

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

Order Instituting Rulemaking Pursuant to
Assembly Bill 2514 to Consider the Adoption
of Procurement Targets for Viable and Cost-
Effective Energy Storage Systems.

Rulemaking 10-12-007
(Filed December 16, 2010)

**REPLY COMMENTS OF THE ELECTRICITY STORAGE ASSOCIATION ON
ASSIGNED COMMISSIONER'S RULING PROPOSING STORAGE PROCUREMENT
TARGETS AND MECHANISMS AND NOTICING ALL-PARTY MEETING**

Andrew O. Kaplan
Brown Rudnick LLP
One Financial Center
Boston, MA 02111
Telephone: 617.856.8369
Facsimile: 617.856.8201
Email: akaplan@brownrudnick.com

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Pursuant to the Rules of the California Public Utilities Commission’s (the “Commission” or the “PUC”) Rules of Practice and Procedure and the *Assigned Commissioner’s Ruling Proposing Storage Procurement Targets and Mechanisms and Noticing All-Party Meeting* as issued by Commissioner Peterman on June 10, 2013 (“ACR”), the Energy Storage Association d/b/a Electricity Storage Association (“ESA”), on behalf of its Advocacy Council,¹ is pleased to provide these reply comments in the above-captioned matter. As detailed below, ESA supports the positions taken by the California Energy Storage Alliance (“CESA”) in both their initial and reply comments and recommends that the Commission (1) limit flexibility around the timing, quantity and categories of procurement, (2) adopt functional use case categories and (3) protect the confidentiality of bid data.

¹ The ESA’s Advocacy Council has the following members: A123 Systems, Inc., AES Energy Storage, Aquion Energy, Beacon Power, LLC, East Penn Manufacturing Co., FIAMM, NextEra Energy, S&C Electric Company, Saft America Inc., Temporal Power.

I. COMMENTS

A. To mitigate market uncertainties, there must be predictable adherence to well-defined procurement targets.

In its initial comments, SCE argued that the proposed procurement targets are “too aggressive.”² ESA disagrees with SCE’s assertion. The energy storage procurement targets proposed in the ACR are achievable and should not be reduced. In its initial comments, SCE fails to acknowledge that a robust supply chain of energy storage providers has emerged. As ESA noted in its initial comments, over 250 MWs of advanced energy storage resources are either reliably providing commercial service on the grid today or are under construction. By comparison, the 1325 MWs of total energy storage proposed to be procured by 2020 is the approximate size of just two of the combustion turbine peaking plants that came online in California this year. Both of these plants use GE’s LMS100 aeroderivative gas turbine, a technology that seven years ago only had one 100 MW unit commercially deployed.

For the energy storage market to continue to develop and provide services that are beneficial to California ratepayers, it is imperative that the Commission limit flexibility around the timing, quantity and categories of procurement. Too much flexibility will produce uncertainty in the market and discourage investment. Treating the targets as a lower-bound for energy storage procurement will maintain momentum behind the ACR’s goal of market transformation.

² Initial Comments of Southern California Edison Company ("SEC") at 2.

B. The Commission should adopt Functional Use Case Categories.

ESA agrees with the California Independent System Operator that it is important for the Commission to promote functional use case category definitions.³ As now proposed in the ACR, the transmission and distribution categories can be misinterpreted to apply only to applications that perform a transmission function or a distribution function, and not generation functions as was included in the proceeding's use case definitions.⁴ To avoid confusion, ESA recommends that the Commission define use case categories on the basis of the primary function of the storage being procured, rather than the voltage at which the storage connects. By defining use case categories based on the primary function, the Commission can organize AB2514 implementation around the procurement venue, procurement method, and ownership structure appropriate for each function.

