

**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)

**COMMENTS OF THE MARIN ENERGY AUTHORITY
ON PROPOSED DECISION ADOPTING ENERGY STORAGE
PROCUREMENT FRAMEWORK AND DESIGN PROGRAM**

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TABLE OF AUTHORITIES

1. Assembly Bill (“AB”) 2514.
2. California Public Utilities Code §366 (a)(5).

SUMMARY OF RECOMMENDATIONS

MEA recommend as follows:

1. The Commission should allow for all LSEs, and not just the Investor Owned Utilities (“IOUs”), to be eligible for the proposed 80% deferment of ES procurement obligations upon proper showing of lack of cost effectiveness of the procurement.
2. The Commission should require CCAs to file Tier 2, rather than Tier 3, Advice Letters to demonstrate their compliance with these obligations.
3. The Commission should adjust the language within the PD so that all procurement obligations are referred to as ‘targets’ throughout, instead of ‘targets’ in some sections and ‘requirements’ in others.

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I. Introduction

In accordance with Rule 14.3 of the California Public Utilities Commission's Commission ("Commission") Rules of Practice and Procedure, the Marin Energy Authority ("MEA") respectfully submits these comments on the proposed *Decision Adopting Energy Storage Procurement Framework and Design Program* ("PD") issued September 3, 2013 by Administrative Law Judges ("ALJ") Amy Yip-Kikugawa and Colette Kersten and Commissioner Carla Peterman's office. MEA supports the language of the PD with slight revisions to ensure fair treatment of Community Choice Aggregators ("CCAs") and their customers in the context of the Commission deciding to assign Energy Storage ("ES") procurement obligations for all Load-Serving Entities ("LSE"). MEA believes these revisions will more closely align the PD with the guiding legislation Assembly Bill ("AB") 2514, which has prompted this proceeding.

MEA supports the overall manner in which the PD approaches ES procurement obligations for CCAs. MEA believes the proposed 1% of peak load by 2020 procurement obligation presented within the PD would be a reasonable target for CCAs provided this obligation will not subject the customers of CCAs to unreasonable costs. MEA recommends herein that the PD be revised in three ways. (i) The Commission should allow for all LSEs, and

not just the Investor Owned Utilities (“IOUs”), to be eligible for the proposed 80% deferment of ES procurement obligations upon proper showing of lack of cost effectiveness of the procurement. (ii) The Commission should require CCAs to file Tier 2, rather than Tier 3, Advice Letters to demonstrate their compliance with these obligations. (iii) The Commission should adjust the language within the PD so that all procurement obligations are referred to as ‘targets’ throughout, instead of ‘targets’ in some sections and ‘requirements’ in others.

II. Background

MEA is the only operational CCA within California, and currently serves customers throughout Marin County and within the City of Richmond. With the MCE Clean Energy CCA program, MEA serves approximately 125,000 customers within these communities, approximately 70% of which are residential customers. 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.¹ This responsibility includes the procurement of Resource Adequacy (“RA”) capacity resources and Ancillary Services (“AS”) on behalf of MEA customers. At this time, MEA does not own any generation resources but has entered into over a dozen long-term contracts for *new* renewable resources to be built for MCE Clean Energy customers.

MEA supports the Commission's intent to expedite the widespread adoption of ES, and plans to include parameters within its future procurement solicitations to leverage ES to meet certain other procurement obligations faced by CCAs including RA and/or AS requirements. However, MEA must maintain its commitment to its customers to provide high renewable

¹ California Public Utilities Code §366 (a)(5).

content electricity at affordable rates. Any ES procurement obligations for CCAs must include safeguards to protect CCA customers from excessive costs due to such procurement.

III. MEA’s Requests for the PD to be Modified to Provide CCAs with Similar Deferral Provisions Due to Excessive Costs as Are Already Provided to IOUs

Section 4.7 of the discussion, as well as Section 3.e. of Appendix A, outlines the IOUs with the opportunity to seek deferral of their ES procurement obligations from the Commission if such procurement proves not to be cost-effective. The PD states “Consistent with AB 2514’s stated goal to promote viable and cost effective energy storage applications, we believe that it is important that the Storage Framework include cost containment strategies that protect ratepayers.”² MEA believes the PD errs by considering cost containment strategies for *only* bundled ratepayers, rather than *all* ratepayers. MEA recommends the PD be modified to provide similar opportunities for deferral of ES obligations to CCAs, as well as Electric Service Providers (“ESP”), so that all ratepayers are provided equal protections from excessive costs due ES procurement obligations, regardless of where these ratepayers choose to purchase their electricity from.

