BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Integrate and Refine Procurement Policies and Consider Long-Term Procurement Plans	R.12-03-014 (Filed March 22, 2012)

OPENING BRIEF OF THE CALIFORNIA ENERGY STORAGE ALLIANCE ON TRACK 4 ISSUES

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The California Energy Storage Alliance ("CESA")[1] respectfully submits this opening brief in Track 4 of the Long-Term Procurement Plan ("LTPP") proceeding pursuant to Rule 13.11 of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission") and the schedule set forth by Administrative Law Judge ("ALJ") David Gamson at the conclusion of hearings on November 1, 2013.

This opening brief follows the briefing guidance included in ALJ Gamson's email message that was sent to the Service List in this proceeding on November 4, 2013, directing that

[1] The California Energy Storage Alliance consists of 1 Energy Systems, A123 Energy Solutions, AES Energy Storage, Alton Energy, American Vanadium, AU Optronics, Beacon Power, Bright Energy Storage, BrightSource Energy, CALMAC, Chevron Energy Solutions, Christenson Electric Inc., Clean Energy Systems Inc., CODA Energy, Deeya Energy, DN Tanks, Eagle Crest Energy, EaglePicher, East Penn Manufacturing Co., Ecoult, Energy Cache, EnerSys, EnerVault, FAFCO Thermal Storage Systems, FIAMM Group, FIAMM Energy Storage Solutions, Flextronics, Foresight Renewable Systems, GE Energy Storage, Green Charge Networks, Greensmith Energy Management Systems, Growing Energy Labs, Gridtential Energy, Halotechnics, Hecate Energy LLC, Hydrogenics, Ice Energy, Innovation Core SEI, Invenergy, K&L Gates LLP, KYOCERA Solar, LightSail Energy, LG Chem Ltd., NextEra Energy Resources, NRG Energy, OCI Company Ltd., OutBack Power Technologies, Panasonic, Paramount Energy West, Parker Hannifin, PDE Total Energy Solutions, Powertree Services, Primus Power, RedFlow Technologies, RES Americas, S&C Electric Co., Saft America, Samsung SDI, Sharp Labs of America, Silent Power, SolarCity, Sovereign Energy Storage LLC, Stem, Stoel Rives LLP, Sumitomo Corporation of America, TAS Energy, UniEnergy Technologies, Xtreme Power, and Wellhead Electric Co. The views expressed in these Comments are those of CESA, and do not necessarily reflect the views of all of the individual CESA member companies. http://storagealliance.org

briefs should include a clear argument setting forth the party's position on what determinations the Commission should make as a list of specific issues. In this opening brief, CESA begins by urging the Commission to take full account of CESA's testimony in the record (CESA-1),[2] as well as CESA's Comments on Track 2 and Track 4 Schedules, issued September 16, 2013, and CESA's Response to Southern California Edison Company ("SCE's) Motion to Strike CESA's Comments (which was denied by ALJ Gamson).[3] Below, CESA responds directly to all of the specific issues listed by ALJ Gamson.

I. INTRODUCTION.

CESA supports the Track 4 all source procurement authorization requests of Southern California Edison ("SCE"), for 500 megawatts ("MW") of new local capacity resources ("LCR") in the LA Basin, and San Diego Gas & Electric Company ("SDG&E), for 500–550 MW of new LCR resources in the San Diego area to meet the California Independent System Operator's ("CAISO's") assessment of need in this proceeding. CESA also agrees with SCE and SDG&E's proposed preferred resources strategies, which effectively include energy storage resources as a form of "preferred resource" and in particular, SCE's proposed procurement of such resources as a competitively-procured "carve out" to provide utilities' need for new LCR resources prior to procuring new gas-fired generation resources. Procurement authorization should include all resources, including energy storage, with attributes that meet local area needs, rather than being constrained to specific types or categories of resources. Focusing on resource attributes will

[2] *Testimony of Janice Lin*, dated September 30, 2013, received into evidence as CESA-1 at TR: 2036, line 21, on October 31, 2013.

