

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking Pursuant
To Assembly Bill 2514 to Consider the
Adoption of Procurement Targets for
Viable and Cost-Effective Energy Storage
Systems.

Rulemaking R-10-12-007

**REPLY COMMENTS OF THE GREEN POWER INSTITUTE
ON THE PHASE 2 INTERIM STAFF REPORT**

February 21, 2013

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Introduction

Pursuant to the Oct. 1, 2012, *Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge*, as modified by the January 18, 2013, *Administrative Law Judge's Ruling Entering Interim Staff Report Into Record and Seeking Comments*, in Proceeding R.10-12-007, the **Order Instituting Rulemaking Pursuant to Assembly Bill 2514 to Consider the Adoption of Procurement targets for Viable and Cost-Effective Energy Storage Systems**, the Green Power Institute (GPI), a program of the Pacific Institute for Studies in Development, Environment, and Security, provides these *Reply Comments of the Green Power Institute on the Phase 2 Interim Staff Report*. Our *Reply Comments* discuss the topics of storage-friendly tariffs, preferred-resource designation, procurement targets, and utility ownership and/or operational control of energy-storage systems.

Tariffs

Based on the *Opening Comments* of the CAISO, it appears that they have put a good deal of effort into making their tariffs friendlier to energy-storage technologies, and we applaud them for that. It is now time for the IOUs, under Commission supervision, to do the same with their tariffs. This includes modifying utility tariffs to be product-oriented and technology-neutral rather than being designed around the characteristics and capabilities of gas-fired generators, and modifying utility tariffs to be able to properly deal with technologies that are able to both receive and supply electrical energy.

While making tariffs more product-oriented and technology-neutral is an important advancement on the part of the CAISO, it is not sufficient, in-and-of itself, to stimulate a wave of development in transmission-connected, fast-response energy-storage systems. The problem is that the CAISO's markets are short-term markets, and energy-storage systems are capital-intensive projects that need long-term certainty in order to secure financing. Providing long-term certainty for independent, capital-intensive projects usually requires long-term contracts for their products, and short-term markets do not easily provide for long-term contracts. Nevertheless, some form of long-term contracting,

possibly modeled on the tolling agreements that IOUs have with natural gas-fired generators, are a needed complement to proper tariffs in promoting energy-storage projects that can provide rapid-response ancillary services to both the transmission and distribution grids.

Preferred Resources

We are surprised at the level of opposition in the *Opening Comments* of the various parties to pursuing a designation of preferred-resource status for energy storage. It is clear that achieving preferred-resource status in the state's loading order would require a somewhat lengthy, multi-agency process, and thus is not germane to settling the issues at hand in phase 2 of this Proceeding. We stated as much in our own *Opening Comments*. We also agree with many parties that the case for the inclusion of storage in the loading order still needs to be made. We think that Brightsource, in its *Opening Comments*, provides the best advice – we should begin a formal process now to determine whether it is appropriate to include energy storage in the loading order, which is prerequisite to adding it to the loading order.

Procurement Targets

Based on our review of the various parties' *Opening Comments*, with the exception of the storage industry itself and the Sierra Club there appears to be little support for the establishment of procurement targets for energy-storage systems. The utilities and most of the other parties opposing the establishment of procurement targets argue that storage should compete with all other kinds of providers in the electricity marketplace in providing products and services. The GPI, too, was not supportive of setting procurement targets at this time, but our reasoning is quite different. As we argued in our *Opening Comments*:

With respect to the setting of procurement targets for energy storage systems at this point in time, the GPI feels that it is probably premature to set the kinds of aggressive, far-reaching procurement targets for storage that were used, for example, to drive the RPS program. ... On the other hand, it might make sense to set reasonable, near-term program goals for a defined set of promising applications for storage systems, probably based on the Use Cases. This would send a clear signal to the marketplace that significant growth in energystorage systems in California is on the horizon. [GPI *Opening Comments*, pg. 8]

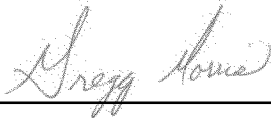
Simply allowing storage to compete in the electricity marketplace for the provision of goods and services is not appropriate at this point in time for this promising set of technologies that are still in the early stages of commercialization. The policy question should be: What is the most effective way to provide commercialization support to energy storage in order to allow it to achieve a state where it can compete on an equal footing in the greater electricity marketplace? The GPI believes that the most effective way to facilitate the commercialization of energy storage at this point in time is by supporting a series of demonstration projects.

Utility Procurement

In our *Opening Comments*, the GPI argued that utility ownership and/or operation of energy-storage systems is an option that ought to be included in this Proceeding. In particular, we believe that if a grid operator had full operational control over a storage system, he or she might very well be able to derive more benefit from the system than could be derived from purchasing the system's products in the competitive marketplace as currently structured. We note that the Electric Storage Association, in their *Opening Comments*, also supports the consideration of utility procurement of energy-storage systems as an important alternative in the menu of options available for promoting the growth of the energy-storage market.

Dated February 21, 2013, at Berkeley, California.

Respectfully Submitted,



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