

**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 THE INDEPENDENT ENERGY  
PRODUCERS ASSOCIATION ON THE ENERGY STORAGE  
PHASE 2 INTERIM STAFF REPORT**

**INDEPENDENT ENERGY PRODUCERS  
ASSOCIATION**

Steven Kelly, Policy Director  
1215 K Street, Suite 900  
Sacramento, CA 95814  
Telephone: (916) 448-9499  
Facsimile: (916) 448-0182  
Email: [steven@iepa.com](mailto:steven@iepa.com)

**GOODIN, MACBRIDE, SQUERI,  
DAY & LAMPREY, LLP**  
Brian T. Cragg  
505 Sansome Street, Suite 900  
San Francisco, California 94111  
Telephone: (415) 392-7900  
Facsimile: (415) 398-4321  
Email: [bcragg@goodinmacbride.com](mailto:bcragg@goodinmacbride.com)

Attorneys for the Independent Energy Producers  
Association

Dated: February 21, 2013

**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 THE INDEPENDENT ENERGY  
PRODUCERS ASSOCIATION ON THE ENERGY STORAGE  
PHASE 2 INTERIM STAFF REPORT**

The Independent Energy Producers Association (IEP) submits these reply comments on the Energy Storage Phase 2 Interim Staff Report (Interim Staff Report), released January 4, 2013, and the workshop convened on January 14, 2013.

In response to questions raised in the Interim Staff Report, parties focused on two main issues: (a) whether energy storage should be considered a preferred resource in terms of Commission policy or the loading order announced in Energy Action Plan II (EAP II), and (b) whether there should be a procurement target for energy storage.

Like the Division of Ratepayer Advocates (DRA), IEP sees no reason that energy storage should be considered a “preferred resource” or otherwise receive priority treatment in the loading order.<sup>1</sup> Little empirical evidence exists to suggest that energy storage should be considered a preferred resource. In addition, IEP agrees with DRA that an “evaluation process that would compare all of energy storage’s attributes, as well as costs and viability, with other supply-side resources without designating it a preferred resource or otherwise mandating a set capacity or

---

<sup>1</sup> DRA’s Comments, p. 4.

megawatt (MW) target” is appropriate.<sup>2</sup> The reason to have an evaluation mechanism, which IEP argues should be an all-source Request for Offers (RFO), is to determine whether energy storage can compete with other types of resources to provide the desired products in a cost-effective manner. Instead of isolating storage from the marketplace by assigning an arbitrary procurement target for storage, the Commission should determine how storage compares against other technologies in terms of both performance and cost-effectiveness through an all-source RFO. An all-source RFO can also reflect the added value that storage can provide as a complement to existing generation technologies.

On the other hand, the California Energy Storage Alliance (CESA) claims that “there is overwhelming evidence that energy storage is needed to maintain an efficient, reliable and affordable electricity system in California.”<sup>3</sup> CESA also states that “cost-effective and viable energy storage resources should be considered the most favored resource available to meet the system needs for energy, capacity and ancillary services because they are best suited to meet the need for greater amounts of flexible capacity.”<sup>4</sup> While IEP recognizes the potential benefits that storage may bring to the electric grid, storage is not *needed* as a distinct product, but is merely one of the tools that may be able to fill an identified need.<sup>5</sup> Because storage technologies have not yet proven, through a competitive solicitation, that they are the best resources to meet an identified need at a competitive price, there is no basis for designating storage as the “most favored resource” in terms of system needs for energy, capacity and ancillary services. Rather, the ability of storage to provide the products needed to serve California ratepayers should be valued and considered alongside its competitors, using a technology-neutral evaluation. As

---

<sup>2</sup> DRA’s Comments, p. 4.

<sup>3</sup> CESA’s Comments, p. 3.

<sup>4</sup> CESA’s Comments, p. 14.