[3] *See, Comments of the California Energy Storage Alliance on Assigned Commissioner and Administrative Law Judge's Ruling Regarding Track 2 and Track 4 Schedules*, filed September 30, 2013, CESA; and *California Energy Storage Alliance Response Southern California Edison Motion to Strike Opening Comments of California Energy Storage Alliance*, filed October 14, 2013.

enable achievement of long-term goals such as grid reliability and the integration of increasing amounts of renewable generation.

In addition to conventional generation and non-conventional solutions, SCE also proposes construction of the Mesa Loop-In transmission line expansion that could reduce the need for any new LCR resources in the Los Angeles Basin. In its testimony, SCE proposes a novel "Living Pilot Program" ("Living Pilot") to evaluate the ability of preferred resources to meet its LCR requirement. CESA strongly supports SCE's Living Pilot approach because it is focused exclusively on potential preferred resources in its service territory that can be sited near its Johanna and Santiago substations in Orange County.[4] However, CESA strongly disagrees with SCE's proposal for a "Contingent Resources Strategy" as a backstop contingency plan to solicit long term contracts for procurement of conventional gas-fired generation resources ("Option Contracts") that would be subject to a unilateral SCE right of termination if they prove to be unneeded.[5] Like the proposed 500 MW of additional resources, the Option Contracts would be added to the scope of the Track 1 RFO process that is presently being conducted by SCE as a result of the Commission's decision in Track 1 of this proceeding.[6]

San Diego Gas & Electric Corporation ("SDG&E") requests authorization to procure up to 500 MW of new resources. CESA does not oppose SDG&E's request herein *per se*, but does strongly oppose SDG&E's proposal to exclude energy storage from Track 4 entirely, as

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[4] *See*, e.g., "SCE Presentation, Preferred Resource Pilot Targeted Scope" (Sept. 24, 2013) (attached as Exhibit A) to *Opening Comments of Sierra Club California on ALJ Gamson's Questions from the September Prehearing Conference*, filed September 30, 2013, p. 14.

[5] CESA's view is that the Track 1 procurement currently underway by SCE should probably be modified to address and clearly include the Commission's decision in this Track 4.

[6] *See, Decision Authorizing Long-Term Procurement for Local Capacity Requirements, D.13-12-015, issued*, February 13, 2013.

discussed in detail below. CESA is not a party to SDG&E's separate LCR Application,[7] and takes no position on that Application in this proceeding.

CESA prefaces its responses to ALJ Gamson's questions below by urging the Commission to take full account of the important policy context provided by the record in Track 1 and Track 2. Both are incorporated as part of Track 4 and within its scope because both are generally related to building resources to meet local capacity and system-wide operational flexibility needs.[8]

Of course, other active Commission proceedings expressly cross-reference this one, and support CESA's recommendations regarding procurement of preferred resources and energy storage resources in this opening brief. Relevant policy context most specifically includes the Commission's very recent decision ordering procurement of 1,325 MW of energy storage by 2020 in R.10-12-007.[9] In addition to Track 1 and Track 2 of this proceeding that laid the foundation for Track 4, CESA urges the Commission to also take explicit note in its decision herein that the record in Track 4 must be fully informed by the record in R.10-12-007.

CESA further urges the Commission to take official notice of numerous very relevant active stakeholder processes currently being conducted by the California Independent System Operator ("CAISO") related to the value of energy storage as it relates to LTPP, both generally and as to Track 4 in particular. As stated, for example, by Wellhead Electric's witness:

> "The California Independent System Operator's ("CAISO's") September 4, 2013 paper, Consideration of Alternatives to Transmission or

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[7] *Application of San Diego Gas & Electric Company to Fill Local Capacity Requirement Need Identified in D.13-03-029*, filed June 21, 2013.

[8] *Assigned Commissioner's and Administrative Law Judge's Revised Scoping Ruling and Memo*, issued May 21, 2013.

[9] *Decision Adopting Energy Storage Procurement Framework and Design Program, D.13-10-040*, issued October 17, 2013.