MEA recommends that the following paragraph be incorporated into Section 4.8.3 to reflect this need for equal cost containment for all ratepayers:

The ESPs and CCAs shall demonstrate their compliance with this requirement through the filing of a Tier 3 Advice Letter which shall list the energy storage procurement contracts they have entered into (including technology and number of MW and MWh), duration of the contracts, and the percentage of the ESP/CCA’s peak load provided by energy storage. **If an ESP or CCA can demonstrate to the Commission that it has not received bids or proposals that are economically or operationally viable or cost -effective for its customers, that ESP/CCA may request Commission approval to defer its**

² PD Section 4.7.3 at 39. All subsequent references herein to ‘sections’ are regarding the PD, unless noted otherwise.

procurement target beyond 2020 by making a showing to the Commission that such relief is appropriate.

Although we do not require ESPs and CCAs to meet this procurement target until 2020, we do not want them to delay procurement until that time. Therefore, ESPs and CCAs shall file the Tier 3 Advice Letters starting January 1, 2016, and every two years thereafter. This will allow us to assess the progress of ESPs and CCAs towards meeting their procurement target. (**Proposed Language Underlined in Bold**, Section 4.8.3 at 44.)

IV. MEA's Requests for the PD to be Modified to Require CCAs to Demonstrate Their Compliance to the Commission by Filing Tier 2 Advice Letters, Rather than Tier 3

The PD currently requires CCAs and ESPs to demonstrate their compliance with the ES procurement obligations by filing Tier 3 Advice Letters with the Commission on January 1, 2016, and every two years thereafter.³ MEA already files Advice Letters with the Commission for compliance matters. Such Advice Letter filings are necessitated by the Environmental Performance Standard (“EPS”) , as well as by compliance filings necessitated by MEA’s administration of Energy Efficiency (“EE”) programs during the 2013 -2014 EE program cycle. In both of these cases, MEA is required to file Tier 2 Advice Letters to demonstrate their compliance.

If these compliance filings were required to be Tier 3, then there would need to be formal Resolutions for every compliance filing made. This is unnecessarily burdensome. MEA believes ES-related compliance filings should be handled in a comparable manner as EPS- and EE-related compliance filings are managed. Thus MEA recommends the PD be revised to require CCAs and ESPs to file Tier 2, rather than Tier 3, Advice Letters to demonstrate their compliance with ES procurement obligations.

³ PD Section 4.8.3 at 44.

MEA recommends that the following changes be incorporated into the PD to shift this compliance filing requirement to Tier 2:

Starting on January 1, 2016, and every two years thereafter, community choice aggregators and electric service providers shall file a Tier 2-3-Advice Letter demonstrating their compliance with this requirement. (**Proposed Language Underlined in Bold**, Section 1 Summary at 2.)

The ESPs and CCAs shall demonstrate their compliance with this requirement through the filing of a Tier 2-3-Advice Letter[...]

[...]Therefore, ESPs and CCAs shall file the Tier 2-3-Advice Letters starting January 1, 2016, and every two years thereafter. This will allow us to assess the progress of ESPs and CCAs towards meeting their procurement target. (**Proposed Language Underlined in Bold**, Section 4.8.3 at 44.)

5. Community Choice Aggregators and Electric Service Providers shall file a Tier 2-3-Advice Letter starting January 1, 2016 and every two years thereafter to report their progress in procuring up to 1% of their annual peak load from energy storage projects. (**Proposed Language Underlined in Bold**, Ordering Paragraph 5 at 69.)

5. Community Choice Aggregators and Electric Service Providers shall file a Tier 2-3-Advice Letter starting January 1, 2016 and every two years thereafter to report their progress in procuring up to 1% of their annual peak load from energy storage projects. (**Proposed Language Underlined in Bold**, Ordering Paragraph 5 at 69.)

Starting on January 1, 2016, and every two years thereafter, each ESP and CCA shall to file a Tier 2-3-Advice Letter which shall list the energy storage procurement contracts they have entered into (including technology and number of MW & MWh), duration of the contracts, and the percentage of the ESP/CCA's peak load provided by energy storage. (**Proposed Language Underlined in Bold**, Appendix 1 Section 2b at 2.)

V. MEA's Requests for the PD to be Modified to Consistently Refer to ES Procurement Obligations as 'Targets' throughout the Document

MEA notes that the language within the PD unnecessarily shifts between referring to the ES procurement obligations assigned to LSEs as either 'targets' or 'requirements'. In the sections addressing the IOUs these obligations are labeled as 'targets', while in the sections specific to CCAs and ESPs these obligations are labeled as 'requirements'. AB 2514 does not make such a distinction between LSE types, thus neither should the Commission. MEA

recommends that the PD be modified throughout to uniformly describe all ES procurement obligations as ‘targets’.⁴

VI. MEA Supports the PD’s Approach to CCA -Specific ES Procurement Obligations with Slight Modifications to Treat CCAs and their Customers More Fairly

MEA supports the approach within the PD to CCA -specific ES procurement obligations and requests that the language found within Section 4.8, COL 23, OP 5, and Appendix 1 Section 2b remain unchanged in future drafts except for the modifications suggested herein. MEA believes the PD provides CCAs with adequate flexibility to identify and procure ES in manners that will best suits the needs of their customers and the overall load profile of the CCA. Furthermore, MEA applauds the Commission for steering clear of a socialized, Cost Allocation Mechanism (“CAM”)-like, procurement route of ES for CCAs. Thus MEA supports the approach set forth in the PD for CCA ES procurement obligations, provided MEA’s three modifications outlined above are adopted.