The ACR defines use case categories by "building on the storage use cases identified and defined by Commission staff earlier in this proceeding."⁵ This appears to refer to the interim staff report. The use cases, as summarized in Appendix A⁶ of the interim staff report, are:

1. Transmission Connected Energy Storage;
 - a. Bulk Storage System;
 - b. Ancillary Services Storage;
 - c. On-Site Generation Storage;
 - d. On-Site Variable Energy Resource Storage;
2. Distribution-Level Energy Storage: Distributed Peaker;
3. Distributed Storage Sited at Utility Substation;
4. Community Energy Storage;
5. Demand-Side (Customer-Sited) Energy Storage;
 - a. Customer Bill Management;

³ Comments of the California Independent System Operator Corporation ("CAISO") at 3.

⁴ ACR at 7.

⁵ Administrative Law Judge's Ruling Entering Interim Staff Report Into Record, Attachment A: Energy Storage Phase 2 Interim Staff Report (Interim Staff Report) at 9-13.

⁶ Interim Staff Report at 32.

- b. Customer Bill Management with Market Participation;
 - c. Behind the Meter Utility Controlled;
- 6. Permanent Load Shifting; and
 - 7. EV Charging.

For example, use cases 1a, 1b, 1c, 1d and 2 primarily have a “generation” or market function, and are most appropriately procured through competitive solicitations or bilateral contracts similar to those used to meet LTPP and RPS needs. As with other “generation” or market function resources, this category of storage should be presumed to be owned by third parties providing services to utilities under long-term contracts that would apply toward the storage procurement targets defined in this proceeding.

Based on initial comments, the ACR’s reliance on use cases categorized by interconnection voltage, rather than by function, appears to have created some confusion among parties in their initial comments, particularly regarding whether storage connected at the distribution level necessarily performs a distribution function; it does not.⁷ As Calpine correctly observes, “a storage system that is interconnected at distribution voltage may still serve a Bulk Energy Storage/wholesale market function.”⁸ An example of storage that performs such a generation function, and would presumably be owned by a third party, is the “Distributed Peaker” distribution-level use case, defined in the interim staff report as a resource that would provide the generation functions of capacity, energy and/or ancillary services.⁹

In contrast to the third party-owned distributed peaker use case, there may also be applications for utility-owned storage that is both connected to the distribution system and

⁷ See e.g., SDG&E Comments at 9 (“The IOUs should be able to own up to 100% of distribution sited storage. For distribution applications, the utility has the responsibility for planning and operating the distribution system”; see also FOE Initial Comments at 5 (“Third-party providers should not own or operate storage facilities that are located on a utility’s distribution system.”

⁸ Calpine Initial Comments at 7.

⁹ Interim Staff Report, at 11.

performing a distribution reliability function. In the ACR's category definitions, these distribution *function* opportunities are grouped together with generation function use cases such as the distributed peaker use case described above into one "distribution" or "distribution-connected" use case category. ESA agrees with Calpine's rationale that functional use case categories help ensure that "to the extent that the IOUs are allowed to pursue utility-owned storage, the IOUs only pursue utility-owned storage where the storage will serve a function closely related to the IOU's regulated distribution business."¹⁰ Storage used for other functions, such as generation, should instead be third party-owned, procured under the appropriate method(s), contracted with the utilities and applicable toward the storage procurement targets defined in this proceeding.

C. The Commission should protect confidentiality of bid data

ESA agrees with SCE¹¹ and PG&E¹² that the confidentiality of offer data, including pricing, should be maintained according to standard non-disclosure practices. Allowing bid data to be made public could undermine the competitive process and stifle innovation by discouraging parties from competing in an energy storage solicitation.

II. CONCLUSION

ESA appreciates this opportunity to submit reply comments on the ACR, and looks forward to working with the Commission and parties throughout the remainder of this proceeding.

¹⁰ Calpine Initial Comments at 2.

¹¹ SCE Initial Comments at 24.

¹² PG&E Initial Comments at 9-10.

Respectfully submitted,

THE ELECTRICITY STORAGE ASSOCIATION

By its attorney,



Andrew O. Kaplan
Brown Rudnick LLP
One Financial Center
Boston, MA 02111

Telephone: 617.856.8369

Facsimile: 617.856.8201

On behalf of the members of its Advocacy Council

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