> Conventional Generation to Address Local Needs in the Transmission Planning Process, identifies the significance and importance of three generic performance characteristics required to meet local area needs: response time; duration; and availability. More specifically, response time is characterized by how quickly the resource can respond to a CAISO dispatch and achieve full capacity; duration, is the length of time the resource can sustain its response once called; and availability, is the number of times that a resource can be called during a time period. These characteristics are also described as attributes that might be provided by non-conventional and perhaps unexpected resource opportunities, including energy storage."[10]

The benefits of energy storage are well understood: For example, energy storage projects have demonstrated their ability to provide frequency regulation, spinning reserves and load-following services, to name just a few of the potential requirements for LCRs. As compared to traditional gas-fired generation, many storage technologies also have the advantages of:

1. faster quick-start capabilities,
2. little or no minimum operating load,
3. little or no minimum operating fuel costs or emissions,
4. much less efficiency loss with cycling and changes in output levels, and
5. can both charge and discharge, providing twice the flexible range per megawatt of nameplate capacity.

II. RESPONSE TO ALJ GAMSON'S QUESTIONS.

A. Should the Commission authorize SCE and/or SDG&E to procure additional resources at this time for the purposes within the scope of this proceeding?

***CESA's Response*:**

Yes. The Commission should authorize additional procurement as requested by SCE and SDG&E as a part of Track 4. The purpose of Track 4 is to consider the local reliability impacts

[10] *Opening Testimony of Douglas E. Davie on Behalf of Wellhead Electric Company, Inc.*, filed September 30, 2013, p. 3.

of the retirement of the San Onofre Nuclear Generation Station ("SONGS"), including local reliability needs in the Los Angeles Basin and SDG&E local areas resulting from the retirement.[11] Additional resource procurement is necessary near term to address the need to account for and replace the loss of generating capacity from SONGS retirement to ensure system reliability. Additional resources will also be needed to satisfy LCR due to the planned retirement of once-through cooling ("OTC") resources. Therefore, it is appropriate to immediately authorize additional procurement by SCE and SDG&E to ensure that local reliability needs in the Los Angeles Basin and SDG&E local areas are met despite the retirement of SONGS as requested by SCE.[12]

Importantly, there should be no delay in authorization of needed procurement or consideration of an interim procurement decision of any kind. The Commission should authorize SCE and SDG&E to procure the entire amount of system resources recommended by the CAISO and supported by the Utilities. This approach will:

1. Stimulate creativity in procurement of preferred resources and energy storage as concrete alternatives to conventional gas-fired generation resources by building immediately on the results of the Track1 RFO process.

2. Identify realistic cost-effective non-conventional alternatives such as preferred resources and energy storage early enough to substantially mitigate or entirely eliminate any need to procure conventional gas-fired generation resources for the foreseeable future.

3. Allow more than sufficient time to procure conventional gas-fired generation resources instead if necessary without the need for any detailed contingency planning at this time.

CESA accepts the record regarding identified need for procurement of new system resources, and focuses here on the importance and urgency of determining to go forward with

[11] *See, Revised Scoping Ruling and Memo of the Assigned Commissioner and Administrative Law Judge,* issued May 21, 2013, p. 4.

[12] SCE-1, testimony of Colin Cushnie, RT: 1977, October 31, 2013.

procurement of preferred resources and energy storage as an overarching policy priority.[13] For all of the foregoing reasons, the Commission should also reject SCE's "Contingent Resources Strategy" because it would be nothing more than an unneeded distraction from *actual* procurement that is the proper focus of Track 4. Further, a backup plan based entirely on new gas-fired generation resources would subject California's electric power system to unnecessary single-resource risk and fuel volatility risk that could adversely affect ratepayers.

B. If so, what additional procurement amounts should be authorized at this time? Please specify any calculation that leads to this position.

