

**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

R.12-03-014  
(Filed March 22, 2012)

**CALIFORNIA ENVIRONMENTAL JUSTICE ALLIANCE'S  
REPLY COMMENTS RELATED TO THE WORKSHOP**

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REPLY COMMENTS RELATED TO THE WORKSHOP**

The California Environmental Justice Alliance (CEJA) respectfully submits these comments in response to parties' October 9, 2012 comments. CEJA appreciates the opportunity to reply to parties' comments on the questions related to the September 7, 2012 workshop. In these reply comments, CEJA supports increasing transparency and a fair consideration of all resources in the requests for offers (RFO) process, including energy storage.

**Question 1. What changes should be made to the rules governing the Investor-owned Utilities (IOUs') procurement process that would allow all resources (natural gas combined cycle, combustion turbine, storage, demand response, combined heat and power, renewable, etc.) to compete fairly in meeting identified needs? Please provide specific proposals for structuring an all-source procurement process.**

CEJA's opening workshop comments discussed the importance of the Commission evaluating its long-term plan to ensure that its greenhouse gas (GHG) and energy goals are met. Several other parties agreed with this position, for instance, MegaWatt Storage (MegaWatt) calls for the Commission to adopt a long-term architectural plan to ensure California's energy goals are met.<sup>1</sup> By having a long-term vision of state goals, the Commission can ensure that all decisions it makes will comply with GHG emission goals and the Renewable Portfolio Standard (RPS).

As raised by several parties, CEJA supports increasing transparency in the RFO procurement process.<sup>2</sup> CEJA raised issues of transparency and public participation in our initial April 6, 2012 comments on the Preliminary Scoping Memo for this proceeding.

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<sup>1</sup> MegaWatt Storage Farms, Inc., Oct. 9, 2012 Opening Workshop Comments (MegaWatt Comments) at p. 10.

<sup>2</sup> *See generally* Oct. 9, 2012 Opening Workshop Comments submitted by San Diego Gas & Electric (SDG&E), Enernoc, Inc. (Enernoc), MegaWatt, Women's Energy Matters (WEM), Distributed Energy Consumer Advocates (DECA), Beacon Power (Beacon), and Ormat Technologies (Ormat).

Particularly concerning to CEJA is that the lack of transparency can prevent meaningful public involvement and deter potential bidders from participating in RFO proceedings.<sup>3</sup>

Commission precedent favors public disclosure and transparency in the RFO bidding process. In A.09-09-021, the Commission found the need for more transparency in the process stating that “making the...various evaluation criteria public will help insure that bidders are on an equal footing and allow them to present bids that best reflect Commission objectives.”<sup>4</sup> SDG&E agrees that it is “important for the bid evaluation process to be established prior to the RFO and in advance of receiving bids.”<sup>5</sup>

To increase transparency, Ormat recommends requiring IOUs to inform bidders how their bids are evaluated and scored.<sup>6</sup> This would enable bidders to know how they rank against other products and services, and how they can improve future bids.<sup>7</sup> Ormat also recommends that utilities supply bidders with as much information about an RFO as possible so bidders can “tailor their bids” to best meet the RFO.<sup>8</sup>

Enernoc goes further by noting that, “criteria must be defined and adopted by the Commission before it is used as a basis for issuing an RFO.”<sup>9</sup> Commission approval of RFO standards is important for a fair process. “[T]o evaluate resource bids objectively, all parties must have a universal understanding as to the definitions of flexible capacity.”<sup>10</sup> Consistent with these recommendations, the Commission should increase transparency in the RFO process.

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<sup>3</sup> CEJA April 6, 2012 Comments on the Preliminary Scoping Memo at pp. 5-6.

<sup>4</sup> A.09-09-021 (September 8, 2010 Administrative Law Judge’s Ruling Resolving Outstanding Motions) at p. 3; *see also* D.06-06-066 (Commission ruling on confidentiality of procurement data.)

<sup>5</sup> SDG&E Oct. 9, 2012 Opening Workshop Comments (SDG&E Comments) at p. 6.

<sup>6</sup> Ormat Technologies Oct. 9, 2012, Opening Workshop Comments (Ormat Comments) pp. 3, 6.

<sup>7</sup> *Id.*

<sup>8</sup> *Id.* at p. 2.

<sup>9</sup> Enernoc, Inc. Oct. 9, 2012, Opening Workshop Comments (Enernoc Comments) at p. 8.

<sup>10</sup> *Id.* (Enernoc discusses the need for increased transparency in RFOs throughout its comments).

**Question 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)? Are there any changes specific to meeting Local Capacity Requirements (LCR)?**

**Characteristics of RFOs**

CEJA agrees with the many parties that expressed concern with using characteristics of fossil-fuel resources in creating resource specifications for RFOs.<sup>11</sup> Many preferred resources do not have the same characteristics as fossil-fuel generation. By trying to fit all resources in the fossil-fuel box, utilities are underestimating and under-procuring preferred resources.

