

**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 10, 2012)

**REPLY COMMENTS OF THE INDEPENDENT ENERGY
PRODUCERS ASSOCIATION ON THE ASSIGNED
COMMISSIONER'S RULING PROPOSING STORAGE
PROCUREMENT TARGETS AND MECHANISMS**

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The Independent Energy Producers Association (IEP) submits the following reply comments on topics raised in the Assigned Commissioner's Ruling (ACR) proposing storage procurement targets and mechanisms, issued on June 10, 2013. In these reply comments, IEP addresses the issue of reservations for utility-owned storage assets.

The ACR proposed that utility-owned energy storage could be proposed within the utility's distribution system planning activities and that utility-ownership proposals would be reviewed in the individual utility's General Rate Case, rather than through an application, the normal procedure for a utility to seek the Commission's approval to develop or acquire other forms of generation or storage assets. The ACR also proposed that utility-owned storage resources could constitute up to fifty percent of a utility's distribution-connected procurement target for storage resources.¹

¹ ACR, at p. 15.

In response to these proposals, IEP in its opening comments noted that experience has shown that third-party ownership can provide cost-effective and viable resources, whether interconnected at the distribution or transmission level. In addition, IEP noted that only in relatively limited circumstances associated with reliability-driven projects are the utilities typically afforded a right of first refusal to construct transmission projects. IEP further remarked that only certain types of storage applications, *e.g.*, those that address operational functions of the distribution system that demonstrably cannot be provided by third parties, should be considered for utility ownership. All other storage resources ought to be competitively procured to maximize the benefits of competition, technology innovation, and achieve a true least-cost solution to the benefit of ratepayers.²

The utilities' comments on the ACR proposed a more nebulous approach. For example, San Diego Gas & Electric Company (SDG&E) stated that the utilities should be able to own up to 100% of transmission-sited storage. SDG&E also proposed that the utilities should be able to own up to 100% of distribution-sited storage, based on the utility's responsibility for planning and operating the distribution system.³

In reply, IEP offers the following observations. First, planning the distribution system today is more multi-faceted than in earlier years. Given the public policy emphasis on distribution generation, and the critical link between distribution systems and transmission systems, distribution system planning should not be the exclusive purview of the utilities. Second, cost-effectiveness will not be achieved if significant portions of the storage procurement targets, at either the distribution or transmission level, are set aside for utility development outside of an open, transparent competitive process. Third, innovation will be stifled if third-

² Comments of the Independent Energy Producers Association on the Assigned Commissioner's Ruling Proposing Storage Procurement Targets and Mechanisms, at p. 6.

³ Comments of SDG&E, at p. 9.

party energy storage providers do not have a fair opportunity to compete for a significant share of the overall storage procurement targets.

Some, but not all, storage applications connected at the distribution level may be appropriate for utility development or ownership, perhaps even as part of an express reservation for utility-owned storage, depending on their impact on and placement within the distribution system. Notably, the “distributed peaker” use case, defined in the interim staff report as providing wholesale and market functions,⁴ falls into the ACR’s distribution-connected use case category. The best way to determine which storage applications are appropriate for utility ownership, however, is to consider and evaluate utility ownership proposals in comparison with third-party proposals.

Finally, if an express reservation for utility-owned storage applications is deemed to be reasonable, cost-effective, and prudent by the Commission, then the Commission should establish a clear and transparent framework for identifying what types of storage applications are appropriate for utility ownership and where on the electric grid utility-owned storage applications best fit. This framework will be essential to clarify exactly what types of storage applications can be developed only by the utilities. Stakeholders, including the utilities, should have an opportunity to comment on the framework and the criteria for selecting utility-owned facilities. As noted in the ACR, storage applications are an emerging technology and at this point (a) the Commission does not know the scope and scale of storage applications that may emerge from the marketplace, particularly a highly competitive marketplace, and (b) the Commission has no basis for assuming that certain storage applications cannot be provided by third parties. Here again, this proposed approach will help ensure that the Commission’s storage

⁴ Interim Staff Report, at p. 11 and p. 32.

procurement program is consistent with the statutory goals of acquiring cost-effective storage resources.

IEP respectfully urges the Commission to consider these comments as it deliberates on the issues raised in the ACR.

Respectfully submitted this 19th day of July, 2013 at San Francisco, California.

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