

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)

**REPLY 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 it will 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 gas emissions, and improvement of

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

grid utilization.

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. To ensure fair treatment of ratepayers and to be true to Assembly Bill (AB) 2514, any final decision should ensure the allocation of costs is appropriate and that each energy storage procurement counted toward a utility total is efficient and actually becomes operational.

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 it will not subject the ratepayers to unreasonable costs.

A. DEFERING EXCESSIVE PURCHASES

As argued in CFC’s opening comments, it would not be prudent to allow the utilities to defer overages and count them toward the following years’ targets unless expressly necessary. 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 also with the few

large developers who can afford to compete early. This would, ultimately, eliminate any “internalized benefit”² the program would provide to ratepayers and the State’s RPS goals.³

B. DEFERING PURCHASE TARGETS

With that said, CFC agrees there may be times in which the ES projects commercially available would be neither viable nor cost effective. In such circumstances, it is prudent to allow the deferment of some purchasing targets. Under these circumstances, however, it is vital electric service providers be required to demonstrate to the Commission proposals the utilities received are *not* economically or operationally viable or cost-effective for ratepayers. The Commission should only allow deferment of procurement targets by requiring a showing that such relief is appropriate, necessary, and that without this relief, ratepayers would be harmed.

C. ENSURING OPERATIONAL STORAGE

It is equally important that, when counting toward the target amounts, contracted ES should actually be commercially viable. Any proposals accepted at a particular time must be confirmed viable through proof of operation.⁴ The purpose of this proceeding and AB 2514’s stated goals would both be frustrated if utility ES procurements were counted toward the total procurement requirement at the time of contracting, but ultimately, the project never goes online. DRA, in its opening comments, argues against the PD’s operation requirement and insists that the procurement timeline is too short to require a project to be operational for one year before counting toward a utility’s target. However, CFC submits that not meeting the 2020 deadline is less injurious to the State and its ratepayers than accepting and paying for ES which never becomes operational. Should the Commission choose to allow storage to count toward a

² An “internalizable benefit,” according to the DOE, is “one that can be ‘captured’, ‘realized’, or received by a given stakeholder or stakeholders.”

³ 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

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

utility's target at the time of contracting, then the Commission should determine a later date in which contracted projects are to be proven operational. Should any projects fail prior to achieving commercial operation, the tally of executed contracts should be adjusted. It would be inconsistent with AB2514 if non-operational projects were allowed to count toward the target and it would be unjust to charge ratepayers for projects from which they will never benefit.

III. CONCLUSION

CFC agrees with the PD: 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.”⁵ This is true for *all* ratepayers, especially if they are among those who will ultimately be paying for the ES procurements. In that, the most important factors to the success of this proceeding’s decision lie in implementing any credible, cost effective, and flexible energy storage procurement mechanism in a clear, consistent, and ratepayer-conscious manner; and it should focus on cost efficient procurement which actually becomes operational.

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 30, 2013 Respectfully Submitted,

_____/s/_____,

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

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