***CESA's Response*:**

The additional procurement amounts identified by SCE and SDG&E should be authorized immediately. In its testimony, SCE has indicated that 500 MW of additional procurement beyond that authorized in Track 1 of this proceeding is needed to "bridge the gap" between the CAISO's need assessment and SCE's estimate of the LCR need in the Los Angeles Basin as a result of the retirement of SONGS and OTC resources. SDG&E requests 500-550 MWs of additional procurement for similar reasons in its service territory. SCE and SDG&E's requests are both reasonable, and supported by the need for new LCR resources identified in the transmission power flows conducted by SCE, SDG&E and the CAISO. SCE's procurement authorization request for 500 MW and SDG&E's procurement authorization request for 500-550 MWs should therefore be authorized by the Commission without delay.

[13] CESA takes no position on the reasoning or assumptions underlying the various competing views expressed by parties as to the optimum timing of Track 4 procurement, apart from noting that the Commission must direct the Utilities to coordinate Track1, Track 2, and the Storage Framework Procurement process established by D.13-10-040 with all due speed.

C. What additional resources, if any, should be authorized to fill procurement needs? Should there be any requirements or restrictions on procurement amounts for any specific resources or categories of resources?

CESA's Response:

The Commission has set a very clear precedent for energy storage to be "treated akin to" preferred resources.[14] As such, energy storage should be procured alongside preferred resources as a top priority for SCE and SDG&E's Track 4 RFO processes. In its testimony the California Environmental Justice Alliance provides the following cogent summary of the unique capabilities of energy storage:

> "Storage makes intermittent sources such as renewables available when needed. Storage is much more effective than conventional generation in meeting ramping requirements, and also solves some reduced system inertia issues that could occur as the proportion of conventional generation is reduced.[18] Storage also has the following additional benefits: grid optimization, including peak reduction, contribution to reliability needs, deferment of transmission and distribution upgrade investments and the reduction of greenhouse gas emissions to 80 percent below 1990 levels by 2050, which is consistent with California's goals.[19] In addition, energy storage is ideal for provide reserve capacity[20] and load following functions."[15]

Energy storage has the capability of both meeting local capacity needs and enabling other preferred resources such as demand response, renewable energy and distributed generation. As discussed further below, CESA recommends that requirements and restrictions and specific resources and categories of resources authorized by the Commission should include at least the following:

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[14] *Decision Adopting Energy Storage Procurement Framework and Design Program, D. 13-10-040,* issued October 17, 2013, p. 24.

[15] *Comments of the California Environmental Justice Alliance in Response to Questions Raised by ALJ Gamson During the September 4, 2013 Pre-Hearing Conference*, filed September 30, 2013, p. 9.

1. A minimum of 50% of authorized procurement should be reserved for preferred resource and energy storage in any procurement process approved by the Commission.[16]

2. Track 4 procurement should be conducted in the context of, and subject to, existing Commission program requirements, including the Renewables Portfolio Standard program and the energy storage procurement goals adopted by the Commission in D.13-10-040.

3. Stand-alone and aggregated customer-sited and behind-the-meter energy storage resources should be allowed to compete in any procurement process approved by the Commission.

4. Pumped hydro energy storage resources should be allowed to compete in any procurement process approved by the Commission regardless of their size.[17]

5. The pumped hydro workshop required by D.13-10-040 should be scheduled as soon as possible so that the role of pumped hydro storage can be fully considered in Track 4.[18]

6. Procurement needs and eligible resources should be based on the specific attributes needed to meet LCR requirements. As such, energy storage should be considered a favored priority resource alternative to any new gas-fired peaking resources

D. What process should the utilities use to fill any procurement amounts authorized at this time?

CESA's Response:

CESA respectfully makes the following five key process recommendations going forward:

[16] This policy recommendation is consistent with the draft *Preliminary Reliability Plan for LA Basin and San Diego,* issued jointly on August 30, 2013 by the staffs of the Commission and the California Energy Commission, appended to the *Reply Testimony of the Division of Ratepayer Advocates' witness, Dika Rogers* as Appendix A, served September 30, 2013.

[17] D-13-040, pp. 31-32.

[18] *Id.*, Ordering Paragraph 9, p. 68.

