

**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

R.10-12-007
(Filed December 16, 2010)

REPLY OF THE ALLIANCE FOR RETAIL ENERGY MARKETS

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CONSULTANT TO THE
ALLIANCE FOR RETAIL ENERGY MARKETS

February 21, 2013

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The Alliance for Retail Energy Markets¹ (“AREM”) provides this reply to comments submitted on February 4, 2013, in accordance with the *Administrative Law Judge’s Ruling Entering Interim Staff Report into Record and Seeking Comments*, issued on January 18, 2013 by Administrative Law Judge Amy C. Yip-Kikugawa.

I. REPLY

The February 4, 2013 comments make clear that a significant majority of the parties do not support procurement targets or set asides at this time.² Perhaps the California Independent System Operator says it best:

[R]emoving barriers to participation for all technologies in resource procurement processes is a more cost-effective means to promote the development of non-generation resources than establishing procurement targets.”³

¹ The Alliance for Retail Energy Markets is a California non -profit mutual benefit corporation formed by electric service providers that are active in the California’s direct access market. This filing represents the position of AREM, but not necessarily that of a particular member or any affiliates of its members with respect to the issues addressed herein.

² The parties opposing procurement targets or set asides in their comments filed February 4, 2013 are: AREM/MEA, CUE, Calpine, CAISO, DRA, Jack Ellis, IEPA, PG&E, SCE and SDG&E.

³ CAISO Comments, R.10-12-007, February 4, 2013, p. 6.

Similarly, Southern California Edison explains that procurement targets are inappropriate, “because they will distort competitive markets and prevent a robust and sustainable marketplace from developing.”⁴ AReM strongly concurs.

However, a number of parties⁵ recommend that the Commission implement procurement “goals,”⁶ targets or set asides⁷ for energy storage for implementation by 2015. Many of the comments use the terms “goals,” “targets,” and “set asides” interchangeably, so this may be a distinction without a difference. Further, as Pacific Gas and Electric Company points out, goals, “either binding or non-binding,” can “become *de facto* targets, regardless the availability of cost-effective storage resources.”⁸

The California Energy Storage Alliance (“CESA”) is the main proponent of procurement “goals” and provided additional detail in its February 4th comments on how energy storage goals could be defined as well as a “roadmap” for implementation.⁹ While the additional detail was both welcome and useful, AReM finds CESA’s suggested “goals” to be overly prescriptive. Specifically, CESA seeks Commission directives to procure in three areas: Capacity (*e.g.*, pump storage units); Ancillary Services (*e.g.*, systems capable of providing regulation/ramping); and Behind the Meter (*e.g.*, systems installed by retail customers to reduce peak demand or improve power quality).¹⁰ As explained in the February 4th joint comments of AReM and the Marin Energy Authority, for goals or targets to be workable for Electric Service Providers (“ESPs”), they must be sufficiently flexible to allow the ESPs to comply within the context of meeting their

⁴ SCE Comments, R.10-12-007, February 4, 2013, p. 2.

⁵ AReM notes that five of the eleven members of the Electricity Storage Association are also members of CESA. They are: A123; Beacon Power, NextEra Resources, Saft America, and Xtreme Power.

⁶ Procurement “goals” were recommended in the February 4, 2013 comments of Alton Energy, CESA, and Green Power Institute.

⁷ Procurement targets or set asides were recommended in the February 4, 2013 comments of Beacon Power, Clean Coalition, Electricity Storage Association, and Sierra Club.

⁸ PG&E Comments, R.10-12-007, February 4, 2013, p. 10.

⁹ CESA Comments, R.10-12-007, February 4, 2013, pp. 6-12.

¹⁰ CESA Comments, R.10-12-007, February 4, 2013, p. 9.

customers' unique energy needs and preferences.¹¹ In short, for ESPs, the customer will drive this process and ESPs must not be hindered by overly and unnecessarily rigid requirements.

II. CONCLUSION

AReM agrees with the significant majority of the parties that procurement goals, targets or set asides for energy storage systems are inappropriate at this time and has described in its February 4, 2013 comments where such targets would be inconsistent with the requirements of AB 2514. However, if the Commission intends to establish any such procurement requirements, considerable additional process is required to define a commercially reasonable target and flexible compliance rules. Finally, as described in our February 4th comments, AReM strongly opposes any procurement option that leads to utility procurement of energy storage systems on behalf of other LSEs and associated non-bypassable charges for direct access customers.

Respectfully submitted,



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¹¹ AReM/MEA Comments, R.10-12-007, February 4, 2013, pp. 5-7.