

**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 10-12-007  
(Filed December 16, 2010)

**REPLY COMMENTS OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E) ON  
ENERGY STORAGE PHASE 2 INTERIM STAFF REPORT**

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**I. INTRODUCTION**

In accordance with the Rules of Practice and Procedure of the California Public Utilities Commission (the “Commission”) and the Administrative law Judge’s Ruling Entering Interim Staff Report Into Record and Seeking Comments (the “Ruling”), dated January 18, 2013, San Diego Gas & Electric Company (“SDG&E”) hereby submits the following Reply Comments addressing issues identified in the Scoping Memo and Ruling (“Scoping Memo”) issued on October 1, 2012, the Energy Storage Phase 2 Interim Staff Report (“Staff Report”) released on January 4, 2013 and the Opening Comments filed by multiple parties in the above-captioned proceeding on February 4, 2013.

**II. SDG&E’S GENERAL COMMENTS ON CESA’S PRESENTATION AT THE  
JANUARY 14, 2013 WORKSHOP AND OPENING COMMENTS TO INTERIM  
STAFF REPORT ON PHASE 2**

SDG&E believes that California Energy Storage Association’s (CESA) intended definition of “goals,” as presented at the January 14, 2013 workshop, is unclear. As Pacific Gas & Electric (PG&E) pointed out in its Opening Comments on the Staff Report, “one interpretation of CESA’s goals could be that they are requesting that the Commission adopt binding or non-

binding mandates for energy storage. If this is the case, PG&E does not support CESA’s proposal.”<sup>1</sup> SDG&E does not support CESA’s proposal if that is its intended definition of “goals.” As mentioned in its Opening Comments, “SDG&E does not support establishing procurement targets for energy storage systems, for either capacity threshold or for specific applications for energy storage systems. SDG&E believes that procurement targets are not the most appropriate approach to achieve an efficient and effective deployment of energy storage systems in California.”<sup>2</sup> Southern California Edison (SCE) also pointed out in opening comments on the Staff Report the following related to CESA’s proposal, “SCE responds to the presentation made by the California Energy Storage Alliance (“CESA”) advocating for storage procurement targets. Contrary to CESA’s assertions, the net benefits of energy storage have yet to be demonstrated in California, and there is insufficient justification for imposing additional costs on customers by subsidizing private developers or manufacturers. Moreover, CESA distorts the results of the California Independent System Operator’s 33% RFP Study.”<sup>3</sup> SDG&E agrees with SCE’s analysis of CESA’s assertions.

Many parties oppose the establishment of procurement targets for energy storage systems in their opening comments. Some of these parties include Division of Ratepayer Advocates, California Independent System Operator Corporation, Southern California Edison, Pacific Gas & Electric, The Independent Energy Producers Association, The Coalition of California Utility Employees, and the Alliance for Retail Energy Markets.

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<sup>1</sup> Pacific Gas & Electric Company’s Comments on the Interim Staff Report in Phase 2 dated February 4, 2013 at page 9.

<sup>2</sup> Opening Comments of San Diego Gas & Electric Company on Interim Staff Report dated February 4, 2013 at page 2.

<sup>3</sup> Comments of Southern California Edison Company on the Energy Storage Phase 2 Interim Staff Report and Energy Storage Workshops dated February 4, 2013 at page 3.

Furthermore, SDG&E does not support CESA's energy storage portfolio roadmap described in their Opening comments. SDG&E is supportive of continuing the dialogue with CESA and other stakeholders in this proceeding if the definition of "goals" is to support the development of energy storage systems in the state of California in an efficient and effective way without setting procurement targets.

### **III. SDG&E DOES NOT SUPPORT CESA'S RECOMMENDATION FOR A SIMPLIFIED APPROACH TO COST-EFFECTIVENESS**

Commission Staff posted the following question as part of the Staff Report: "Is there a simplified approach to cost-effectiveness that would meet the Commission needs?" In their Opening Comments CESA recommended the following, "in the near term, cost-effectiveness should be approached by solving for the break-even cost that energy storage must achieve for its benefits to be on a par with any status quo solution. Once that break-even point is known, then Energy Division Staff have the ability to engage in confidential meetings with potential energy storage system suppliers to determine realistic installations costs under various procurement volume scenarios."<sup>4</sup> SDG&E does not support this recommendation. SDG&E believes cost-effectiveness analysis should be based on market prices, for both cost and benefits, and compare energy storage systems to the market prices of other alternatives in those markets where energy storage systems are participating. The break-even analysis described by CESA does not reflect realistic installation costs as correctly noted by them "once the break-even point is known, then the Energy Division Staff have the ability to engage in confidential meetings with potential energy storage system suppliers to determine realistic installations costs under various procurement volume scenarios."<sup>5</sup>

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<sup>4</sup> Comments of the California Energy Storage Alliance Responding to Administrative Law Judge's Ruling Entering Interim Staff Report Into Record and Seeking Comments dated February 4, 2013 at pages 16-17.

<sup>5</sup> *Ibid.*, p.17.

