

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 16, 2010)

**OPENING COMMENTS OF THE CONSUMER FEDERATION OF
CALIFORNIA ON THE ASSIGNED COMMISSIONER'S PROPOSED
DECISION**

CFC takes a broad view of consumer issues, considering the impact of public policy on the quality and cost of goods and services as well as its effects on working Californians, their families and their communities. In the near future, electric energy storage will be an important element of the electricity infrastructure and have a large impact on the cost of energy to ratepayers. Storage opportunities are many, each multifaceted, involving numerous stakeholders and interests. There are various “potentially complementary and significant benefits associated with” proven storage technologies in use today and with future storage technologies which are expected to have improved performance and lower cost. In fact, recent improvements in energy storage, coupled with changes in the electricity marketplace, indicate an emergence of and expanding opportunity for electricity storage as a cost effective electric energy complement.¹ To make the most of this opportunity for the benefit of ratepayers, it is essential the State promote energy efficiency and develop energy storage policy in a thoughtful manner keeping in mind the following principal areas: reduction of ratepayer price, optimization of demand and generation, reduction of greenhouse gases emissions, and improvement of grid utilization.

¹ Jim Eyer and Garth Corey. SANDIA REPORT. SAND2010-0815. February 2010. *Energy Storage for the Electricity Grid: Benefits and Market Potential Assessment Guide. A Study for the DOE Energy Storage Systems Program.* p. xv

I. INTRODUCTION

In accordance with Rule 14.3 of the California Public Utilities Commission (“Commission”) Rules of Practice and Procedure, the Consumer Federation of California (CFC) 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. CFC supports the language of the PD with slight revisions to ensure fair treatment of ratepayers. CFC believes these revisions will more closely align the PD with the guiding legislation Assembly Bill (AB) 2514, which has prompted this proceeding.

II. DISCUSSION

CFC supports the overall manner in which the PD approaches energy storage (ES) procurement obligations. CFC believes the proposed peak load procurement obligation presented within the PD is a reasonable target provided this obligation will not subject the ratepayers to unreasonable costs.

i. REQUEST FOR OFFERS (RFOS), TOLLING ARRANGEMENTS, FIXED STORAGE PAYMENTS

Energy Storage RFOs and Tolling Arrangements with Fixed Storage Payments are better alternatives to an auction, as the PD notes. They allow for adequate comparison among technologies and system needs for storage procurement and help avoid some of the pitfalls of investing in a new, developing market.² Each type of contract can be tailored to the participants’ needs, provide the flexibility sought by the PD and encourage the industry growth desired by the Commission.

² The Request for Offers process is also recommended by the Independent Energy Producer’s Association, Marin Energy Authority, and TAS Energy.

ii. DEFERMENT

Since the ultimate goal of the proceeding is to encourage the development and widespread use of energy storage technology, it would not be prudent to allow the utilities to defer overages and count them toward following years' targets. Such a policy would hinder development by creating artificial barriers to market entry, delaying technology deployment, and limiting usage and prices to those of the preceding years' term in which they were purchased. As a result, new assets would be delayed in implementation and market access would be consolidated in the hands of the few marketable technologies available in 2014 and large developers who can afford to compete. This would, ultimately, eliminate any "internalized benefit"³ the program would provide to ratepayers.⁴

However, CFC agrees with the PD in allowing deferment of purchasing targets when the technology is unavailable or too costly to ratepayers at a specific time. It is essential, however, that electric service providers "demonstrate to the Commission that [they have] not received bids or proposals that are economically or operationally viable or cost-effective for its customers" in order to take advantage of this type of deferment.⁵ Such an entity should be allowed to request Commission approval to defer its procurement target up to 2020 by making a showing to the Commission that such relief is appropriate, and without this relief, ratepayers would be harmed.

Ultimately, whether or not deferment will be allowed should depend on whether or not the ratepayers will be adversely affected if the deferment is granted.

³ An "internalizable benefit," according to the DOE, is "one that can be 'captured', 'realized', or received by a given stakeholder or stakeholders."

⁴ Jim Eyer and Garth Corey. SANDIA REPORT. SAND2010-0815. February 2010. *Energy Storage for the Electricity Grid: Benefits and Market Potential Assessment Guide. A Study for the DOE Energy Storage Systems Program.* p. 2

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

iii. UTILITY FLEXIBILITY

CFC agrees with the PD that, to remain consistent with “AB 2514’s stated goal to promote viable and cost effective energy storage applications ...it is important that the Storage Framework include cost containment strategies that protect ratepayers.”⁶ This is true for *all* ratepayers, especially if they are among those who will ultimately be paying for the ES procurements.

III. CONCLUSION

Ultimately, the most important factors in implementing any credible cost-effective, flexible energy storage procurement mechanism should have: clarity of the rule, consistency in application, and, above all, transparency for ratepayers. CFC 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*. CFC looks forward to collaborating further in this proceeding to help facilitate a timely and meaningful framework for the successful implementation of a long-term energy storage opportunity which best benefits the ratepayers.

Dated September 23, 2013 Respectfully Submitted,

_____/s/_____,

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⁶ PD Section 4.7.3 at 39. All subsequent references herein to ‘sections’ are regarding the PD, unless noted otherwise.