VII. Conclusion

MEA thanks Assigned Commissioner Peterman and Assigned Administrative Law Judges Yip-Kikugawa and Kersten for the opportunity to provide the above comments on the proposed *Decision Adopting Energy Storage Procurement Framework and Design Program*.

⁴ For a full list of MEA’s recommended language changes to the PD, consult Appendix A herein.

Respectfully submitted,

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APPENDIX A

PROPOSED MODIFICATIONS

(All Proposed Additions are **Underlined in Bold**. All Proposed omissions are ~~struck through~~.)

BODY OF PROPOSED DECISION, SECTION 1 (AT 2):

This decision establishes the policies and mechanisms for procurement of electric energy storage pursuant to Assembly Bill 2514 (Pub. Util. Code § 2836 *et seq.*). The Energy Storage Procurement Framework and Design Program, which can be found in Appendix A of this decision, establishes the program for procurement of energy storage and includes:

1. Procurement targets for each of the investor-owned utilities and ~~procurement requirements for~~ other load serving entities;

[...]

This decision further determines that community choice aggregators shall procure energy storage equal to 1 percent of their annual peak load by 2020 and that electric service providers shall procure energy storage equal to 1 percent of their annual peak load by 2016. Starting on January 1, 2016, and every two years thereafter, community choice aggregators and electric service providers shall file a Tier ~~2~~ 3 Advice Letter demonstrating their compliance with this requirement.

BODY OF PROPOSED DECISION, SECTION 4.8.3 (AT 43):

We agree that ESPs and CCAs should be required to purchase energy storage projects commensurate with their load share. However, rather than set interim targets allocated among the storage grid domains, as we have done for the IOUs, we will make a simpler ~~target requirement~~ **target requirement** for ESPs and CCAs for this program. We will ~~set a target for~~ **set a target for** ~~require~~ ESPs and CCAs to procure energy storage commensurate with 1% of their annual peak load by 2020. They may

choose to ...

BODY OF PROPOSED DECISION, SECTION 4.8.3 (AT 43, footnote omitted):

The ESPs and CCAs shall demonstrate their compliance with this ~~target requirement~~ through the filing of a Tier ~~2-3~~ Advice Letter which shall list the energy storage procurement contracts they have entered into (including technology and number of MW and MWh), duration of the contracts, and the percentage of the ESP/CCA's peak load provided by energy storage. **If an ESP or CCA can demonstrate to the Commission that it has not received bids or proposals that are economically or operationally viable or cost-effective for its customers, that ESP/CCA may request Commission approval to defer its procurement target beyond 2020 by making a showing to the Commission that such relief is appropriate.**

Although we do not require ESPs and CCAs to meet this procurement target until 2020, we do not want them to delay procurement until that time. Therefore, ESPs and CCAs shall file the Tier ~~2-3~~ Advice Letters starting January 1, 2016, and every two years thereafter. This will allow us to assess the progress of ESPs and CCAs towards meeting their procurement target.

While we ~~have set targets for the require~~ **have set targets for the require** ESPs and CCAs to procure energy storage equal to 1 percent of their annual peak load by 2020 with the projects online and delivering no later than the end of 2024, we remind them that, consistent with our prior decisions, departing load customers remain responsible for any costs associated with energy storage procured on their behalf at the time they were bundled service customers. These costs (and the associated load), however, shall not be counted towards meeting the CCA or ESP's 1 percent procurement target.

CONCLUSION OF LAW 23 (AT 67):

23. ESPs and CCAs should be required **have targets** to purchase energy storage projects equal to 1% of their annual peak load **by 2020 unless a deferral is granted.**

ORDERING PARAGRAPH 5 (AT 69):

5. Community Choice Aggregators and Electric Service Providers shall file a Tier 2~~3~~ Advice Letter starting January 1, 2016 and every two years thereafter to report their progress in procuring up to 1% of their annual peak load from energy storage projects **by 2020**.

APPENDIX A, SECTION 2.b. (AT 2):

Electric service providers (ESPs) and community choice aggregators (CCAs) shall **meet a target to** procure 1 percent of their annual peak load by 2020 **unless a deferral is granted**.

Starting on January 1, 2016, and every two years thereafter, each ESP and CCA shall to file a Tier 2~~3~~ Advice Letter which shall list the energy storage procurement contracts they have entered into (including technology and number of MW & MWh), duration of the contracts, and the percentage of the ESP/CCA's peak load provided by energy storage.

APPENDIX A, SECTION 2.d. (AT 3):

Any storage project listed in the decision, subject to the requirements described there, or procured pursuant to Commission authorizations in other proceedings may be counted toward **the applicable Load-Serving Entities'** ~~each utility's~~ procurement targets starting one year after the project is operational.