1. The RFO *development process* used for SCE's Track 1 RFO should not be considered a template for any future procurement processes, but the resulting Track 1 RFO *itself* may be a very helpful starting point for future procurement.

Future energy storage RFO procurement document development processes, including the one envisioned for Track 4, should include stakeholder input. In the case of SCE's Track 1 RFO development, there was no formal opportunity for stakeholders to provide input prior to SCE's submission of its Procurement Plan to the Commission's Energy Division staff for its review. As a result of this lack of stakeholder input, CESA's view is that SCE's resulting *RFO itself* was too limiting particularly in requiring a minimum four-hour discharge duration, established site control as a bid qualification requirement, and thirty-year contract terms. Since then, it appears that the nature of the RFO process has evolved and SCE seems more amenable to reasonable evaluation of energy storage bids. In fairness, SCE's administration of the Track 1 RFO process has seemingly become much more reasonable in general.[19]

For example, the four-hour discharge duration requirement is now more clearly identified as being based on the need to provide local capacity for resource adequacy ("RA") purposes using existing demand response net qualifying capacity rules.[20] Four hours is the requirement today, but SCE has indicated that it is open to relying instead on new RA counting rules that staffs of the Commission and the CAISO are presently in the process of developing. The flexibility SCE is currently evidencing on discharge duration will allow bidders to submit

[19] For example, SCE's Rebuttal Testimony, served on October 14, 2013 states: "To the extent that CESA has concerns with SCE's LCR solicitation requirements, SCE will be engaging with bidders to develop mutually acceptable terms and conditions for projects submitted to SCE's Track 1 LCR solicitation. SCE will also be actively conferring with the CAISO and Commission staff on what minimum performance requirements should be enforced for conducting LCR procurement of ES projects," p. 27.

[20] https://www.sce.com/wps/portal/home/procurement/LCR-RFO/!ut/p/b1/hc7BCoJAGATgZ-kJdmzNdY-_tKy_iGkrZHuJPYQIqR2i58_CazW3gW9ghBed8FN4Dn14DPMUbu_uk0vBe4psvGUbGwlC6ZJsZyPSagHnBeBLCP_2JE_JEot5ezAUKUGZ_XR6FbLVMkVaAuTFwewbRsJlg0qRySBZAU_PlT5PF7Ffeww1P3mBaNWcKE!/dl4/d5/L2dBISEvZ0FBIS9nQSEh/

alternative bids of different durations which will help encourage participation in the RFO, increase competition and lower costs for ratepayers. Further, by procuring only what is needed, utilities will be optimizing procured resource utilization for ratepayers rather than purchasing excess capacity that may not be fully utilized. It also appears that SCE may not be requiring site control at the time of bid submittal, since the actual resource delivery date requirement is likely to be well into the future and one key advantage of energy storage is its ability to be deployed and installed within months. Thus, not requiring site control prematurely and thus incurring unnecessary land cost should also increase competitiveness of energy storage bids.

CESA also appreciates SCE's approach in establishing a carve-out for energy storage and preferred resources that it will evaluate first, to be followed by conventional gas-fired generation resources. It remains to be seen, however, how the bid evaluation will be conducted. Bid evaluation methodology and approaches is another area that would benefit greatly from stakeholder input. In summary, the SCE Track 1 RFO should be used as a starting point to accelerate Track 4 procurement, provided that additional stakeholder input to the Track 4 RFO development process is allowed, particularly on bid requirements and evaluation methodology and approaches.

2. All-source RFOs and bilateral contracts should be the favored procurement processes.

CESA supports SCE's recommendation to allow bilateral agreements under clearly defined circumstances, and also encourages the Commission and the utilities to specify when bilateral contracts would not be appropriate. CESA supports both formal all-source procurement and bilateral contacting that allows for cost-effective improvement of efficiency and reliability of existing resources to meet the increasingly apparent system need for flexibility of both new and existing generation resources.

3. Energy storage and preferred resources should be allowed to participate in all-source RFOs for the "non-preferred resources" portion of any procurement.

