**BEFORE THE PUBLIC UTILITIES COMMISSION**

**OF THE STATE OF CALIFORNIA**

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| Order Instituting Rulemaking to Oversee the Resource Adequacy Program, Consider Program Refinements, and Establish Annual Local Procurement Obligations. | R.11-10-023<br>Filed October 20, 2011 |

# COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE IN RESPONSE TO PHASE 2 SCOPING MEMO AND RULING OF ASSIGNED COMMISSIONER AND ADMINISTRATIVE LAW JUDGE

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December 26, 2012

**BEFORE THE PUBLIC UTILITIES COMMISSION**

**OF THE STATE OF CALIFORNIA**

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| Order Instituting Rulemaking to Oversee the Resource Adequacy Program, Consider Program Refinements, and Establish Annual Local Procurement Obligations. | R.11-10-023<br>Filed September 22, 2011 |

# COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE IN RESPONSE TO PHASE 2 SCOPING MEMO AND RULING OF ASSIGNED COMMISSIONER AND ADMINISTRATIVE LAW JUDGE

The California Energy Storage Alliance ("CESA")[1] hereby submits these comments in response to the *Phase 2 Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge,* issued on December 6, 2012 ("Scoping Memo") in accordance with the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission"). As directed by Administrative Law Judge David M. Gamson's email message forwarded to the service list for this proceeding on December 19, 2012, these comments are filed timely, , extending the filing due date from December 20, 2012, until December 26, 2012.

## I. INTRODUCTION.

In these comments, CESA reiterates its continuing request that the Commission address overarching energy storage-related issues as an entire stand-alone subject and closely related

[1] The California Energy Storage Alliance consists of A123 Systems, Beacon Power, Bright Energy Storage Technologies, CALMAC, Chevron Energy Solutions, Christenson Electric, Inc., Deeya Energy, DN Tanks, East Penn Manufacturing Co., Energy Cache, EnerVault, Flextronics, Fluidic Energy, GE Energy Storage, Green Charge Networks, Greensmith Energy Management Systems, Growing Energy Labs, HDR Engineering, Ice Energy, Innovation Core SEI, Kelvin Storage Technologies, LG Chem, LightSail Energy, NextEra Energy Resources, Panasonic, Primus Power, Prudent Energy, RedFlow Technologies, RES Americas, Saft America, Samsung SDI, Seeo, Sharp Labs of America, Silent Power, SolarCity, Stem, Sumitomo Corporation of America, SunEdison, SunVerge, TAS Energy, UniEnergy Technologies, and Xtreme Power. The views expressed in these Comments are those of CESA, and do not necessarily reflect the views of all of the individual CESA member companies. http://storagealliance.org

group of policy issues in this proceeding.[2] CESA agrees with the Scoping Memo that the scope of Phase 2 should include consideration of issues related to reconciliation of the CAISO'S Deliverability for Distributed Generation tariff with the Commission's Resource Adequacy ("RA") programs and policies and argues that such consideration should expressly and comprehensively address the key role of energy storage.

CESA also advocates for a framework to be established by the Commission to determine how flexible procurement obligations should be met by entities subject to the Commission's jurisdiction, which should clearly include energy storage. The Commission should adopt a category of flexible RA capacity that takes into consideration all of the flexible resource capabilities of energy storage, while allowing energy storage resources to provide additional energy-related products and services from the same energy storage system.[3]

In addition, although the Scoping Memo is silent on the topic, CESA continues to advocate, as it has since the beginning of this proceeding, for adoption of a multi-year contracting mechanism for procurement of RA-eligible capacity that includes energy storage resources.[4] As it has elsewhere, CESA also advocates in this proceeding for adoption of a Net Qualifying Capacity ("NQC") value for energy storage with less than one-hour capacity by which energy storage resources with less than one hour of capacity can be allocated MWs of RA capacity corresponding to their sustained output over 15 minutes.[5]

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[2] This CESA now often-repeated perspective is of course also a key theme in the Commission's Energy Storage Rulemaking, R. 11-05-007, and the Long Term Procurement Planning proceeding, 12-03-014.

[3] Energy storage is capable of providing energy, capacity, and ancillary services simultaneously or sequentially, and should therefore not be arbitrarily limited to providing RA-eligible capacity to the exclusion of other energy related products and services, either expressly or as an unintended consequence of Commission policies established in this and other Commission proceedings.

[4] *See, Comments of the California Energy Storage Alliance on Proposed Decision Adopting Long-Term Procurement Obligations for 2013 and Further Refining the Resource Adequacy Program*, filed June 11, 2012.

[5] *See, Reply Comments of the California Energy Storage Alliance on Administrative Law Judge's Ruling Seeking Comment on Workshop Topics*, filed October 23, 2012, in R.12-03-014.

