

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking Regarding Policies,
Procedures and Rules for the California Solar
Initiative, the Self-Generation Incentive Program And
Other Distributed Generation Issues.

Rulemaking 12-11-005
(Filed November 8, 2012)

**REPLY COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE
ON PROPOSED DECISION REGARDING NET ENERGY METERING
INTERCONNECTION ELIGIBILITY FOR STORAGE DEVICES PAIRED
WITH NET ENERGY METERING FACILITIES**

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The California Energy Storage Alliance (“CESA”)¹ hereby submits these reply comments on the *Proposed Decision Regarding Net Energy Metering Interconnection Eligibility for Storage Devices Paired With Net Energy Metering Generation Facilities*, issued April 5, 2014 (“Proposed Decision”).

I. INTRODUCTION.

CESA hereby replies to certain aspects of Comments filed by TURN, PG&E, SCE and SDG&E. TURN stands apart from all other parties by continuing to assert, incorrectly in CESA’s view, that Public Utilities (“P.U.”) Code § 2827 does not provide legal authority for the Commission to determine that NEM eligible generation paired with storage is entitled to exemption from interconnection application fees, supplemental review fees, costs for system upgrades, and standby charges (“NEM Exemptions”). All three of the utilities agree with the Proposed Decisions statement that, “storage itself is not a generator” and should not be seen as such for interconnection purposes, but they then proceed to assert that it must be governed by Rule 21, when it is plain that both NEM and Rule 21 are inapplicable to stand-alone storage

¹ 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>.

devices. PG&E implicitly adopts TURN's legal position by asking the Commission to remove distribution system upgrades from the bundle of NEM Exemptions, and all three of the utilities assert that all of the NEM Exemptions should expire at the end of 2015, when they are clearly barred by law and Commission policy from doing so. SCE acknowledges that there are no good reasons to limit the amount of energy stored in a storage device and then proceeds to propose a size limitation to the size of a NEM-paired generator while providing no policy justification at all. SDG&E misconstrues the meaning of the "NEM Transition Decision" as it relates to the Proposed Decision.² CESA replies to each one of the foregoing erroneous views expressed in Opening Comments and urges the Commission to reject all of them for the reasons set forth below.

II. CESA'S RESPONSES TO OPENING COMMENTS FILED BY PARTIES.

A. Legal Effect of P.U. Code §2827.

CESA urges the Commission to expressly and forcefully reject TURN's statutory construction argument for denying NEM eligibility because it is inconsistent with the intent of California's legislature in enacting P.U. Code §2827, as supported by the California Energy Commission. CESA agrees with TURN, however, that the Commission can and should base the policy outcomes in the Proposed Decision on a judgment that is well within its jurisdiction to make as a discretionary action by the Commission. The Commission should thus clearly ground its proposed outcomes on *both* the statute itself *and* Commission policy.

It follows from the determination that the NEM Exemptions all accrue as a bundle by law and policy that an artificial cut-off date of 2015 should be rejected. Understanding that the Commission will review the NEM program in the future, all of the utilities' positions on NEM

² D.14-03-041, issued March 27, 2014.

program expiration are obviously inconsistent with the reasoning of the Proposed Decision. Having rejected the premature termination of the NEM Exemptions across the board, the Commission should likewise reject specific PG&E proposals that would derogate from the desired outcomes set forth in the Proposed Decision

A. Interconnection of Stand-Alone Energy Storage.

In a similar vein, the Commission should acknowledge the fact that the utilities need guidance from the Commission that will allow them to interconnect stand-alone energy storage devices as a matter of Commission policy. The Commission should allow the utilities to approve interconnection following the administrative process in Rule 21 as a guideline, and at the same provide stand-alone storage the benefit of the same exemptions enjoyed by storage paired with generation. CESA agrees with SCE's Comments that the interconnection of stand-alone storage could be affected by the clarification that Storage is not a generator and urges the Commission to ensure that stand-alone has a clear interconnection process in the wake of its final decision.

B. Equipment Sizing Limitations.

There is no rational basis to adopt SCE's proposal to limit the size of storage devices to the size of the NEM-paired generator, and SCE remarkably, does not attempt to proffer a good reason. Worse, from a policy perspective, SCE's unsubstantiated sizing proposal is entirely premised on fundamentally uneconomic irrational behavior by participants in the NEM program. NEM Integrity can be ensured by simply measuring production directly at the output of the NEM-eligible generator. There consequences such as the threat of disconnection that ought to be deemed adequate to deter self-destructive behavior by the citizens of California.

Further, as described in CESA's comments and those of Powertree Services, imposing a sizing limit has to at a minimum call out both Power and Energy limits if there are to be limits and CESA argues such limit should be at least the onsite load. Setting a limit for storage at the

size of the NEM generator will eliminate many of the specifically desired and CPUC desired applications for storage such as facilities upgrade avoidance, peak load leveling and ancillary services provision from distributed resources.

C. Cost Reporting.

TURN's proposal that the reporting requirements in the Proposed Decision include a more expansive notion of avoided costs should not be adopted. As used in the Proposed Decision, the term "avoided cost" appears to refer to the cost of the exemptions afforded to NEM eligible storage systems, not the broader costs and benefits of NEM interconnected storage systems. Specifically, E-4610 directed the IOUs to collect data on the costs of interconnection for all NEM customers. It is clear that the Commission did not intend for the utilities to provide a broader assessment of costs and benefits of storage as suggested by TURN, rather Resolution E-4610 directs the IOUs to report on those interconnection-related costs incurred but from which these systems (and, under the terms of the PD, NEM-eligible storage) are exempt. Reliance on reporting requirements of the Commission's Resolution E-4610 should be more than sufficient to record and report the information required to measure the outcome of the policies in the Proposed Decision.

D. NEM-Eligible Storage and NEM Program Cap and Per Project Size Limit.

SDG&E is well off the mark in suggesting that the Commission's decision implementing the transition period mandated by SB 327 should reduce the 1 MW system size limit and the trigger date for the overall NEM program cap. In the case of both the 5% NEM cap and the per project 1 MW size limit, given current market incentives and the regimes to which storage projects are subject in order to prevent any NEM-gaming, storage systems appears unlikely to contribute in any significant way toward the costs that those caps/limits are intended to address or mitigate. Storage projects are expressly prevented from receiving any NEM credits under

NEM-MT as well as the alternative methodology provided in the Decision, as well as the other approaches suggested by CESA and other parties. As such, their contribution to the costs associated with NEM are likely to be extremely limited, if not *de minimus*.

Similarly, counting storage capacity toward the 1 MW per project size limit under NEM makes no sense given the purpose of that limit as described by SDG&E, namely to limit distribution system upgrade costs. Given the complete absence of incentives for storage systems to export to the grid, as a practical matter these systems will not increase strain on the distribution system and thus should not engender distribution system upgrade costs. To the extent the utilities distribution system planning efforts indicate otherwise, CESA submits that this ignores the operational realities of these systems. Should the market rules or incentives change such that these systems would be reasonably anticipated to export to the grid, this issue could be revisited.

III. CONCLUSION.

CESA thanks the Commission for the opportunity to submit these reply comments on the Proposed Decision.0020

Respectfully submitted,



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