As mentioned above, CESA strongly support's SCE's current approach in Track 1which seeks to "competitively procure" preferred resources and energy storage prior to procuring new gas-fired generation resources. This is a wise approach because early preferred resources and energy storage procurement will set in motion a contracting pathway, and more importantly, the requisite partnerships and project development and financing capability which can then participate in subsequent "non preferred resources" procurements. Allowing preferred resources to participate in such procurements and signaling the Commission's intent to do so early on will help current preferred resources developers to achieve maximum economies of scale and efficiencies in their respective development efforts. Additionally, ratepayers will benefit from increased competition in the "non preferred resources" procurement – not only financially, but also with cleaner, less price-volatile alternatives. In short, by allowing preferred resources and energy storage to compete in *all* future RFO's, the Commission will avoid inadvertently creating a "carve-out" for fossil fueled-fired generation resource procurement.

4. Future RFOs should be developed through a transparent process, with clearly defined opportunities for stakeholder review and input.

CESA's strongly recommends that energy storage RFO development processes should be conducted in a much more transparent way with meaningful input from outside stakeholders. The work accomplished to date in the SCE Track 1 procurement process can clearly be used as an effective starting point going forward. However, as CESA's understanding of energy storage applications and new technologies and solutions are deployed, timely stakeholder input will continue to be very important on an ongoing basis for future RFO development.

The SCE Track 1 RFO and many of the associated materials have evidently been designed with large central station facilities in mind. Although SCE has thus far appeared amendable to accepting offers that reflect a different deployment paradigm (*e.g.* small scale, customer-side, aggregated resources), and is endeavoring to work with stakeholders to clarify issues and areas for improvement as they are identified, it bears noting that many components of the SCE Track 1 offer submittal documents are not clearly applicable to these deployment models that involve customer-side or disaggregated solutions. To avoid this kind of "round hole-square peg" challenge, the utilities should work with stakeholders to develop RFO materials that are more tailored to - or at least better reflect - the practical realities of these projects. Certainly much can be gleaned from the experience with the SCE Track 1 RFO thus far as all stakeholders become more comfortable with the process and what is being offered.

5. Energy storage should be evaluated on a basis comparable to all other types of resources, provided that all the benefits provided by energy storage assets are considered.

Energy storage use cases involve multiple value streams and all such value streams must be fairly accounted for in any procurement evaluation and cost benefit analysis relative to *status quo* resources. In other words, "comparable" does not mean "equal." Further, the inputs and methodology used to determine this value should be consistently applied across all IOUs. The Federal Energy Regulatory Commission ("FERC") general approach to comparability in a variety of contexts, including regarding frequency regulation is the appropriate model.[21]

CESA is on record in this proceeding as supporting essentially any reasonable utility procurement process that values energy storage technology on a comparable basis with other

[21] *See, e.g., Frequency Regulation Compensation in the Organized Wholesale Power Markets*, Order No. 755, FERC Stats. & Regs. ¶ 31,324 (2011*), order denying reh'g*, Order No. 755-A, 138 FERC ¶ 61,123 (2012

preferred resources.[22] This approach would include focus on evaluating and quantifying *performance characteristics that vary among resource type* (*e.g.* time to start, output at various times, variable cost, effectiveness in meeting contingencies).

6. Are there other determinations the CPUC should consider, or conditions the CPUC should impose, regarding Track 4 procurement?

CESA's Response: Owners of existing generation resources should be allowed to propose addition of storage in all RFO processes and bilateral contracting opportunities.

The Commission should adopt new, and adapt existing utility procurement rules to allow for the addition of energy storage systems to existing power plants by means of competitive procurement process such as requests for offers, and also allow for bilateral contracts.[23] The addition of energy storage to existing power plants, the impact of which can include newly created MW of flexible peak capacity that would not have otherwise been possible, can be just as valuable as entirely new facilities, and arguably of greater benefit to the ratepayer due to the speed of implementation and the optimization of existing plants' footprint and physical location. In fact, additions to existing power plants can provide the new MW needed by the grid for a fraction of the cost, time, and development required of greenfield sites with no need for additional transmission or siting. Furthermore, by adding energy storage to cleaner combined cycle assets, overall state and regional emissions will be reduced by preventing the dispatch of

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[22] *See, e.g., Comments of Energy Storage Alliance on Administrative Law Judge's Ruling Seeking Comment on Workshop To*pics, filed October 12, 2012.

