

**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 PROPOSED DECISION ADOPTING ENERGY STORAGE  
PROCUREMENT FRAMEWORK AND DESIGN PROGRAM**

Jeremy Waen  
Regulatory Analyst  
MARIN ENERGY AUTHORITY  
781 Lincoln Avenue, Suite 320  
San Rafael, CA 94901  
Telephone: (415) 464-6027  
Facsimile: (415) 459-8095  
E-Mail: [jwaen@marinenergy.com](mailto:jwaen@marinenergy.com)

September 30, 2013

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**I. Introduction**

In accordance with Rule 14.3 of the California Public Utilities Commission (“Commission”) Rules of Practice and Procedure, the Marin Energy Authority (“MEA”) respectfully submits these reply comments in response to select parties’ comments on the proposed *Decision Adopting Energy Storage Procurement Framework and Design Program* (“PD”) issued September 3, 2013 by Commissioner Carla Peterman. In particular MEA opposes comments filed by Pacific Gas and Electric Company (“PG&E”) and the Utility Reform Network (“TURN”) regarding how the PD should treat Community Choice Aggregator (“CCA”) Energy Storage (“ES”) procurement targets. Additionally, MEA agrees with various parties that further clarification on cost allocation of ES is necessary. MEA also agrees several recommended modifications to the PD raised certain parties such as the Alliance of Retail Energy Markets (“AREM”), Shell Energy North America (“SENA”), and Calpine Corporation (“Calpine”). MEA believes these revisions will more closely align the PD with the guiding legislation Assembly Bill (“AB”) 2514, as well as recent Commission Decisions.

## **II. PG&E's and TURN's Comments Regarding CCA Targets Should be Rejected**

Both PG&E<sup>1</sup> and TURN<sup>2</sup> ask for the Commission to revise the PD to direct CCA's and Electric Service Providers ("ESPs") to procure ES on a percentage of peak load equivalent to the procurement targets faced by the Investor Owned Utilities ("IOUs"). PG&E also requests that CCAs and ESPs face the same interim target schedule imposed upon the IOUs. PG&E and TURN both allege that the lower ES procurement targets for CCAs and ESPs will provide them with a competitive advantage over the IOUs. Both parties' arguments are in error.

Neither party's argument acknowledges the fundamental differences between generation service providers, such as CCAs and ESPs, and Utility Distribution Companies ("UDCs"), which provides generation, distribution, and transmission services to customers. Generation service providers do not have the same level and ease of access to siting for ES projects throughout the grid. Furthermore, CCAs serve significantly smaller customer bases, and the majority of CCA customers are residential customers.<sup>3</sup> Additionally, though CCAs are solely responsible for the energy procurement for their customers, the IOUs still provide delivery services to CCA customers. This means that while CCA customers will be solely responsible for funding the ES procurement required of their CCA, the IOUs will be able to recover their ES procurement costs from both bundled and unbundled (i.e. CCA and ESP) customers for cases where the ES is procured to enhance the reliability of the distribution and/or transmission grid. Lastly, PG&E's recommendation regarding interim targets for CCAs and ESPs would provide excessively burdensome and could potentially overstep the jurisdictional boundaries between the Commission and the oversight of a CCA's publicly appointed Board of Directors.

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<sup>1</sup> PG&E at 3-5.

<sup>2</sup> TURN at 4.

<sup>3</sup> As stated in prior comments, MEA serves approximately 125,000 customers, 70% of which are residential.

The Commission should reject PG&E’s and TURN’s recommendations to increase ES procurement targets for CCAs and ESPs. Instead the Commission should retain the 1% of peak load ES procurement targets for CCAs and ESPs. The Commission should reject PG&E’s recommendation to impose interim targets upon CCAs and ESPs.