CESA recognizes that the Commission intends to hold workshops in this proceeding, and that there are critical related and interdependent regulatory processes underway elsewhere in active dockets at the Commission, as well as the California Independent System Operator ("CAISO"), and the Federal Energy Regulatory Commission ("FERC") that are all rapidly evolving in parallel. CESA therefore reserves the right to address all of the topics included in the Joint Proposal attached as Attachment A, and the specific questions posed in Appendix B to the Scoping Memo.[6]

## II. THE COMMISSION SHOULD CONSIDER ISSUES RELATED TO RECONCILIATION OF THE CAISO'S DELIVERABILITY FOR DISTRIBUTED GENERATION TARIFF WITH COMMISSION PROGRAMS AND POLICIES.

The Scoping Memo states that "The CAISO RA Deliverability for Distributed Generation initiative will offer a new pathway for distributed generation resources to qualify for RA value. The CAISO Board of Governors approved a corresponding proposal in May 2012, with the CAISO tariff amendment request submitted to the Federal Energy Regulatory Commission (FERC) in September 2012 (under Docket ER-12-2643-000). On November 16th, 2012, FERC issued an order on the proposed tariff language (141 FERC¶ 61,132)." (p. 2). However, the Scoping Memo gives no indication what issues need to be "reconciled" between the Commission and the CAISO, and it makes infinite good sense that any issues that may exist should be promptly and fully identified and resolved in Phase 2 of this proceeding.

The immediate issue that must be addressed by the Commission, of course, is how to deal with the *Motion for Extension of Time Regarding Compliance Filing* filed by the CAISO, and supported by all of the intervenors in ER12-2643-000 – including the Commission – for a 60 day

[6] CESA does point out at this time, however, that the response to Question No. 15 (f) of Appendix A, which asks if there are any resources not listed in subparts 15(a) through 15(e) for which counting conventions should be developed, is that conventions must clearly be developed now in this Phase 2 – not later - for Procurement and Counting of Storage and Other Preferred Resources (Appendix A, Section 5.2).

extension of time to comply with FERC's direction that the CAISO must modify its proposal to (i) apportion DG deliverability to load-serving entities rather than to local regulatory authorities, and (ii) reflect that FERC-jurisdictional load-serving entities must assign DG deliverability through a "first-come, first-served process. In its FERC filing, the CAISO states:

> "In addition, the ISO advises the Commission that some of the options the ISO has identified as potential approaches could require changes to the filed tariff amendment that go beyond the specific changes the Commission ordered on compliance. If, after further evaluation and vetting with stakeholders, the ISO determines that such changes are necessary, the ISO may file a request for clarification that the preferred approach is consistent with the directives of the November 16 order, or, potentially, seek leave to withdraw the original filing to submit a revised tariff amendment." (p. 2).

## III. THE COMMISSION SHOULD ESTABLISH A FRAMEWORK FOR DETERMINING HOW FLEXIBLE PROCUREMENT OBLIGATIONS SHOULD BE MET BY ENTITIES SUBJECT TO THE COMMISSION'S JURISDICTION.

The Scoping Memo states that: "D.12-06-025 directed parties to work towards defining "flexibility" for RA procurement, and to develop implementation details of incorporating flexible capacity in the 2014 RA program. Energy Division conducted a workshop on August 13, 2012 with the objective of developing methodologies to define flexibility, determine flexibility needs, and determine generator capability to fulfill these needs. The CAISO, San Diego Gas & Electric Company, and Southern California Edison Company submitted a joint proposal on October 29, 2012 that presents an interim flexible capacity proposal they claim could be implemented for the 2014 compliance year. Energy Division will develop a proposal for implementing a potential flexible capacity procurement requirement." (p. 3). CESA is encouraged that the Energy Division plans to develop an RA capacity procurement proposal and looks forward to providing comment on its content when it becomes publicly available.

For the reasons stated above, CESA reserves comment at this time on all but one of the specific questions posed in Attachment B to the Scoping Memo. CESA completely disagrees

with the notion of deferring consideration of energy storage to an indeterminate future date, as proposed at Section 1.10 of the Joint Proposal attached as Attachment A to the Scoping Memo titled *Procurement and Counting of Storage and Other Preferred Resources*:

> ". . . In order to expedite the implementation of flexible capacity procurement obligations, the Joint Parties believe more time and consideration are needed to design a flexible capacity counting convention applicable to preferred resources. As such, the Joint Parties recommend that preferred resources use the counting convention proposed in Sections 5.2, 5.3.3.1, and 5.3.3.3, above. If preferred resources can provide flexible capacity consistent with the counting conventions in this interim flexible capacity proposal, then they should be eligible to count toward an LSE's flexible capacity procurement obligation. To the extent necessary, the Joint Parties recommend the Commission explore this issue and develop a record on the flexible capacity counting conventions of preferred resources in a subsequent RA proceeding." (p. 24).

