

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

Order Instituting Rulemaking to Oversee the
Resource Adequacy Program, Consider
Program Refinements, and Establish Annual
Local Procurement Obligations.

R.11-10-023
Filed October 20, 2011

**REPLY COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE
TO ORDER INSTITUTING RULEMAKING**

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

Order Instituting Rulemaking to Oversee the
Resource Adequacy Program, Consider Program
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**REPLY COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE
TO ORDER INSTITUTING RULEMAKING**

Pursuant Rule 14 of the California Public Utilities Commission’s (“Commission’s”) Rules of Practice and Procedure, and the *Order Instituting Rulemaking to Oversee the Resource Adequacy Program, Consider Program Refinements, and Establish Annual Local Procurement Obligations* (“OIR”) the California Energy Storage Alliance (“CESA”)¹ hereby submits these reply comments in response to initial comments filed by certain parties to the OIR.

I. INTRODUCTION.

CESA respectfully disagrees with the California Independent System Operator’s (“CAISO’s”) Initial Comments regarding energy storage: “OIR Appendix A, candidate issue #10, should be considered in Phase 2 of this proceeding because additional time will be

¹ The California Energy Storage Alliance consists of A123 Systems, Applied Intellectual Capital/East Penn Manufacturing Co., Inc., Beacon Power Corporation, Bright Energy Storage Technologies, CALMAC, Chevron Energy Solutions, Debenham Energy, Deeya Energy, EnerSys, EnerVault, Exide Technologies, Fluidic Energy, General Compression, Greensmith Energy Management Systems, HDR, Inc., Ice Energy, International Battery, Inc., LG Chem, LightSail Energy, Inc., MEMC/SunEdison, Powergetics, Primus Power, Prudent Energy, RedFlow, RES Americas, Saft America, Inc., Samsung SDI, SANYO, Seeo, Sharp Labs of America, Silent Power, Sumitomo Electric, SunPower, Suntech, SunVerge, SustainX, Xtreme Power, and Younicos. The views expressed in these Comments are those of CESA, and do not necessarily reflect the views of all of the individual CESA member companies. <http://www.storagealliance.org>.

necessary to develop RA rules for energy storage systems over the next few months.”² By the same token, CESA strongly supports the initial comments filed by parties that are consistent with CESA’s recommendation in its Initial Comments that energy storage should be taken up in Phase 1 of this proceeding.³

CESA, on the other hand, supports the CAISO’s Comments regarding non-generic capacity procurement in Phase 1, but observes that the CAISO’s reluctance to support common nomenclature is unhelpful.⁴ CESA agrees with Southern California Edison Company (“SCE”) that: “The development of flexible capacity requirements and procurement methodologies will require broad collaboration with a large spectrum of stakeholders and consideration of complex analyses.”⁵ But CESA, along with other parties,⁶ disagrees completely with the conclusion that it should therefore be taken up in a new separate proceeding

In addition, CESA also strongly supports the proposed additional issue of the Independent Energy Producers Association (“IEP”)⁷, Calpine Corporation⁸, and others that a multi-year RA procurement requirement will facilitate the retention of existing resources that are necessary to meet reliability needs for years in the future. In the case of energy storage, which is currently able to take advantage of very limited or no long-term contracting mechanisms, such a multi-year procurement policy will be transformational for deployments of resources with multiple capabilities such as energy storage in California.

² *Initial Comments of the California Independent System Operator Corporation on the Order Instituting Rulemaking*, November 7, 2011, p. 3.

³ *E.g. Comments of Southern California Edison Company Regarding Preliminary Matters Pertaining to the Scope, Schedule, and Administration of this Proceeding*, filed November 7, 2011 (“SCE Comments”).

⁴ CAISO Comments, p. 5, fn. 4. “Rather than referring to the procurement of non-generic capacity, which is an imprecise term, the ISO now describes its proposal as procurement of capacity having flexible operational characteristics, which the ISO believes is a more accurate description of the targeted capacity.”

⁵ SCE Comments, p.2.

⁶ *E.g., Initial Comments of San Diego Gas & Electric Company on Order Instituting Rulemaking*, filed November 7, 2011 (“SDG&E Comments”).