Many parties that operate alternative resources<sup>12</sup> were critical of the characteristics that are sought in the utility recommended RFO process, which are largely based on fossil-fuel attributes.<sup>13</sup> For example, SCE recommends the following criteria: “(1) location, (2) ramping and load following, (3) continuous hours of operation, (4) “fast” on-line time, (5) multiple starts, and (6) large-scale generation (providing inertia).”<sup>14</sup> Preferred resources are unable to meet all these requirements. For instance, energy efficiency (EE) has no set location, does not ramp, only starts once, and is not applicable to scaled generation.<sup>15</sup> Demand response (DR) does not operate continuously.<sup>16</sup> Many renewable resources, like solar photovoltaic (PV), are much

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<sup>11</sup> See October 9, 2012 Comments submitted by DECA, MegaWatt, Enernoc, Division of Ratepayer Advocates (DRA), WEM, The Utility Reform Network (TURN), Ormat, Beacon, Clean Coalition, and California Energy Storage Alliance (CESA).

<sup>12</sup> MegaWatt and Enernoc, specifically address the difficulty of bidding into a biased process.

<sup>13</sup> MegaWatt at p. 9.

<sup>14</sup> SCE Oct. 9, 2012, Opening Workshop Comments (SCE Comments) at p. 7.

<sup>15</sup> Cal. Independent System Operator (CAISO) Oct. 9, 2012, Opening Workshop Comments (CAISO Comments) at pp. 3-4 (discussing non-dispatchable resources).

<sup>16</sup> *Id.* at pp. 4-5 (discussing dispatchable resources); see also Enernoc Comments at p. 12.

smaller operations and would not fit under “large-scale generation.”<sup>17</sup> The characteristics that CAISO and the utilities use in RFOs are biased towards fossil-fuel procurement.

The bias towards fossil-fuel characteristics is further expounded by the “least-cost, best-fit” (LCBF) model currently used for procurement. This concern was raised in many of the comments.<sup>18</sup> DRA, for instance, noted that, “a cost-effective preferred resource that meets the specific needs of the portfolio, but is relatively less cost-effective than a conventional generation resource, would not be selected under LCBF.”<sup>19</sup> Enernoc agreed with this assessment, stating that “preferred resources should not be exclusively evaluated on a least-cost basis because there are inherent ‘benefits’ to being a preferred resource that may not be captured in the price of electricity or natural gas generation today.”<sup>20</sup> These “benefits” include the characteristics of preferred resources that make them compatible with GHG and RPS environmental goals.<sup>21</sup>

### **Energy Storage**

CEJA supports the position of numerous parties to amend the RFO process to allow energy storage to fairly compete with other resources.<sup>22</sup> For instance, CESA recommends that “energy storage should be included, fairly evaluated, and seriously considered as a category of resources” in the RFO process.<sup>23</sup> Beacon agrees, stating that incorporating energy storage into procurement plans and grid management will facilitate

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<sup>17</sup> Track I, CEJA Ex. 1(B. Powers Opening Test.) at pp. 24-25.

<sup>18</sup> See Comments submitted by DRA and Enernoc.

<sup>19</sup> DRA Comments at pp. 4-5.

<sup>20</sup> Enernoc Comments at pp. 11-12.

<sup>21</sup> MegaWatt Comments at p. 9 (procurement needs to take into account reliability, cost, climate change, clean air, and the grid-related and societal factors of different resources).

<sup>22</sup> See Comments submitted by MegaWatt, CESA, Beacon, Ormat, DECA, WEM, DRA, and Clean Coalition.

<sup>23</sup> CESA Oct. 9, 2012 Opening Workshop Comments (CESA Comments) at p. 5.

implementation of the loading order and help the state achieve its GHG reduction goals while effectively balancing the grid.<sup>24</sup>

To fairly evaluate energy storage, CESA and Beacon recommend assigning a market valuation schedule that better reflects the attributes of energy storage, instead of trying to describe the attributes in terms that are focused on natural gas facilities.<sup>25</sup> These parties assert that if IOUs conducted a more accurate accounting of these beneficial characteristics, energy storage resources would be more valuable and therefore more widely incorporated into procurement plans.<sup>26</sup>

CEJA supports prioritizing procurement of energy storage ahead of fossil-fuel resources because storage provides a low or no emissions alternative to gas-powered grid regulation services.<sup>27</sup> For instance, Beacon points out that its flywheel technology produces “zero direct CO<sub>2</sub> greenhouse gas, particulates, or other air emissions.”<sup>28</sup> In addition, energy storage also maximizes the effectiveness of intermittent renewables and complements DR’s ability to reduce load.<sup>29</sup> Thus, CEJA supports prioritizing procurement of storage resources over fossil-fuel resources because of its ability to provide ancillary services and grid regulation.

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<sup>24</sup> Beacon Comments at pp. 8-9.

