

**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)

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

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Dated: July 3, 2013

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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 Council¹, is pleased to respond to the specific questions raised in the above-captioned matter.

ESA applauds the Assigned Commissioner’s vision in proposing energy storage procurement targets that, by bringing down market barriers, will allow learning to occur and lead to market transformation. ESA shares the guiding belief that energy storage can offer needed services as California seeks to maximize the value of its infrastructure and optimize the grid. ESA appreciates the work by staff and stakeholders toward evaluating energy storage procurement targets. As detailed below, ESA recommends the Commission proceed with the adoption of procurement targets.

¹ On January 30, 2013, the ESA submitted a Motion to Intervene in the above-captioned proceeding. 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

As outlined below, ESA supports the recommendations of the comments of the California Energy Storage Alliance (“CESA”). Specifically, ESA supports CESA’s following recommendations.

A. Please comment on this proposal overall, with emphasis on the proposed procurement targets and design.

ESA supports CESA’s recommendation to replace the proposed reverse auction mechanism with a procurement mechanism better suited to account for the benefits of energy storage. A reverse auction mechanism may be appropriate for procurement of homogenous products, but the diversity in operating characteristics and value between different megawatts of storage suggest that a request for offers (“RFO”) such as those used to compare dissimilar resources in meeting long-term procurement planning (“LTPP”) or renewable portfolio standard (“RPS”) needs would be more appropriate.

ESA supports CESA’s recommendation to consider procurement in the form of tolling agreements. Tolling agreements represent a well-established method for procurement of conventional capacity resources in California and allow a utility to reap a variety of benefits from having scheduling and dispatch control over a third-party owned resource.

ESA supports CESA’s recommendation to recognize energy storage as a preferred alternative, without megawatt limits, in other ongoing procurement processes such as in LTPP and RPS, consistent with the implicit recognition of energy storage in the state’s Loading Order.

ESA supports CESA’s recommendation to encourage third-party ownership in the distribution use case category procurement. A benefit to this model would be when a non-utility owner of energy storage under the “distributed peaker” use case could also provide distribution value, such as an investment deferral, to a utility by contract. With the ability to use wholesale

market revenue in the months or hours when the storage operation is not required for deferral value to supplement its recovery of fixed costs, the non-utility owner could provide distribution deferral benefit to the utility at lower customer cost than a utility-owned energy storage asset. ESA supports CESA's proposal that contract cost for distribution support applications be eligible for an incentive return in utility cost recovery, subject to an overall cost-effectiveness test.

B. Comment on whether any of the projects proposed to count toward the procurement targets be excluded, or any additional projects included, and on what basis.

ESA supports CESA's recommendation to count the projects listed in the ACR toward procurement targets. However, to fairly consider these projects as satisfying the targets, they must be committed to the same minimum standards of service that will be applied to new projects, such as contract length. For example, if new projects will be procured under twenty-five year contracts, the projects listed in the ACR should be held to a similar commitment.

C. Comment on how actual operational deployment should be defined for PIER- and EPIC-funded projects potentially eligible to count toward a utility's procurement target.

ESA supports CESA's recommendation that PIER- and EPIC-funded projects should count toward satisfying the procurement targets. Again, to fairly consider these projects as satisfying the targets, they must be committed to the same minimum standards of service that will be applied to new projects.

D. Comment on how any utility's procurement that exceeds a target in one year should be addressed and considered for future procurement targets.

ESA supports CESA's position that requirements for project implementation be paired with procurement targets. If contracts are executed in procurement that do not result in projects being built, the grid optimization, renewable integration and greenhouse gas emissions benefits motivating procurement targets will not be realized.

E. Comment on whether and to what extent utilities should be permitted flexibility in procuring among the use-case “buckets” (transmission, distribution, and customer-sited) of energy storage within one auction, and whether a minimum amount in each “bucket” must be targeted.

ESA supports CESA’s position that if the Commission allows flexibility between procurement use case “buckets”, it should be limited by establishing minimum procurement targets for each bucket. The transformative effect that widespread energy storage deployment would have on the electric system comes from a variety of applications in a variety of grid locations. While there may be optimization of target fulfillment to be realized from shifting *some* megawatts between buckets, the potential for transformation lies throughout the electric system. However, any flexibility should not be allowed until each utility has procured storage from each bucket to determine if such flexibility is warranted.

F. Comment on the appropriate “off ramps” for relief from procuring up to each target and what metrics should be used to evaluate the appropriateness of the off ramps.

Off-ramps should rarely, if ever, be necessary. However, ESA supports CESA’s recommendation to establish reasonable limits on procurement target relief with a high standard of proof. The ACR does not propose a limit on procurement target relief. Such a limit is necessary for procurement targets to be meaningful, and to stimulate a more sustainable energy storage market. In addition, in order to encourage market entry by energy storage providers, establish a baseline for bids, and ensure the continued development of energy storage technologies and the promotion of technologically diverse resources, the Commission should prohibit the use of any potential ‘off-ramps’ for the initial auctions.

G. Comment on how this proposal may be coordinated with Renewable Portfolio Standard procurement plans, as set out in Public Utilities Code section 2837.

ESA supports CESA's recommendation that energy storage procured through RFOs initiated to meet RPS or LTPP needs should count toward the procurement targets. There are multiple channels by which energy storage can be procured, and utilities should receive credit for doing so in any of them, consistent with the spirit of the ACR in allowing authorized projects through various mechanisms and proceedings to count toward procurement targets.

H. Comment on the options presented for ESPs and CCAs to either a) be required to procure an equivalent amount of storage projects commensurate with the load they serve or b) have their customers assessed the costs of the IOU procurement of energy storage projects through a cost allocation mechanism.

ESA supports CESA's recommendation that ESPs and CCAs should be provided flexibility in developing energy storage procurement goals.

I. Comment on how the preliminary results of the cost-effectiveness models should be applied to the question of setting procurement targets.

While the current proceeding has made great strides forward in the development of cost-effectiveness models and methodologies for energy storage, ESA agrees with Commissioner Peterman that the cost-effectiveness models developed in connection with this proceeding are only preliminary and may require further refinement. As such, if the Commission intends to implement a cost-effectiveness model, it is important that the models continue to be refined so that they include the many benefits of energy storage identified in the ACR in the cost-effectiveness calculation (e.g., integration of renewable energy and reduction of greenhouse gas emissions). With such a model, the PUC will ensure that the benefits of storage are appropriately evaluated.

J. Based on the preliminary results, should the utilities set a cost cap for offers to be submitted in the 2014 auction? If yes, what should the cap be and how should the auction be structured to incorporate the cap?

ESA supports CESA's position that cost caps are not informative in the case of energy storage resources. Each energy storage resource will have different specific operating characteristics that will have an impact on the overall value the resource can provide. To properly consider energy storage resources, the value of each proposed resource should be evaluated to provide net benefits compared to alternative solutions.

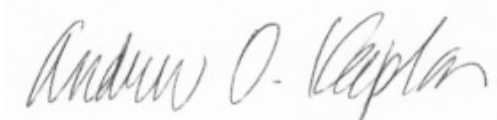
II. CONCLUSION

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

Respectfully submitted,

THE ELECTRICITY STORAGE ASSOCIATION

By its attorney,

A handwritten signature in black ink that reads "Andrew O. Kaplan". The signature is written in a cursive style and is positioned above a horizontal line.

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On behalf of the members of its Advocacy Council

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

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