fit so long as resources are cost effective, should allow storage and demand response to compete with other resources.

¹ Comments of the California Energy Storage Alliance on Administrative Law Judge’s Ruling Seeking Comment on Workshop Topics, October 9, 2012 (CESA Comments), pp. 4-6; Comments of Beacon Power, LLC on the Administrative Law Judge’s Ruling Seeking Comment on Workshop Topics, October 5, 2012, pp. 11-12.

3. **What specific characteristics or attributes must any resource -- including demand-side, energy storage, or distributed -- provide in order to meet future procurement needs? In the absence of a Net Qualifying Capacity, what methodology should be used to determine a proxy capacity value for resources lacking a Net Qualifying Capacity for use in LCR capacity accounting? How can these characteristics or criteria be turned into criteria to evaluate resources bid into a Request for Offers to meet LCR or other needs? How should those criteria be weighted?**

SCE proposes an interim Net Qualifying Capacity (NQC) mechanism for energy storage for the purpose of Local Capacity Requirements (LCR) procurement analysis.² The NQC traditionally has been determined in the Resource Adequacy (RA) proceeding. However, SCE's proposal appears to be a reasonable interim solution that would remove a barrier from the consideration of energy storage to meet SCE's LCR need until all potential aspects of a final NQC determination for energy storage have been vetted through workshops and/ or hearings. Adoption of an interim NQC mechanism in this proceeding for SCE only would create a disparity in the consideration of energy storage for meeting SCE's LCR need, as compared to SDG&E's LCR need, unless the Commission also adopted an interim NQC for energy storage to meet SDG&E's LCR need.³

² Comments of Southern California Edison Company on the Joint LTPP/Storage Workshop, Held September 7, 2012, October 9, 2012 at 15-16.

³ The Commission is considering SDG&E's LCR need in Application (A.) 11-05-023, Application of San Diego Gas & Electric Company for Authority to Enter into Purchase Power Tolling Agreements with Escondido Energy Center, Pio Pico Energy Center and Quail Brush Power.

5. **At the September 7th workshop, some parties discussed retrofits to existing generation assets as a potential source of incremental capacity. What, if any, changes would need to be made to the most recent long term RFO issued by PG&E, SDG&E, and SCE to allow for incremental capacity associated with retrofits to existing generation to compete to meet Local Capacity Requirements? Are there any differences in payment streams that should be given for existing capacity, as opposed to upgraded capacity?**

CESA proposes that in order to allow energy storage retrofits to existing conventional gas assets to be considered under an RFO to meet LCR needs, the RFO must specifically state that a separate contract will be entered into between the IOU and the bidder for the incremental capacity or megawatts (MWs) added through the energy storage investment.⁴ This proposal appears reasonable, and if implemented, should apply to retrofits for projects other than storage.

III. CONCLUSION

DRA respectfully requests that the Commission adopt the recommendations in its opening and reply comments.

Respectfully submitted,

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⁴ CESA Comments, pp. 9-10.