<sup>5</sup> DRA’s Comments, p. 6.

mentioned by one commenter, “storage should be used only in applications where a combination of technical and economic factors indicates it is superior to competing alternatives, including preferred resources.”<sup>6</sup>

The Commission should open procurement options to energy storage to allow it to compete head-to-head with other resources (in an all-source RFO).<sup>7</sup> If energy storage resources bid into the RFO and meet all requirements at prices that are better than other resources, no limits should be set on procurement of storage to meet needs identified in the Long-Term Procurement Plan (LTPP) proceeding and similar proceedings.<sup>8</sup> If the Commission continues to protect specific resource types or technologies from competition or to give certain resources preferred status over others that can offer similar benefits and operational attributes, the Commission will undermine the competitive procurement process and increase costs to consumers.

CESA also focuses on evaluation of benefits attributable to energy storage. CESA states, “GHG [greenhouse gas] and other emissions benefits of energy storage resources should be valued appropriately.”<sup>9</sup> As noted in IEP’s Comments, reducing GHG emissions is not an inherent property of energy storage. GHG emissions are already priced in the market as a result of the cap-and-trade program. Thus, the costs of GHG emissions are embedded in the cost of providing electricity to consumers. As noted by Southern California Edison Company (SCE), “the price of energy reflects many characteristics of the marginal generating unit, which includes: the cost of generation (including fuel), the cost of emissions (with GHG prices

---

<sup>6</sup> Comments of Jack Ellis, p. 10.

<sup>7</sup> DRA’s Comments, p. 7.

<sup>8</sup> DRA’s Comments, p. 7.

<sup>9</sup> CESA’s Comments, p. 23.

embedded), and the value of congestion relief.”<sup>10</sup> To the extent that energy storage projects do not incur these costs (*i.e.*, fuel and GHG costs), the resource will be more cost competitive. Assigning a value to GHG emission reductions when the costs are already priced in the market is essentially double-counting the benefits that a resource may provide, which unfairly favors storage in comparison to other equally fit and cost-competitive alternatives.

Any barriers to participation in competitive procurement that are unique to storage need to be addressed and removed. However, a number of barriers have already been removed. As described by the California Independent System Operator, many steps have been taken to enable participation by non-generation resources, including lowering the bid floor and broadening participation for providing ancillary services and regulation energy management.<sup>11</sup> Furthermore, as SCE stated, “the current market structure already monetizes a wide variety of services, and upcoming reforms will introduce new pathways for resources to monetize their capabilities.”<sup>12</sup> Where barriers prohibit storage from participating equally in an all-source RFO, the Commission should focus on removing these barriers so that all-source solicitations present no barriers to participation by any resource that qualifies to meet the unmet need or that can provide the desired product.

If pilot programs or research, development, and demonstration (RD&D) investments are needed to help assess the potential performance and effectiveness of storage technologies, these programs should be pursued and funded. Additional pilot projects may further develop the ability of storage to fairly compete in the market.<sup>13</sup> RD&D exercises can increase knowledge and experience in deploying storage, and will give the Commission more

---

<sup>10</sup> SCE’s Comments, p. 12.

<sup>11</sup> Comments of the CAISO.

<sup>12</sup> SCE’s Comments, p. 11.

<sup>13</sup> SCE’s Comments, p. 8.

time to remove any existing barriers to storage's participation in competitive solicitations and markets. However, programs designed to help commercialize storage should be performed outside the context of the Commission's LTPP and Resource Adequacy (RA) proceedings. Emerging, pre-commercial technologies should not be counted against a procurement need determined to help maintain grid reliability.

In the meantime, creating a set-aside or procurement target for energy storage is premature and does not ensure that the most cost-effective, best-fit resource is procured. IEP does not support designating energy storage as a preferred resource or setting arbitrary procurement targets. All resources that can fill a defined need should be allowed to bid and compete fairly.

Respectfully submitted this 21st day of February, 2013 at San Francisco, California.

GOODIN, MACBRIDE, SQUERI,  
DAY & LAMPREY, LLP  
Brian T. Cragg  
505 Sansome Street, Suite 900  
San Francisco, California 94111  
Telephone: (415) 392-7900  
Facsimile: (415) 398-4321  
Email: bcragg@goodinmacbride.com

By /s/ Brian T. Cragg

Brian T. Cragg

Attorneys for the Independent Energy Producers  
Association