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.	Rulemaking 12-03-014 Filed March 12, 2012

COMMENTS OF TAS ENERGY ON ADMINISTRATIVE LAW JUDGE'S RULING SEEKING COMMENT ON TRACK III RULES ISSUES

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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.	Rulemaking 12-03-014 Filed March 22, 2012

COMMENTS OF TAS ENERGY ON ADMINISTRATIVE LAW JUDGE'S RULING SEEKING COMMENT ON TRACK III RULES ISSUES

In accordance with the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission") TAS Energy ("TAS") hereby submits these comments on the *Administrative Law Judge's Ruling Seeking Comment on Track III Rules Issues* issued by Administrative Law Judge David M. Gamson on March 21, 2013 ("ALJ's Ruling"). These comments are filed timely in accordance with direction provided by Administrative Judge Gamson's e-mail message addressed to the Service List on March 28, 2013, granting a request to change the due date for filing comments to this date, April 26, 2013.

I. INTRODUCTION.

TAS Energy appreciates the opportunity to respond to questions laid before the parties regarding Track III procurement. In these comments we will specifically address the questions provided under section 3 regarding retrofits, upgrades and repowers. TAS Energy manufactures technologies called Generation Storage and Turbine Inlet Chilling, both of which can be added to existing gas turbines to substantially increase peak time output, as much as 20% of the turbine's nameplate capacity, for a fraction of the cost of a new installation. Generation Storage, an energy storage system, is further able to provide *flexible* capacity to the grid by storing night

time power in a thermal energy storage tank for use the following day as energy and ancillary services; including ramp up and down capability through pump flow management out of the energy storage tank. Both Generation Storage and Turbine Inlet Chilling retrofits are significantly more widely adopted in other markets including ERCOT and PJM than in CAISO, largely due to problems addressed in these comments.

II. THE COMMISSION SHOULD ADOPT A RULE THAT EXPLICITLY INDICATES THAT EXISTING POWER PLANTS MAY BID UPGRADES OR REPOWERS, INCLUDING BUT NOT LIMITED TO ENERGY STORAGE SYSTEMS INTO NEW-GENERATION RFOs

At Section 3, under the heading titled "Long-Term Contract Solicitation Rules" the ALJ's Ruling poses the following question and sub questions that directly address retrofits to existing units which will be addressed in these comments.

> a. Should the Commission adopt a rule that explicitly indicates that existing power plants may bid upgrades or repowers into new-generation RFOs?
>
> i. How should the existing and upgraded components of the repowers be valued differently in an RFO? How can additions such as energy storage be added to existing facilities and be valued against other types of offers?"
>
> ii. Should contracts for repowering or upgrading of facilities be restricted to the same length of contracts as new facilities? If not, please explain why there would be different contract lengths or different terms, and how these differences would be reflected in the valuation of the bids.
>
> iii. Is there any information (additional or subtracted) from the RFO or application templates that would need to be changed? Would Energy Division review the RFO differently?

An Explicit Ruling to Allow and *Encourage* Retrofits, Upgrades and Repowers to bid into RFOs will Ensure the most Cost Effective Power is Offered California Rate Payers

The Commission should absolutely adapt existing utility procurement rules to allow for retrofits including additions of energy storage systems to existing power plants by means of competitive procurement process such as requests for offers and bilateral contracts. The addition of retrofits, the impact of which is newly generated megawatts that would not have otherwise been possible

to have been generated, is just as valuable as entirely new facilities, and arguably of greater benefit to the ratepayer. These new megawatts are in fact new generation. They require 'new steel in the ground' to install the new systems, albeit less steel and less overall cost and process than entirely new generation units. In fact, additions to existing power plants can provide the grid needed new peak megawatts for a fraction of the cost, time, and development required of greenfield sites, in many cases as much as 1/3 to 1/2 the cost of building entirely new units. With Once Thru Cooling Units coming offline, and the addition of more renewable resources, adding flexible capacity to existing assets at a fraction of the cost of building entirely new units is one of the most cost effective ways for California to ensure reliability.

i. How should the existing and upgraded components of the repowers be valued differently in an RFO? How can additions such as energy storage be added to existing facilities and be valued against other types of offers?"

As these cost savings would be reflected in the bid, retrofits should be valued comparably with other resources accordingly. In the case that the retrofit is an energy storage system, it would be consistent with other proceedings and determinations for this system to be evaluated along with other cost-effective preferred resources including energy storage resources. For example, in the recent LCR decision the Commission re-affirmed this policy approach and extended it to include energy storage as on a par with efficiency and demand response in D.13-02-015. This approach is consistent with the Commission's policy that it is best for utilities to continue to procure preferred resources "to the extent that they are feasibly available and cost-effective" before procuring solely fossil fuel based resources.[1]

ii. Should contracts for repowering or upgrading of facilities be restricted to the same length of contracts as new facilities? If not, please explain why there would

[1] *See, Decision Approving Modified Bundled Procurement Plans*, D.12-01-033, issued January 12, 2012.

be different contract lengths or different terms, and how these differences would be reflected in the valuation of the bids.

Contracts for repowering or upgrading of facilities should receive the same restrictions and guidance as all other new facilities. There should be no difference in the length of contract offered.

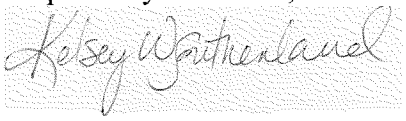
iii. Is there any information (additional or subtracted) from the RFO or application templates that would need to be changed? Would Energy Division review the RFO differently?

Imperative to ensuring retrofits are able to participate in the RFO process is the explicit inclusion within RFO's that assets currently under contract would not have their existing contract reopened to finance investment in new generation through upgrades to the site. Rather, a separate contract, or overlay contract must be offered to the entity bidding the retrofit/upgrade project for such investment, separately from the existing site's operating contract. Without this needed change, independent power producers are unwilling to bid such retrofits. Similar to the statements for the previous questions, there would be no need for a different review of the RFO by Division staff.

III. CONCLUSION.

TAS Energy appreciates the opportunity to provide these comments for the Commission's consideration.

Respectfully submitted,



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