

**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 12, 2010)

**REPLY COMMENTS OF THE MARIN ENERGY AUTHORITY
ON JUNE 10, 2013 ASSIGNED COMMISSIONER'S RULING
PROPOSING STORAGE PROCUREMENT TARGETS AND
MECHANISMS AND NOTICING ALL-PARTY MEETING**

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I. Introduction

Pursuant to the directions within the *Assigned Commissioner's Ruling Proposing Storage Procurement Targets and Mechanisms and Noticing All-Party Meeting* ("ACR") issued June 10, 2013 by Assigned Commissioner Peterman, the Marin Energy Authority ("MEA") provides its reply comments to parties' responses to the questions raised therein. MEA focused its opening comments on how the Energy Storage ("ES") procurement targets proposed in the ACR should account for the unique aspects of Community Choice Aggregators ("CCAs"), as well as other non-Investor Owned Utility ("IOU") Load-Serving Entities ("LSEs"). MEA's reply comments are similarly framed. After reviewing numerous parties' comments, MEA continues to advocate for the Commission to carefully consider the types of services offered by each LSE, along with the types of customers served by each LSE, when making a determination for each LSE's energy storage procurement obligations. Additionally MEA reminds the Commission, that above all else, any such ES procurement targets must be only for "viable and cost-effective" ES systems, pursuant to statute per California Public Utilities ("P.U.") Code §2835 *et seq.*¹

¹ All further section references herein are to the California Public Utilities Code unless stated otherwise.

MEA's reply is organized in two segments. The first section addresses more general issues raised in parties' comments that could have material impact on CCAs and their customers. The second section focuses on parties' recommendations for how cost recovery should be conducted under the three procurement target buckets proposed in the ACR.

II. Issues Raised by Parties that Could have Material Impact on CCAs and their Customers

MEA's primary concern with this proceeding is ensuring that any possible ES procurement obligations promulgated herein will not inhibit a CCA's ability to serve its customers. MEA reminds the Commission that according to P.U. Code §366 (a)(5), CCAs are solely responsible for all generation procurement activities on behalf of their customers, except where other generation procurement arrangements are expressly authorized by statute. This responsibility includes the procurement of Resource Adequacy ("RA") capacity resources and Ancillary Services ("AS") on behalf of CCA customers. If the Commission obligates CCAs to procure ES storage, such obligations must provide the CCAs with the flexibility necessary to pursue this procurement in a cost-effective manner that is viable in light of CCAs' generation-only services. Numerous parties including, Shell Energy North America ("Shell"), the Clean Coalition ("Clean Co"), and the California Energy Storage Alliance ("CESA") agree there is a special need for flexibility in any energy storage obligations assigned to CCAs. Furthermore, MEA agrees with various parties, including Shell, Pilot Power Group, Inc. ("Pilot Power") and the Alliance for Retail Energy Markets ("AREM"), who call into question whether it is prudent to assign ES procurement obligations at this time. MEA continues to believe that there is an inadequate collection of data and metrics at this time to properly evaluate the cost-effectiveness of ES systems.

A. The Commission Should Reject SCE and SDG&E's Proposals for Handling of CCA ES Procurement and Cost Allocation

Certain parties, such as Southern California Edison (“SCE”) and San Diego Gas & Electric (“SDG&E”), propose approaches to ES procurement obligations that would be highly restrictive and ignore need for flexibility for CCA – and Electric Service Providers (“ESPs”) – ES procurement.

SCE proposes a Finding of Fact within its comments which would essentially allow “all of the energy storage resources procured in accordance with the targets identified in this” proceeding to be eligible for the Cost Allocation Mechanism (“CAM”) cost recovery, regardless of what services these ES systems provide or by whom these ES are procured. (SCE at 21-22.) As set forth in MEA’s opening comments, the application of CAM is wholly inappropriate. CAM is intended to socialize the costs and benefits attributable to IOU –procured capacity that has been procured to meet a demonstrated local or system reliability need. If CAM were to be applied to ES, then the socialization of costs and benefits should only apply to the capacity-related benefits conferred by each specific instance of ES.

When CAM is applied to bundled energy procurement, the value of energy bundled with the capacity must be backed out. Similarly, for CAM to apply to ES procurement the value of all non-capacity benefits must be backed out to yield the capacity only cost of the ES project. For this to be viable the Commission would have to reconsider the entire CAM methodology, which is established by statute, and assign standard values to each of the other non-capacity attributes tied to ES. MEA continues to believe this approach of applying CAM to ES procurement is inappropriate, legally questionable, and extremely complex.

SDG&E demands that the “IOUs should have *full control* to operate and dispatch the energy storage systems” procured by CCAs and ESPs. (*Emphasis Added*, SDG&E at 17.) MEA

does not agree with SDG&E's assertion that the IOUs should have full control over CCA procured ES systems. As stated in MEA's opening comments, residential customer-side ES and generation-couple ES are the two use cases which MEA believes are most applicable to a CCA's operations and customers. For customer-side ES, the customer should be the one with ownership and operational control of the ES systems. Certainly some degree of automation and computer driven communication with the grid would be necessary to help maximize the effectiveness of the ES systems; however, it ultimately should be the customer's decision of whether and how to operate the ES. As for generation-coupled ES, the operator of the generation resource should be the one to operate the ES systems. SDG&E's demand simply does not make sense in the context of the types of ES that a CCA would be likely to procure.

The Commission should reject both SCE's and SDG&E's arguments regarding how CCA ES procurement should be handled. SCE's arguments disregard CCA-specific statute that protects autonomy of CCA procurement. SDG&E's demands are technically nonsensical. Additionally MEA continues to believe that the use of CAM treatment for ES resources is inappropriate, legally questionable, and overly complex.