[23] *Commissioner's Ruling Issuing Procurement Reform Proposals and Establishing a Schedule for Comments for Comments on Proposals*, filed December 12, 2012, in R.11-05-005: "Generally speaking, where the addition of energy storage increases the value of the renewable electricity generation by firming, shaping, smoothing or shifting output and the resulting increased value is defined within existing accepted commission rules (e.g., more of the generation can be compensated by being subject to a higher time of delivery factor) and/or the developer bears the cost of the addition of the energy storage then such projects should be presumed to be in the interest of ratepayers and not subject to further Commission review." (p. 5).

less efficient gas-fired peaking resources and aiding in the integration of renewable resources. As this would be reflected in the cost, CESA supports the principle that such retrofits should be valued comparably with other preferred and energy storage resources.

7. SDG&E's proposal to exclude storage entirely from Track 4 procurement should be rejected.

SDG&E asserts in its Comments: "Given the Commission's action in the R.10-12-007, SDG&E submits that procurement of ES resources should occur through the separate process contemplated in the ES PD rather than through the supply-side RFO proposed in SDG&E's Track 4 Testimony. . . . Although SDG&E initially envisioned including ES in its proposed RFO for 500-550 MW of supply-side resources, SDG&E now recommends that all ES be procured via the Storage OIR process and local need reduced only to the extent ES is shown to meet local need."[24]

SDG&E's position should be rejected because it contradicts the intent of what was ordered in D.13-10-040:

> "Within the LTPP proceeding, the Commission is presently conducting an evaluation of system need, which is anticipated to be completed in early 2014, and has added a new track, to consider the local reliability impacts of a potential long-term outage at the San Onofre Nuclear Power Station (SONGS).[25] The procurement targets and the schedule for solicitations proposed here are not presently tied to need determinations within the LTPP proceeding. Instead, in the near term, we view the Storage Framework adopted herein as moving in parallel with the ongoing LTPP evaluations of need – system and local, and with the new consideration of the outage at SONGS. In the longer term, we expect that any procurement of energy storage will be increasingly tied to need determinations within the LTPP proceeding.

[24] *Comments of SDG&E on ALJ Questions from Prehearing Conference held September 4, 2013*, filed September 30, 2013, p. 2.

[25] *See, R.12-03-014, Revised Scoping Ruling and Memo of the Assigned Commissioner and Administrative Law Judge*, issued May 21, 2013, pp. 3-4.

> The developments underway in the RA and LTPP proceedings alone suggest that there will be procurement of energy storage projects outside of the Storage Framework. Therefore, we will allow storage projects authorized in other Commission proceedings to count towards meeting the overall procurement targets if they meet the requirements listed above. The IOUs may count storage projects authorized in other Commission proceedings towards meeting their interim procurement targets once the contract for that project is approved by the Commission." (pp. 29-30).

Inexplicably, SDG&E's witness, Robert Anderson, testified that the position that energy storage should be excluded from Track 4 should stand regardless of the Commission's direction to include it and give SDG&E credit if it were to ultimately by selected and become operational.[26] The energy storage procurement requirement set forth in D.13-10-04 specifically supports the idea that energy storage may be procured in lieu of other resources to meet need. Thus, it is imperative from a cost containment perspective to allow energy storage to compete competitively in the Track 4 RFO. The Commission should reject SDG&Es request to in effective reverse existing Commission policy.

III. CONCLUSION.

CESA thanks the Commission for its attention to the issues and discussion presented in this opening brief.

Respectfully submitted,

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[26] SDGE-1, testimony of Robert Anderson, TR: 1792, line 23-TR: 1794, line 6; TR: 1808, line 26- TR: 1810, line 14; and TR: 1849, line7-TR: 1856, line 23.