<sup>25</sup> CESA Comments at pp. 5-6; Beacon Comments at p. 12. (“RFOs need to appropriately value the products that storage resources offer. Simply calculating an offer’s benefits as to the market value of energy, capacity and ancillary services offered, including risks and uncertainties of the costs and benefits, *does not appropriately capture the benefits, some of which are not yet monetized (e.g. speed and accuracy).*”) (emphasis added).

<sup>26</sup> See e.g. MegaWatt Comments at pp. 6-8 (“...keep in mind the many barriers against storage deployment...MegaWatt identified twenty-five significant barriers to storage.”); Beacon Comments at p. 9 (“The demonstrated success of Beacon’s ...energy storage... will be experienced by California’s utilities and ratepayers if these resources are incorporated into California’s procurement process.”).

<sup>27</sup> See CEJA Oct. 9, 2012 Opening Workshop Comments (CEJA Comments) at p. 11, Annual Air Emissions Table.

<sup>28</sup> Beacon Comments at p. 9.

<sup>29</sup> Clean Coalition Oct. 9, 2012 Opening Workshop Comments (Clean Coalition Comments) at p.4; Beacon at pp. 8, 10.

**Question 4. What are the pros and cons of the following procurement methods with regard to: 1) local procurement considered in Track 1 of LTPP, and 2) operational flexibility and general system procurement considered in Track 2 of LTPP?**

*D. 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.*

CEJA believes that a “strong showing” requirement would undermine transparency since, as Enernoc observed, the “strong showing” standard would be examined only after the RFO process is completed.<sup>30</sup> A post-RFO review of utility practices is not the same as an open, transparent RFO that the public and potential bidders can engage in.

Other parties are similarly critical of the strong showing requirement, since it does not facilitate transparency in the RFO process.<sup>31</sup> For instance, DECA submits that the strong showing requirement is not an effective way for IOUs “to demonstrate that [their] procurement process was substantially open to all resource types or that it appropriately considered any particular values.”<sup>32</sup> Beacon similarly disapproves of the strong showing requirement, finding that it is “too subjective to enable fair and transparent” procurement decisions.<sup>33</sup>

CEJA’s transparency concern with the strong showing standard is demonstrated by PG&E’s response. PG&E is concerned about defining the strong showing requirement to prevent the disclosure of information used to evaluate and select LCBF

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<sup>30</sup> Enernoc Comments at p. 12.

<sup>31</sup> See Comments submitted by Enernoc, DECA, Beacon, and MegaWatt.

<sup>32</sup> DECA Comments at p. 17.

<sup>33</sup> Beacon Comments at p. 14.

resources.<sup>34</sup> This is directly contrary to the Commission’s policy of having an open and accessible RFO process.<sup>35</sup> The determination of whether a particular procurement process was substantially open, considered the appropriate values, and resulted in an optimal mix of resources should be open to public opinion. Public participation is important because the public are ultimately the ones buying and using the energy procured.

**Question 6. At the September 7th workshop, both SCE and Enernoc raised concerns that it would be difficult to procure demand response resources that match the online dates (2017 to 2020) and duration (e.g., 20 years) of the conventional generation that is being contemplated as a source of LCR capacity. How could a demand side program be authorized through this LCR procurement process that delivers an on-line date and a duration that is comparable to conventional generation? What additional values are currently attributed to demand response resources in other markets that are currently not accounted for in California, and that might be taken into account as part of an LCR procurement process?**

CEJA agrees with the comments of numerous parties who addressed changes needed in current procurement processes to allow DR and other demand-side resources to fairly compete.<sup>36</sup> Notably, PG&E supports the use of short-term contracts for DR and suggested modeling California DR on the successful East Coast DR programs of PJM and NY-ISO.<sup>37</sup> DRA and MegaWatt notes the short lead time of DR would fill gaps in need and help integrate renewable energy into the grid.<sup>38</sup> DR also creates flexibility in filling new need that fossil-fuel resources would take much longer to meet.<sup>39</sup> Compliance with the loading order will require integrating these flexible resources into the grid before fossil-fuel generation.

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<sup>34</sup> PG&E Oct. 9, 2012 Opening Workshop Comments (PG&E Comments) at p. 6.

<sup>35</sup> A.09-09-021 (ALJ Ruling) at p. 3; *see also* D.06-06-066.

<sup>36</sup> *See* Comments submitted by PG&E, MegaWatt, Enernoc, DRA, Clean Coalition, DECA, and Ormat.

<sup>37</sup> PG&E Comments at pp. 8-9.

<sup>38</sup> DRA Comments at p. 11, MegaWatt Comments at p. 23; *see also* Clean Coalition Comments at p. 5 (“DR can respond quickly to dispatch, in some cases, faster than traditional generation.”).

<sup>39</sup> MegaWatt Comments at p. 23 (7 year lead time on new fossil-fuel plants).



## CONCLUSION

CEJA appreciates the opportunity to reply to the comments on the loading order workshop.

Respectfully submitted,

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