B. MEA Agrees with PG&E and AReM that CCA ES Procurement Should be Independent of IOU ES Procurement

Both the Pacific Gas and Electric Company ("PG&E") and the AReM argue that CCAs and ESPs should be held to ES procurement obligations that are independent of those imposed on the IOUs. If the Commission determines it necessary to assign ES procurement targets, then MEA agrees with these parties that procurement targets for CCAs should be independent of those assigned to other LSEs. Additionally, MEA agrees with AReM that the Commission should not allow the IOUs to conduct "on behalf of" procurement of ES systems for CCAs and ESPs where the costs of this procurement would be recovered through use of the CAM. CCAs

should be provided with the independence and flexibility necessary to appropriately adopt ES to meet the demands of CCA customers and CCA-specific energy serve.

C. MEA Agrees with CAISO that the Commission Must Provide Greater Clarity on its use of Transmission and Distribution “Buckets”

The California Independent Systems Operator Corporation (“CAISO”) states in its comments that “the Commission should clarify that the “transmission” and “distribution” buckets refer only to the level of grid interconnection and not potential functions of the storage resources.” (CAISO at 3.) MEA agrees with this request for clarification. ES systems provide a wealth of different benefits. Some of these benefits associate with where the ES is located, while other benefits are attributable to a grid functionality which may be separate from the specific point of interconnection. For example, one transmission -level ES system might be providing AS to bid into the CAISO e nergy markets, while another transmission -level ES system may allow for the deferment of transmission -level system upgrades. AS are normally derived from a generation resource rather than a transmission -sited resources. The cost recover y for these two types of transmission -level ES systems should be handled differently because of the distinct differences in the benefits provided. This cost recovery depends largely on how the Commission chooses to define these ES “buckets”. MEA believes the Commission should allocate these costs as addressed below.

III. MEA’s Response to Parties’ Recommendations Regarding Cost Recovery of ES Procurement within the Three “Buckets”

The ACR proposal presents three categories or “buckets” of ES types: Distribution, Transmission, and Customer-Side. MEA believes the cost allocation approach to each of these buckets will not necessarily correlate with which bucket the ES system resides in. As explained previously, MEA believes there needs to be a distinction regarding the type of be nefits that an

ES system provides, rather than simply allocating cost based on points of interconnection. Herein, MEA responds to various parties' recommendations regarding how to handle cost allocation for each of these three categories.

A. Distribution

Because distribution -level ES seems to primarily offer benefits relating to distribution grid reliability and deferment of distribution level upgrades, MEA and other parties seem to agree that all such distribution -level ES systems providing grid reliability benefits should have their associated costs recovered through the IOUs' distribution rates. SCE, SDG&E, Shell, and Pilot Power are just some of the parties that are in agreement on this cost allocation approach.

B. Transmission

Similar to the distribution -level ES, parties tend to agree that ES coupled with the transmission grid to improve grid reliability and/or defer transmission grid upgrade costs should be recovered through the IOUs' transmission rates. SCE, SDG&E Shell, and Pilot Power all share this sentiment, and MEA agrees. Where parties diverge is how to handle costs associated with transmission -level ES that provide generation -related benefits. Where SCE and SDG&E believe the costs for these sorts of ES systems must be socialized through use of CAM or a CAM-like mechanism, Shell argues these costs should be recovered through the IOU's bundled generation rates. MEA agrees with Shell's cost allocation approach. MEA does not believe the use of CAM is appropriate in the context of ES. Furthermore, any CAM-like methodology that

is not explicitly required by statute cannot be imposed upon a CCA because it would violate CCA-specific statute.²³⁴

C. Customer-Side

SCE, SDGE, Pilot Power, the Interstate Renewable Energy Council (“IREC”), and Sunverge Energy (“Sunverge”) all provide comments on how customer -side ES systems should be approached. As mentioned in MEA’s opening comments, CCAs serve predominantly residential customers, thus any customer -side ES procurement targets for CCAs should be focused on residential deployment. SDG&E and Sunverge both state there is a need to redesign of residential rate structures such that the benefits of ES can be realized by residential customers. MEA agrees with this sentiment. For this reason MEA does not believe residential customer-side ES is cost effective at this time.

IREC recommends eliminating or reducing the MW target for the customer -side bucket. Similarly, Pilot Power argues that procurement targets should only be established for Transmission and Distribution buckets. Because MEA believes residential customer -side ES is not cost-effective at this time, MEA would not oppose either parties recommendations.

Lastly, SCE argues that customer -side (or Behind -the-Meter) ES procurement should be conducted exclusively by the IOUs and recovered through the distribution rate. MEA does not agree. The primary benefits realized by customer -side ES storage will be realized by the customers themselves in their abilities to maximize the value of Time -of-Use rates. Rather

² §366.2(a)(5): A community choice aggregator shall be solely responsible for all generation procurement activities on behalf of the community choice aggregator’s customers, except where other generation procurement arrangements are expressly authorized by statute.

³ §380(h)(5): “The commission shall determine and authorize the most efficient and equitable means for [...] ensuring that community choice aggregators can determine the generation resources used to serve their customers.”

⁴ §380(a)(4): states that in developing resource adequacy requirements, the Commission shall: (4) Maximize the ability of community choice aggregators to determine the generation resources used to serve their customers.

customer-side ES costs should be recovered through the generation-rate of the LSE who provides this customer with their generation services.

IV. Conclusion

MEA thanks Assigned Commissioner Peterman and Assigned Administrative Law Judge Yip-Kikugawa for the opportunity to provide the above reply comments on the *Assigned Commissioner's Ruling Proposing Storage Procurement Targets and Mechanisms and Noticing All-Party Meeting*.

Respectfully submitted,

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