

**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)

**REPLY COMMENTS OF SIERRA CLUB CALIFORNIA ON PROPOSED DECISION
AUTHORIZING PROCUREMENT FOR LOCAL CAPACITY REQUIREMENTS**

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Pursuant to Article 14 of the Commission’s Rules of Practice and Procedure, Sierra Club California (“Sierra Club”) respectfully submits the following reply comments on the Proposed Decision Authorizing Procurement for Local Capacity Requirements (PD) issued on December 24, 2012. Rule 14.3(d) provides that reply comments “shall be limited to identifying misrepresentations of law, fact or condition of the record contained in the comments of other parties.” These comments support the PD’s proposal to include a 50 MW procurement target for energy storage and rebut the SCE’s objections to this requirement. Additionally, the comments rebut SCE’s and CAISO’s argument that the maximum procurement limit should be raised.

I. The Energy Storage Procurement Target Should Be Kept in the Proposed Decision.

The PD should be applauded for providing the first concrete step in implementing energy storage procurement in California. As some parties explained, the PD could orient California on a path to a clean energy future using the loading order as the main mechanism of this transformation.¹ However, as Sierra Club argued in its opening comments, the PD does not fully succeed in this directional change because the requirement of 1,000 MW minimum procurement of conventional gas-fired generation works at cross purposes with the loading order.² On the

¹ See, e.g. Division of Ratepayer Advocates (“DRA”) Comments, pp. 3, 13-14; Natural Resources Defense Council (“NRDC”) Comments, p. 4; Women Energy Matters Comments, p.

² Sierra Club Comments, pp. 1-6; see also DRA Comments, pp. 3-5; California Environmental

other side of the spectrum, the PD moves in this direction by recognizing both the need for energy storage as well as the policy directive from the legislature which requires the PUC to facilitate the procurement of energy storage resources.³

The PD and the record more than support the “modest” requirement of a 50 MW procurement target for energy storage resources, notwithstanding SCE’s claim to the contrary.⁴ The PD cites to Governor Brown’s June 2010 Clean Energy Jobs Plan which calls for 3,000 MW of energy storage “to meet peak demand and support renewable energy generation.”⁵ 50 MW is less than two percent of this total; much more than 50 MW of energy storage resource will be required in the SCE territory by 2020. Julia May, a witness for the California Environmental Justice Alliance (“CEJA”), testified that based on SCE’s share of the State’s load at least 1,000 MW of energy storage resources are required for the Clean Energy Jobs Plan.⁶ Bill Powers, another CEJA witness, testified that energy storage resources could be more effective than conventional peaking generation, requiring less storage to meet the same amount of LCR need as conventional generation.⁷ Additionally, the testimony of Janice Lin from the California Energy Storage Alliance also supports the procurement requirement.⁸

This PD’s storage requirement lays the foundation for more integration of energy storage resources into the grid. The PD explains that this initial procurement target provides “an opportunity to assess the cost and performance of energy storage resources.”⁹ The PD rightfully recognizes that this procurement authorization is an opportunity to begin the integration of

Justice Alliance (“CEJA”) Comments, pp. 7-8; NRDC Comments, pp. 7-8.

³ PD, pp. 60, 112; *see generally* AB 2514, Stats. 2010, ch 469.

⁴ PD, pp. 58-60; Southern California Edison Company’s (“SCE”) Comments, p. 1 (“[t]here is no basis in the evidentiary record for a 50 Megawatt (MW) energy storage procurement target”).

⁵ PD, p. 58.

⁶ CEJA Exh. 3, p. 30.

⁷ CEJA Exh. 1, p. 14.

⁸ *See generally*, CESA Exh. 1.

⁹ PD, p. 60.

energy storage resources in the procurement process. SCE argues the opposite and avers that “[i]t is poor public policy to require only customers in SCE’s service territory to pay any above-market costs for this storage requirement. . . . Any procurement obligations for energy storage technology should be spread across the territories of all utilities in the State.”¹⁰ This argument is a red herring because this authorization is the first step for energy storage procurement. This LCR procurement specifically addresses SCE’s ratepayers who live in this transmission constrained area; the benefits flow directly to SCE customers by lowering the LCR need and avoiding the significant cost from additional procurement of fossil fuels in the LA basin. Hence, the first energy storage procurement target is for SCE. To fully integrate energy storage into the grid, more than just this authorization will be needed for each IOU.

The main thrust of SCE’s argument, that procurement targets should be addressed in the energy storage proceeding, is simply a method for ensuring its agenda of no procurement targets for energy storage resources. For example, in the Energy Storage proceeding, SCE argues that procurement targets for energy storage should be addressed in LTPP:

SCE notes that the determination of grid needs is outside of the scope of the Energy Storage OIR, but will be made within the Long Term Procurement Plan (“LTPP”) proceeding based on analytical work performed by the CAISO. . . . The Energy Storage OIR can and should incorporate findings of need that emerge from these efforts without attempting to make any independent findings or determination of need.¹¹

In its comment on the PD, SCE argues the opposite stating that energy storage policy should be addressed in the energy storage proceeding.¹² SCE’s continual attempt to have energy storage procurement target decisions delayed and punted to different proceedings reveals SCE’s bias

¹⁰ SCE Comments, p. 5.

¹¹ Comments of Southern California Edison Company (U 338-E) to the California Public Utilities Commission on the Proposed Decision of Commissioner Peevey Adopting Proposed Framework for Analyzing Energy Storage Needs (July 23, 2012) pp. 6-7, R.10-12-007.

¹² SCE Comments, p. 7.

against choosing energy storage in its procurement process. Similarly, SCE's recommendation of a small scale pilot project of 1 to 3 MW¹³ does little to promote energy storage and only further delays its integration into the grid. The "modest" 50 MW energy storage procurement is an essential start to integrating energy storage into the California electric system.

II. The 1,500 MW Procurement Maximum Should Be Kept in the Proposed Decision.

SCE's and CAISO's arguments that the procurement authorization should be dramatically increased from 1500 MW to 2,371 MW should be rejected. Both SCE and CAISO argue that the PD should adopt the trajectory scenario, but the PD rightly rejected that scenario because it makes unrealistic assumptions about preferred resources.¹⁴ For example, CAISO assumed that uncommitted energy efficiency and combined heat and power would be counted as zero for determining LCR need. In rejecting CAISO's zero megawatt assumption for energy efficiency, the PD states:

We find that amounts of uncommitted energy efficiency in programs and standards already approved by this Commission and other agencies, but not yet in the demand forecast used by the ISO, should result in adjustments to demand forecasts for the purpose of authorizing LCR procurement levels. There is a significant amount of uncommitted energy efficiency in such programs and standards that is certain to exist in the future.¹⁵

The PD's rejection of the trajectory scenario and CAISO's extreme assumptions about the implementation of preferred resources embraces the policy of the loading order. The PD should not back down on its defense of California's clean energy policies.

Sierra Club agrees with the PD's reasoning that ["b]y adopting a lower maximum procurement level than the ISO recommends, the maximum levels are unlikely to turn out to be too high. If our adopted maximum procurement level is too low, there will be timely

¹³ SCE Comments, p. 6.

¹⁴ SCE Comments, pp. 11-14; CAISO Comments.

¹⁵ PD, p. 48.

opportunities to obtain additional resources in future long-term procurement planning proceedings.”¹⁶

CONCLUSION

Sierra Club requests that the Commission maintain the procurement requirements discussed in these reply comments in the Proposed Decision.

Respectfully submitted,

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¹⁶ PD, p. 64.