

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)

CLEAN COALITION REPLY COMMENTS ON PROPOSED DECISION

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CLEAN COALITION REPLY COMMENTS ON PROPOSED DECISION

The Clean Coalition respectfully submits the following reply comments on the proposed decision.

The Clean Coalition is a California-based nonprofit organization whose mission is to accelerate the transition to local energy systems through innovative policies and programs that deliver cost-effective renewable energy, strengthen local economies, foster environmental sustainability, and enhance energy security. To achieve this mission, the Clean Coalition promotes proven best practices, including the vigorous expansion of Wholesale Distributed Generation (WDG) connected to the distribution grid and serving local load. The Clean Coalition drives policy innovation to remove major barriers to the procurement, interconnection, and financing of WDG projects and supports complementary Intelligent Grid (IG) market solutions such as demand response, energy storage, forecasting, and communications. The Clean Coalition is active in numerous proceedings before the California Public Utilities Commission and other state and federal agencies throughout the United States in addition to work in the design and implementation of WDG and IG programs for local utilities and governments.

I. Comments

a. SCE's request that 50 MW tranches of larger pumped hydro projects should be denied

The Clean Coalition suggested in opening comments that allowing up to 50 MW pumped hydro projects would undermine the ability of other technologies to compete, particularly if no limitations were placed on bidding a 50 MW tranche of a much larger

project into a particular RFO. SCE has substantiated our concerns already by taking the opposite position in their opening comments. SCE calls for (SCE Opening Comments, p. 7) allowing specifically what we warned against: "...the Commission should allow all [pumped hydro] projects to be eligible, but limit the value of any individual pumped hydro project that counts towards the targets to 50 MW per project. Thus, utilities could sign a contract with a 500 MW pumped storage developer, but could only count 50 MW toward the energy storage targets."

We again urge the Commission to either disallow pumped hydro entirely, for the reasons described in the PD itself, or add eligibility requirements that prohibit larger projects from bidding a 50 MW tranche into the RFO.

b. SCE's request that all distribution-connected storage be IOU-owned should be denied

SCE also argues that all distribution-connected storage should be IOU-owned (p. 3): "State law clearly indicates that utilities are the sole owners and operators of distribution grid assets. Thus, any storage that operates as a distribution grid asset must be owned by utilities." The Clean Coalition disagrees with this statement because it seems clear that distribution grid storage assets could be owned by third parties but dispatched, under clear contractual rules, by the utility. For example, SCE's own Local Capacity Requirements RFO (resulting from Track 1 of the Long-Term Procurement Proceeding, R.12-03-014), with bids due December 16, 2013, provides explicitly for a third party-owned storage PPA, and such projects can under the RFO instructions interconnect to the distribution grid.

- c. **The Commission should deny SCE's request to further weaken the cost-effectiveness and project evaluation process and should instead require a more robust public process for creating a common framework for cost-effectiveness and project evaluation**

Last, SCE makes a somewhat remarkable statement with respect to the PD's requiring the utilities to work with Energy Division in a non-public process to develop a common framework for evaluating the cost-effectiveness of energy storage. The Clean Coalition recommended in opening comments that this key part of the process be open to parties to this proceeding, as has been the case with all other issues in this proceeding to date. SCE would again go in the opposite direction and asks the Commission to remove even this limited oversight on key questions regarding cost-effectiveness and project evaluation, arguing that because it is a market participant it should be free from this burden. SCE states (pp. 9-10):

SCE warns the Commission against requiring the IOUs to publicly litigate market-sensitive confidential information such as evaluation protocols and assumptions for valuing storage benefits. Further, given the unique characteristics of the three IOUs' service territories, different resource mixes and different potential use cases, it is unreasonable to expect them to follow a common protocol and common assumptions. Moreover, the three IOUs are themselves considered market participants. It is unwise to require them to collaborate in developing common dispatch models, valuation assumptions and evaluation protocols.

We strongly urge the Commission to deny SCE's requests in this regard. For example, SCE goes on to argue (p. 10) that rather than being required to submit a pre-solicitation application, it be allowed to submit a procurement plan. However, the procurement plan process in the LTPP resulted in no party vetting of the plan or the associated PPAs, and limited vetting by the Energy Division. This process resulted in a renewable energy PPA that is literally 200 pages long and an energy storage PPA that is 143 pages long. Compare the length and complexity of these new contracts with, for example, PG&E's AB 1969 feed-in tariff PPA, at a total (with appendices) of 23 pages, and we see why

strong Commission oversight and party involvement is required in the present proceeding.

SCE makes a robust case itself as to why such oversight is required: the IOUs “are themselves considered market participants.” Due to this fact, there are certainly some details of each IOUs procurement process that can and should remain confidential. But generally speaking this fact weighs heavily in favor of strict oversight and party involvement in the energy storage procurement framework to ensure that each IOU’s interest as a market participant does not in any way affect their procurement of similar projects from third parties.

II. Conclusion

We strongly support the Commission’s decision to create an energy storage procurement framework for up to 1,325 MW by 2020. As detailed in our opening comments, however, we fear that the framework as proposed lacks the necessary teeth to achieve this goal. In these reply comments we push back against SCE’s efforts to further weaken the framework.

Respectfully submitted,

_____/s/_____

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