### **III. Further Clarification is Needed on the Cost Allocation for IOU ES Procurement**

Numerous parties including AReM, Southern California Edison Company (“SCE”), and San Diego Gas & Electric Company (“SDG&E”) raise questions regarding the socializing of costs for certain types of ES procurement. Parties seek clarity regarding how costs should be recovered from ES procurement which (i) exclusively provides enhanced the reliability of the distribution and/or transmission grid, (ii) provides both reliability and market functions, referred to as “dual-use” within the PD,<sup>4</sup> or (iii) was initially funded through non-bypassable funding programs such as the Electric Program Investment Charge (“EPIC”). SCE and SDG&E ask for the Commission to provide greater clarity on which types of ES projects can have their costs recovered from all ratepayers. AReM argues that “Each LSE with load in an IOU’s service territory should receive a proportional share of the MW capacity value of any energy storage project paid for by all customers and be allowed to “count” that MW capacity amount toward meeting its own energy storage procurement target.”<sup>5</sup>

MEA agrees with these parties that greater clarity is needed regarding cost allocation for ES projects prompted by these procurement targets. MEA has hesitations regarding AReM’s recommended approach for sharing the MW capacity amongst Load-Serving Entities (“LSE”) whose customers are paying the costs this procurement, due to the parallels it shares with the

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<sup>4</sup> PD Table 1 at 14.

<sup>5</sup> AReM at 7.

“on-behalf-of” procurement approach of the Cost Allocation Mechanism (“CAM”), which the Commission has correctly avoided within this PD. Furthermore, for EPIC funded ES projects, these projects are intended for Research, Development, and Deployment (“RD&D”) purposes only and are required by Decision (“D.”) 12-05-037 to be competitively neutral. MEA has provided comments through the EPIC Rulemaking proceeding and subsequent EPIC Applications, recommending that these proceedings be coordinated and harmonized with this ES Rulemaking. Perhaps for EPIC-funded ES projects, a simpler approach would be for the Commission to prohibit these projects from counting towards any LSE’s ES procurement targets.

MEA has significant concerns regarding all instances where ES procurement by IOUs could have the associated costs recovered from all ratepayers because such instances will effectively cause CCA customers to double-pay for projects needed to meet these ES targets. The Commission should minimize the instances where CCA customers must double-pay for ES.

#### **IV. CCA Compliance Reporting should be Provided by Tier 1 or Tier 2 Advice Letter**

In its Comments on the PD, MEA presents an argument for why CCAs should be required to demonstrate their compliance with this PD via a Tier 2 Advice Letter, rather than by Tier 3 as the PD originally states. AReM and SENA provided similar arguments regarding this compliance requirement and its impacts on CCAs and ESPs. While AReM also recommends the use of a Tier 2 Advice Letter,<sup>6</sup> SENA recommends the use of a Tier 1 Advice Letter.<sup>7</sup> MEA is indifferent as to whether this compliance filing be made by Tier 1 or Tier 2 Advice Letter format, so long as CCAs are not required to demonstrate their compliance by Tier 3 Advice Letters.

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<sup>6</sup> AReM at 8-9.

<sup>7</sup> SENA at 2-4.

**V. CCAs Should be Included within both Cost Containment Provisions and Clarifications on Counting Customer-Sited and Customer-Owned Storage**

In its comments on the PD, Calpine raises two issues that MEA believes overlap with CCA-specific concerns. First, Calpine asks for “the same flexibility to defer procurement” for ESPs that is provided within the PD for IOUs. MEA raised similar comments regarding how cost containment provisions should be offered for all ratepayers, including ESP and CCA customers. Second, Calpine requests for the Commission to clarify that customer-sited and customer-owned ES may be counted towards an ESP’s procurement targets. MEA asks that the Commission clarify that such ES may be counted for *both* ESP and CCA procurement targets.

**VI. Conclusion**

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

Respectfully submitted,

Jeremy Waen  
Regulatory Analyst

By:                   /s/ Jeremy Waen                    
                  JEREMY WAEN

For:

MARIN ENERGY AUTHORITY  
781 Lincoln Avenue, Suite 320  
San Rafael, CA 94901  
Telephone: (415) 464-6027  
Facsimile: (415) 459-8095  
E-Mail: jwaen@marinenergy.com

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