## IV. THE COMMISSION SHOULD ADDRESS MULTI-YEAR CONTRACTING FOR RESOURCE ADEQUACY CAPACITY PROVIDED BY ENERGY STORAGE. AND ALLOW ENERGY STORAGE RESOURCES TO PROVIDE ADDITIONAL PRODUCTS AND SERVICES FROM THE SAME ENERGY STORAGE SYSTEM.

There is an emerging consensus that multi-year contracting for RA capacity must be developed as soon as possible. CESA is on record advocating for a mechanism to meet an increasingly urgent need for a solution, as are PG&E, IEP, Calpine, and others CESA strongly urges the Commission to address, multi-year or long-term (*i.e.*, 10 years or greater) contracting for RA capacity enabled by energy storage. D.12-06-025, for example, states:

> "The LTPP Scoping Memo also foresees an LTPP decision at or near the end of 2012 that may authorize or require Commission-jurisdictional Investor-Owned Utilities and/or other LSEs to contract for multi-year local reliability needs to the extent that the Commission finds there is such a need. Therefore, in this proceeding, we will focus on defining which flexible attributes can or should be included for RA resources one year out. These flexible attributes may also be appropriate for any multi-year local capacity procurement that may be authorized in the LTPP proceeding." (p. 25)

## V. THE COMMISSION SHOULD CONSIDER ADOPTING A NET QUALIFYING CAPACITY VALUE FOR ENERGY STORAGE SYSTEMS WITH LESS THAN ONE-HOUR CAPACITY.

Section 2836.4(a) of AB 2514 provides that, "An energy storage system may be used to meet the resource adequacy requirements established for a load-serving entity pursuant to Section 380 if it meets applicable standards." These standard should include *inter alia*, NQC. In its Post-Workshop Comments in the Long-Term Procurement Planning proceeding,[7] SCE proposed an interim approach for establishing an NQC value for energy storage: "For purposes of establishing NQC values for LCR procurement analysis for energy storage devices (which currently do not have an established NQC), SCE recommends the following as an interim measure:

- Energy storage devices with one hour or greater capacity should receive an NQC equal to their maximum sustainable rate of output. For RA purposes, qualifying energy devices should be subject to the maximum cumulative capacity buckets, which restrict how much energy-limited capacity can be used to meet RA requirements.
- In order to count for LCR purposes, an energy storage device should have a minimum of three to eight hours of capacity (specific value to be determined in consultation with the CAISO), so it can provide LCR support for the peak load of a likely event.
- Energy storage devices with less than one hour of capacity should not have an NQC, since their primary value is in ancillary service markets and/or as frequency response resources." (SCE Comments, pp. 15-16).

[7] *Comments of Southern California Edison on the Joint LTPP/Storage Workshop, held September 7, 2012*, filed October 5, 2012.

In SCE's view, applying these criteria would allow energy storage to be evaluated in local capacity requirement ("LCR") solicitations comparable to conventional generation resources. For energy storage and event-triggered demand response ("DR"), SCE proposed an additional screening criterion:" A determination of "highest and best use" will be needed to assign LCR value" (SCE Comments, p. 16).

In its Reply Comments, CESA disagreed with SCE that energy storage with less than one-hour of capacity should not have NQC valuation: "A more appropriate NQC value for energy storage with less than one hour capacity would be to use the capacity formula that the CAISO applies under its Regulation Energy Management ("REM") market for frequency regulation, in which energy storage resources with less than one hour of capacity are allocated MWs of capacity corresponding to their sustained output over 15 minutes" (CESA Reply Comments, p. 9).

On a related and more general point, on the other hand, CESA was pleased to note that the Commission considers energy storage to have NQC value at least equivalent to DR resources in D.12-06-025[8]:

> ". . . we point out that the existing QC counting methodology[2] differentiates in general between three classes of resources in setting QC – dispatchable resources, non-dispatchable resources, and wind/solar resources. Storage is not called out specifically, but depending on whether it was dispatchable or non-dispatchable, storage would count towards RA obligations under the existing QC methodology." (p. 23).

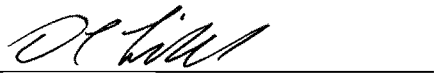
The Commission should now take the next step in Phase 2 and explicitly confirm that energy storage should have an NQC counting value in its own right.

[8] *Decision Adopting Local Procurement Obligations for 2013 and Further Refining the Resource Adequacy Program*, issued June 21, 2012.

## VI. CONCLUSION.

CESA appreciates the opportunity to submit these comments on the Scoping Memo, and looks forward to working with the Commission and other stakeholders in the Phase 2 of this proceeding.

Respectfully submitted,



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Date: December 26, 2012