

**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.

Rulemaking 12-03-014  
(Filed March 22, 2012)

**RESPONSE TO PETITION FOR EXPEDITED  
MODIFICATION OF DECISION 13-02-015**

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Dated: June 20, 2014

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Pursuant to Rule 16.4(f) of the Commission's Rules of Practice and Procedure, Graphite Energy Storage Partners, LLC ("Graphite Energy") submits this response to the petition for expedited modification of Decision ("D.") 13-02-015 filed by Terra-Gen Power, LLC ("Terra-Gen") on June 3, 2014.

Graphite Energy and its international affiliates have developed a thermal energy storage system which when integrated with a conventional gas-fired resource can offer an energy storage resource on a cost competitive basis and with attractive attributes relating to load shifting and ancillary services.

Graphite Energy shares Terra-Gen's concerns about how Southern California Edison Company ("SCE") has conducted the Request for Offers ("RFOs") authorized in Track 1 of this proceeding, and Graphite Energy supports the petition. The important principle that was violated in this case is that the bases for evaluating bids cannot change once the bids have been submitted. Well after the Track 1 bids were submitted in December 2013, SCE created what is in effect a new eligibility

requirement for continued participation in the Track 1 solicitation. As Terra-Gen notes, “one qualitative element among many considered as part of SCE’s least-cost, best-fit evaluation has been transformed into a threshold screen that precludes further consideration of a resource’s other attributes in the determination of the resource’s value.”

Unlike chemical battery storage systems, Graphite Energy’s thermal energy storage system is necessarily sited next to, and integrated with, a conventional gas-fired resource. SCE’s decision to allow revised local effectiveness factors (“LEFs”) applicable to 27 “acceptable high voltage substations in the West Los Angeles Basin sub-area” after the RFO was issued and then to apparently eliminate from further negotiation certain shortlisted conventional gas-fired projects connecting to roughly 2/3 of those substations, has a knock on effect of eliminating thermal energy storage projects that could be integrated with those projects. The Commission should not endorse or tolerate this process, especially as this may lead to less optimal energy storage procurement.

As Terra-Gen pointed out, changing the evaluation factors in the middle of the process will have a corrosive effect on “the willingness of responsible generation developers to continue to participate in RFOs in California.” Bidders invest millions of dollars to develop legitimate, competitive bids. Although bidders recognize that not all bids will be successful, it seems unfair that certain projects to be rejected merely because the evaluation standards changed in the middle of the process, long after the bids could be adjusted to reflect those changes.

Terra-Gen proposes reasonable modifications to D.13-02-015 and outlines a process that addresses the flaws in SCE's conduct of the RFO without unduly delaying the current RFO. Additionally, the requested modifications maintain the appropriate fairness and transparency necessary to assure the integrity of the RFO process while protecting ratepayers' interests.

Graphite Energy respectfully asks the Commission to grant Terra-Gen's petition, to modify D.13-02-015 as Terra-Gen suggests, and to (1) affirm, consistent with Ordering Paragraph 4(c), that effectiveness factors should be used to adjust the valuation of a proposed project, but should not be used as an eligibility requirement to eliminate otherwise viable projects from submitting final bids, and (2) order a public workshop to develop comparable LEFs for each of the 27 substations identified in the transmittal letter for the RFO. Graphite Energy also finds merit in Terra-Gen's proposal that the Commission should conduct a public workshop to consider the Track 1 procurement process. If the Commission acts quickly, an abbreviated workshop or stakeholder process could be completed without affecting the scheduled timing of final selection on July 29, 2014.

Respectfully submitted June 20, 2014.

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