

**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.

R.10-12-007
(Filed December 16, 2010)

**COMMENTS OF THE UTILITY REFORM NETWORK ON THE PROPOSED
DECISION ADOPTING ENERGY STORAGE PROCUREMENT FRAMEWORK
AND DESIGN PROGRAM**



September 23, 2013

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COMMENTS OF THE UTILITY REFORM NETWORK ON THE PROPOSED DECISION ADOPTING ENERGY STORAGE PROCUREMENT FRAMEWORK AND DESIGN PROGRAM

In accordance with Rule 14.3 of the California Public Utilities Commission (“Commission”) Rules of Practice and Procedure, The Utility Reform Network (“TURN”) 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.

TURN appreciates the provisions the Proposed Decision would adopt that were not contained in the June 13 Assigned Commissioner’s Ruling (“ACR”) that would provide utilities flexibility to manage their costs of procuring storage resources. TURN also salutes the PD’s effort to ensure that non-utility providers and customers also provide support for the development of storage technologies, though is not clear the PD’s requirement is proportionate to the support utilities and their customers will provide. Additional detail on these and other issues follows.

Utility Flexibility

In its July 3 Comments on the ACR (“ACR Comments”), TURN argued that utilities should be allowed some flexibility to procure among the various “buckets” identified in the ACR (which the PD re-labels as “domains”).¹ The PD would provide some such flexibility, at least between the “transmission” and “distribution” domains (while not allowing any shifting to or from the “customer-side” domain).² TURN believes this additional flexibility will enable utilities to manage their costs and also reward those technology vendors providing bids that are the most feasible and cost-effective.

Similarly, TURN argued that the utilities should be given more ability to defer procurement if the offers for storage resources were not competitively-priced and/or did

¹ TURN’s ACR Comments, pp. 2-3.

² PD, pp. 36-37, Conclusion of Law (CL) 33 and Appendix A, Section 2c.

not appear technically feasible.³ The ACR suggested, by way of example, that a utility could be permitted “relief” from 40 percent of its procurement target in 2014, 30 percent in 2016 and 20 percent in 2018 and 2020.⁴ Under the PD, the utilities would be able to “defer” 80 percent of such procurement targets to a future solicitation.⁵ The PD would thus give the utilities more flexibility to manage their costs without subverting ultimate program goals and also reward vendors that offer competitive, technically feasible bids.

TURN is concerned, however, with the requirement that a utility request such a deferment “within three months of the solicitation date”.⁶ TURN would first suggest the term “solicitation date” be changed to “receipt of bids in response to a solicitation” to clarify that the utility would make such a request *after* it has all the relevant information in hand. TURN also suggests the three-month deadline be extended until the date storage contracts arising from a solicitation are filed with the Commission for approval. Such an extension of the deadline would give the utilities the ability to analyze bids fully before making such a request and – perhaps most importantly – negotiate more effectively with storage vendors.

In its ACR Comments, TURN also said no cost cap would be necessary should its proposals to provide utilities procurement flexibility be adopted.⁷ Though the PD does not adopt the entirety of TURN’s recommendations, TURN believes the PD would provide the utilities sufficient flexibility such that a cost cap is not advised, particularly if the Commission only approves storage contracts that are “viable and cost-effective”.⁸ To this end, it is critical the Commission adopt and follow the PD’s statement that “any actual finding of cost-effectiveness should only be done in a utility application for

³ TURN’s ACR Comments, pp. 1-4.

⁴ ACR, p. 19.

⁵ PD, pp. 26 and 40-41, CLs, 20-22 and Appendix A, Section 3e.

⁶ PD, Appendix A, Section 3e.

⁷ TURN ACR Comments, p. 6.

⁸ PD, p. 59, quoting Assembly Bill 2514.

approval of storage contracts or rate-based additions, where there is a specific project and actual project inputs”.⁹

ESP / CCA Requirements

TURN appreciates the PD’s attempt to implement a means to ensure that customers of the ESPs and CCAs also support the development and operation of storage resources by requiring they procure storage capacity equal to one percent of their peak load by 2020.¹⁰ This approach appears relatively straightforward for the ESPs and CCAs to implement and for the Commission to validate and enforce. However, TURN notes that the maximum obligation of the IOUs is substantially higher by 2020, so that the “one percent” obligation assigned to ESPs and CCAs may be substantially smaller than the obligations bundled customers will support.¹¹ To ensure these customer categories’ contributions are equivalent, the Commission should amend the PD to increase the ESPs’ and CCAs’ percentage obligation to the same fraction of peak that bundled customers meet by 2020 pursuant to the PD’s storage procurement program.

Ownership Form for Storage Technologies

The PD has taken a reasonable approach on issues related to utility and non-utility ownership of storage resources. For example, the PD would limit utility ownership to 50 percent across all domains and, at this time, not allow 100 percent utility ownership in the transmission and distribution domains.¹² Though TURN did not opine on such issues in its ACR Comments, TURN will take this opportunity to observe that customers may benefit from non-utility ownership of storage projects, particularly those involving new technologies. TURN anticipates that contracts with non-utility storage developers would only allow such vendors to be paid when their projects operate successfully. Such “pay

⁹ *Id.* and CL 29. See also TURN ACR Comments, pp. 5-6.

¹⁰ PD, pp. 43-44, CL 23, Ordering Paragraph 5 and Appendix A, Section 2b. See TURN ACR Comments, p. 5.

¹¹ For example, if the IOUs’ combined 2020 peaks are expected to be 50,000 MW, the storage target of 1,325 MW yields a commitment to procure storage resources pursuant to the PD’s program of 2.65 percent of peak.

¹² PD, pp. 48-49, CL 24-25 and Appendix A, Section 3c.

for performance” provisions can ensure customers pay only for storage services that are actually received and do not pay for projects that do not perform. Such payment terms have been a valuable risk-mitigating aspect of the state’s renewable resource development environment and should be a valuable aspect of the storage development environment too. Utility ownership, on the other hand, particularly of assets with uncertain costs or viability, poses much more threat that customers will pay excessive costs due to projects’ cost overruns, development delays and/or lack of performance.

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Respectfully submitted,

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