

**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)

**COMMENTS OF THE
CALIFORNIA ENERGY STORAGE ALLIANCE ON PROPOSED DECISION
MODIFYING LONG-TERM PROCUREMENT PLANNING RULES**

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In accordance with the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), the California Energy Storage Alliance (“CESA”)¹ hereby submits these comments on *the Administrative Law Judge’s Proposed Decision Modifying Long-Term Procurement Planning Rules* as issued and last revised on February 2, 2014 (“PD”).

I. INTRODUCTION

CESA appreciates the efforts that have been expended on this track of the LTPP proceeding and is generally supportive of the PD. However, the PD needs to be modified to

¹ The California Energy Storage Alliance consists of 1 Energy Systems, A123 Energy Solutions, AES Energy Storage, Alton Energy, American Vanadium, Aquion Energy, AU Optronics, Beacon Power, Bosch Energy Storage Solutions, Bright Energy Storage, BrightSource Energy, CALMAC, ChargePoint, Clean Energy Systems Inc., CODA Energy, Customized Energy Solutions, Deeya Energy, DN Tanks, Duke Energy, Eagle Crest Energy, EaglePicher, East Penn Manufacturing Co., Ecoult, Energy Cache, EnerSys, EnerVault, EVGrid, FAFCO Thermal Storage Systems, FIAMM Group, FIAMM Energy Storage Solutions, Flextronics, Foresight Renewable Systems, GE Energy Storage, Green Charge Networks, Greensmith Energy Management Systems, Gridtential Energy, Halotechnics, Hydrogenics, Ice Energy, ImMODO Energy Services, 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, Parker Hannifin, PDE Total Energy Solutions, Powertree Services, Primus Power, RedFlow Technologies, RES Americas, Rosendin Electric, S&C Electric Co., Saft America, Samsung SDI, SeaWave Battery Inc., Sharp Labs of America, Silent Power, SolarCity, Sovereign Energy Storage LLC, Stem, Stoel Rives LLP, Sumitomo Corporation of America, TAS Energy, Tri-Technic, 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>

make clear that the selection of any proposal must be based on the incremental value provided, including the project's alignment with the long term goals of California. Utility procurement decisions should not be "least cost best fit" in a direction that does not support California's goals of getting to a cleaner energy future.

II. THE PD SHOULD BE EXPLICIT THAT EVALUATIONS OF ALL INCREMENTAL CAPACITY ADDITIONS, INCLUDING AT EXISTING PLANTS, MUST REFLECT THE INCREMENTAL ATTRIBUTES/VALUES PROVIDED

The evaluation of any project or proposal needs to take account of not only the costs and benefits of a project but also any changes the project has on a pre-existing resource at the same location/interconnection. CESA has no disagreement with the additional definitions in the PD for upgrades/repowers (incremental/improved capability) at existing facilities. However, the definitions alone will not necessarily result in the valuation and selection of projects that provide the best overall value in meeting the identified needs consistent with California's long-term cleaner energy future goals.

CESA is in complete agreement that: (i) incremental capacity should be evaluated based on the incremental value provided (i.e. how well a project meets the identified needs); and (ii) evaluations of certain resource additions can be complex and resource additions at existing facilities/interconnections add to the complexity. But complexity must not be allowed to subvert a correct analysis; a correct analysis is essential to serving the interests of California. Further, adding capability that meets identified needs at existing facilities should *not require* opening any pre-existing contract. Adding such a constraint can only increase costs because it decreases flexibility/optionality if a proposed is unable to change any pre-existing contract(s).

California's procurement paradigm has changed. In the past, resources were added to a utility's portfolio in order to have sufficient capacity to meet the peak load (i.e. the planning

reserve margin requirement) and to meet total energy demands (including resources needed to meet renewable targets). Today, resources need to be added in accordance with the Loading Order to: 1) further reduce greenhouse gas (“GHG”) and other emissions so that California can have a cleaner energy future; and 2) ensure local reliability while providing significant flexibility needed to best accommodate/support the increased amounts of clean energy sources.² The value of a resource addition is no longer simply the capacity needed to meet peak load (the resource adequacy value) plus the market value of the energy (a simple function of how often the resource’s energy is less than the market price). CESA believes the value of these capabilities requires changes to the historic valuation methodology.

This means that resource evaluations have to go beyond the historic analytical approach. For example, if a storage project can provide certain ancillary services without incurring any (or only minimal) operating costs, that must be included in the comparison to a different resource that incurs costs for operating and maintaining the resource in the state necessary to provide the same ancillary service. More specifically, if a storage project can be in the state necessary to provide 50 MW of reg-up capability at zero cost while another resource requires \$200/hour to be in the state necessary to provide the same 50 MW of reg-up capability, that cost must be specifically included in the analysis. And the analysis will, of course, also take account of the full variable cost of energy delivered in response to a move upwards when the reg-up capability is called upon. Innovation and technology development have made decision making more complex but that same innovation and technology development are what allows California to be a leader in promoting a cleaner energy future.

² Currently, there is active debate as to whether or not any residual need for capacity to meet peak load planning requirements but it is premature to say that it will not be a basis for procurement in the future.

CESA recommends the following specific changes to the PD:

1. A new Finding of Fact should be added to read “Procurement of resources that meet the electrical system needs of California ratepayers requires that the evaluation and selection of resources for a utility’s portfolio be continuously improved to take full account of all the costs and benefits provided by a particular project in meeting the specific needs identified, including any resulting costs or benefits on pre-existing projects at the same location/interconnection.”
2. A new Conclusion of Law should be added (after the existing COL # 7) to read “It is in the public interest to require utilities to fully evaluate all of the costs and benefits a particular resource would provide in meeting the identified procurement needs including projects co-located with existing projects (be it upgrades or expansions) at existing interconnections.”
3. A new Ordering paragraph should be added to read “For all procurement related to this proceeding, Pacific Gas & Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company shall include in their Procurement Plans a description of how they will account for all of the costs and benefits for the specific capabilities being procured, including alignment with California’s clean energy future goals, in the resource selection decision(s) and shall include in their appropriate filings in this proceeding for approval of resources procured the details regarding all of the costs and benefits calculated.”

III. CONCLUSION.

CESA thanks the Commission for this opportunity to provide comments on the PD.

Respectfully submitted,



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