

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.

R.10-12-007  
(Filed December 16, 2010)

**REPLY COMMENTS OF ENERNOC, INC.,  
ON THE ASSIGNED COMMISSIONER'S RULING PROPOSAL**

July 18, 2013

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EnerNOC, Inc., respectfully submits these Reply Comments on the Assigned Commissioner's Ruling Proposing Storage Procurement Targets and Mechanisms (ACR) issued in this proceeding on June 10, 2013. These Reply Comments are timely filed and served pursuant to the ACR and the Commission's Rules of Practice and Procedure.

**I.  
INTRODUCTION**

EnerNOC is a leading developer and provider of clean and intelligent energy management solutions, including demand response and energy efficiency, to commercial, institutional, and industrial customers, as well as electric power grid operators and utilities. EnerNOC has also long been actively involved in proceedings before the Commission to ensure the fair and full consideration of Loading Order energy efficiency and demand response preferred resources in meeting investor-owned utility (IOU) energy needs.

Because EnerNOC provides demand-side and energy management solutions, it became a party to this proceeding at its outset and has continuously tracked actions taken here on energy storage since that time. While EnerNOC does support storage solutions that facilitate greater reliance on preferred resources, EnerNOC is concerned with the potentially divergent use of cost-effectiveness measures to determine investments in storage versus preferred resources, such

as demand response, in establishing procurement targets, and this concern is the focus of EnerNOC's reply comments on the ACR's storage proposal.

In this regard, aggregator-managed demand response capacity is acquired through a competitive solicitation, followed by arms-length contracts negotiations between the IOUs and the third-party aggregators and the submission of contracts required to meet a specific cost-effectiveness methodology. The existing cost-effectiveness methodology does not consider DR as a resource for meeting renewable integration and, particularly, flexible capacity resource requirements. The type of analysis that was performed by DNV KEMA for storage resources has not been performed for DR resources to identify the benefits of using DR for renewable integration purposes.

For this reason, EnerNOC is concerned that the ACR's identification of, and the energy storage companies' support for, procurement targets of energy storage resources could advantage storage resources relative to other resource options, like demand response. Thus, the cost-effectiveness analysis does not assess the cost-effectiveness of storage relative to other alternatives.

EnerNOC, therefore, shares concerns expressed by other parties in their Opening Comments on how cost-effectiveness is considered or assessed in setting targets or procuring storage technologies. While there are unique characteristics of storage versus demand response and benefits of incorporating a spectrum of resources to address upcoming renewable integration concerns, the Commission must nevertheless ensure that the rules for resource procurement be applied and developed fairly and not result in inappropriately favoring one resource type over "other" preferred resources.

## II. STORAGE MUST BE COST-EFFECTIVE IN COMPARISON TO OTHER RESOURCE ALTERNATIVES.

EnerNOC agrees with the Opening Comments expressed by the Center for Energy Efficiency and Renewable Technologies (CEERT)<sup>1</sup>, the Division of Rate Advocates (DRA)<sup>2</sup>, San Diego Gas & Electric Company (SDG&E)<sup>3</sup>, Southern California Edison Company (SCE)<sup>4</sup>, and Pacific Gas & Electric Company (PG&E)<sup>5</sup> that storage must be cost effective in order to be procured by the load-serving entity (LSE). It is not reasonable or consistent with the statute to require procurement of storage resources that are not cost effective. By relieving the IOU of a portion of the procurement obligation if the storage resource is not cost effective, the ACR would still require the balance to be procured, even if the storage resource is found to be cost “in-effective.”<sup>6</sup> Cost effectiveness is a prerequisite for procurement for other resources, including “other” preferred resources.

Further, several parties have asked a reasonable question as to the measure against which the cost effectiveness of storage resources is determined. It seems reasonable to allow the IOUs to examine storage as a solution against other resource alternatives to meet specific needs, including right place, right time, and right fit. Mandatory procurement targets should *only* be required to the extent the resource is determined to be cost-effective and effective when compared to other resource alternatives. Finally, cost-effectiveness methodologies for other

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<sup>1</sup> CEERT Opening Comments, at p. 4 (“...the ACR’s Proposal certainly appears to be less rigorous than required for Loading Order resources, for which procurement does not take place *unless* the resource meets specific eligibility criteria and is cost-effective or cost-competitive.”).

<sup>2</sup> DRA Opening Comments, at p. 3 (“DRA is concerned that if storage competes only against other storage proposals in an auction it will be difficult to truly “compar[e] energy storage to other resources.”).

<sup>3</sup> SDG&E Opening Comments, at p. 2 (“There will be instances when energy storage is the best solution to solve a problem but it needs to be examined against other methods in order to make that determination. It should not be examined in a vacuum.”).

<sup>4</sup> SCE Opening Comments at p. 15 (“off-ramps must apply to all storage procurement as required by AB 2514 rather than decline by an artificial percentage rate per year.”).

<sup>5</sup> PG&E Opening Comments at p. 5 (“AB 2514 requires that all storage procured be cost-effective.”).

<sup>6</sup> ACR, at p. 19.

resources have either been litigated or have been the basis of extensive evaluation and input by parties and are not “based on the IOU’s proposed methodology.”<sup>7</sup> The same should be required for the storage technologies considered in the ACR Proposal.

**III.  
CONCLUSION**

EnerNOC appreciates this opportunity to offer its perspective on the importance of uniformity and fairness in assessing the cost-effectiveness of energy resources. For the reasons stated above, EnerNOC recommends that the ACR’s proposal be revised to require mandatory energy storage procurement targets only to the extent the storage resources are cost effective, especially when compared to other resource alternatives.

Respectfully submitted,

July 18, 2013

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<sup>7</sup> ACR, at p. 19.