CALIFORNIA ENERGY STORAGE ALLIANCE

September 7, 2012

To: Joanne Leung, Energy Division
Service of A.11-03-001 et al.

From: Janice Lin

Re: CESA Pre-Workshop Comments regarding IOUs' Permanent Load Shifting Proposal

The California Energy Storage Alliance (CESA) hereby submits these pre-workshop comments in response to the August 21, 2012 email message of Ms. Joanne Leung of the Commission's Energy Division staff entitled "Permanent Load Shifting Program Proposal" that invited Parties to submit pre-workshop comments to the service of A.11-03-001 et al. by September 7, 2012.[1]

1. The Proposal Represents a Major Step Backward for Permanent Load Shifting.

CESA and its member companies acknowledge the significant effort of the Investor-Owned Utilities (IOUs) and the California Public Utilities Commission (CPUC) in addressing Permanent Load Shifting (PLS) and, in particular, designing an effective PLS program.

Nonetheless, CESA is deeply disappointed by the IOUs' proposal. Starting with the proposed very low incentive levels proposed by the IOUs for PLS – considerably lower than current incentives, never-mind appropriate ones – and continuing through many of the specific program design suggestions that unnecessarily constrain permanent load-shifting measures, the IOUs' proposal would not, if adopted, have a useful impact on California's peak load management issues. In fact, the IOU proposal, if adopted, would represent a major move backward for peak load management in California.

2. The Energy Division Needs to Use the Workshop to Design a PLS Program that Meets California's Peak Load Needs, as Established by the Commission.

D. 12-04-045, directed the IOUs "to develop and propose a standardized, statewide Permanent Load Shifting program as described in this decision." (OP 62, emphasis added.) CESA submits that many of the suggested elements of the IOU proposal are outside of the both the spirit and the letter of D. 12-04-045.

An effective and well-designed PLS program will be of great benefit to the California electric system, utilities, and ratepayers, including better peak load management, lower costs, lower emissions and

[1] The views expressed in this memo are those of CESA, and do not necessarily reflect the views of all of the individual CESA member companies.

enhanced overall portfolio diversity. CESA concurs that a Workshop is a very appropriate use of time and resources to discuss and potentially resolve the many outstanding issues in PLS program design. CESA recommends that the Workshop build upon the Commission's direction in D. 12-04-045 (and elsewhere) – and thus recognize that the IOU proposal, while contributing to the discussion in certain regards, does not meet the standard set by OP 62 in D. 12-04-045.

Furthermore, CESA herein requests, and highly recommends, that the PLS industry be given formal opportunities to present at the September 18 PLS Workshop. If given this opportunity, the PLS industry will be able to present specific information about the PLS Program (past and present), customer perspectives, and specifics on program design that can optimize program effectiveness while remaining cost-effective.

3. The Proposal Has Other Shortcomings

In advance of the Workshop, CESA offers short comments on a few of the major points of the IOUs' proposal; these and other problems be addressed in the CPUC workshop on September 18, 2012.

- *Proposed Incentive Levels Are Much Too Low to Work*
  The incentive levels proposed by the IOUs are considerably lower than current PLS incentives, and well below appropriate, meaningful, cost-effective ones. As presented in earlier testimony and comments by CESA and member companies, based upon the rates in California and PLS providers' experience with building owners and designers, a reasonable incentive would be $2,000 per kW shifted from the peak period. Incentives that are significantly less – nevermind below $1,000 per kW – will not adequately drive potential customers to install permanent load-shifting equipment. Additionally, D. 12-04-045 indicated that thermal energy storage technologies will be receiving PLS incentives rather than Self-Generation Incentive Program (SGIP) incentives (an action the SGIP Program Administrators are already implementing). CESA considers this to be substantively inappropriate as well as unfair: the SGIP incentives can be $2,000 per kW or more, while the proposed PLS incentives are a small fraction of that: $513 per kW shifted from SDG&E, $675 per kW shifted from SCE, and $360 per kW shifted from PG&E. Furthermore, SGIP provides an additional $400 per kW incentive for California companies, a market transformation incentive that is not addressed in the PLS program.

- *The Proposed Requirement to Stay on TOU Rate for 5 Years Is Not Appropriate*
  CESA believes that if the incentivized end user is shifting kW load from the peak periods as required and defined by the incentive program, the end user should be allowed to switch to a new electric rate if it is more beneficial, and there is no reason to penalize them by limiting their tariff choices. In fact, CESA recommends that the IOUs should offer "guaranteed" TOU-related differentials between on-peak and off-peak rates for end users, such as through a

tariff rider that would give end users certainty that an up-front investment in PLS measures would likely not be "stranded" by unanticipated changes in the differential between on- and off-peak rates.

- *An Annual Energy Cap Is Unnecessary*
  CESA does not see merit to limiting PLS applications by the use of an energy cap such as the one proposed. The shifted peak kW demand is the primary benefit to California's power grid, and thus, quite rightly, the appropriate metric for PLS, rather than overall kWh.

- *There Are Numerous Other Issues and Ambiguities*
  There are numerous additional issues that CESA and its member companies will raise at the September 18 Workshop, including how "statewide" the program should be, the relationship of PLS with DR, energy efficiency and other programs, ambiguities surrounding the proposed definitions of technologies and other provisions. (CESA is hopeful that some may simply require clarifying language.)

CESA thanks the Energy Division staff for the opportunity to submit these comments. The entire thermal storage and PLS industry is excited about the prospects of a new, meaningful PLS program and looks forward to the September 18 Workshop.