⁷ *Comments of the Independent Energy Producers Association on the Scope of the Proceeding*, filed November 7, 2011 (“IEP Comments”).

⁸ *Comments of Calpine on Order Instituting rulemaking*, filed November 7, 2011.

II. ENERGY STORAGE SHOULD BE CONSIDERED IN PHASE 1 OF THIS PROCEEDING.

It is true, as the CAISO, notes that: “it will take time to develop RA Rules for energy storage “in the next few months.” However, in this case SCE correctly points out that:

“Because the Commission manages the RA proceeding and determination of qualifying capacity for certain classes or applications of resources, the Commission is ideally suited to resolve this barrier. Given the timeline for compliance with AB 2514, the Commission should address this issue in Phase 1 of this proceeding to allow the Storage OIR to incorporate revised RA rules for storage into the cost-effectiveness calculations that are planned for later stages of the Storage OIR.”⁹

The reasons to move forward promptly with focus on energy storage in this proceeding and the Storage OIR¹⁰, are identical. The Commission’s refinement of resource adequacy (“RA”) policy should be addressed in the same time period as, and in parallel with, Phase 1 of the Energy Storage OIR. To do otherwise would be to create a policy “leap frog” effect, the prevention of which is one of the primary purposes of the Energy Storage OIR. Losing the opportunity presented by this proceeding for complimentary focus by Commission would certainly retard consistent policy development in both forums.

III. NON-GENERIC CAPACITY SHOULD BE CONSIDERED IN PHASE 1 OF THIS PROCEEDING.

As stated above, CESA agrees with SCE that energy storage should be addressed at the same time in both this proceeding and the Energy Storage OIR as soon as possible. CESA is therefore unable to discern why SCE should come to the opposite conclusion regarding non-generic (or “flexible” in the CAISO’s lexicon) procurement, and go so far as to advocate for further balkanization of energy storage and RA-related issues by opening yet another new

⁹ SCE Comments, p. 3.

¹⁰ R.10-12-007, issued December 16, 2010.

standalone Commission proceeding. Equally baffling is the same logical inconsistency embraced by Pacific Gas and Electric Company (“PG&E”):

“If not well coordinated, future CAISO and Commission processes may overlap and be duplicative, resulting in costly and inefficient procurement of flexible capability. PG&E recommends the scope of the new, separate OIR include the development of a guiding framework on how resource adequacy and flexibility capacity will be procured by Commission and CAISO processes to ensure there is sufficient, but not duplicative, procurement of flexible capability.”¹¹

SDG&E also advocates for exactly the opposite conclusion drawn by SCE from the same circumstances: “SDG&E suggests that this proceeding, and not a CAISO stakeholder process, is the best forum to discuss enhanced requirements for RA procurement.”¹² As succinctly and well stated by IEP: “The CAISO’s proposal arose from its concerns about maintaining the reliability of the grid as increasing amounts of variable energy resources, particularly sun and windpowered resources, are added to the resource base. In this proceeding, the Commission should investigate those concerns and determine whether or not the RA program provides an appropriate opportunity to create mechanisms to mitigate any of the CAISO’s concerns.

IV. THE COMMISSION SHOULD ADD MULTI-YEAR PROCUREMENT OF RESOURCE ADEQUACY CAPACITY AS AN ADDITIONAL ISSUE IN PHASE 1 OF THIS PROCEEDING.

CESA joins with parties, notably including IEP and Calpine, in urging the Commission to take up the topic of multi-year procurement of RA capacity in Phase 1 of this proceeding. It is clear that energy storage, non-generic capacity procurement, and multi-year procurement of RA capacity are closely related and will all be needed. As stated by the CAISO: “It is imperative that a forward procurement mechanism be developed to ensure sufficient flexible capacity is

¹¹ *Initial Comments of Pacific Gas and Electric Company on the Rulemaking*, filed November 7, 1011, p. 2.

¹² SDG&E Comments, p. 3.

available to maintain grid reliability in a more dynamic operating environment.”¹³ The Commission has, of course, directed the Energy Division to study the potential of a forward procurement obligation, and it should follow through by requiring the Energy Division to report its findings in Phase 1 of this proceeding.¹⁴

Developing a multi-year procurement mechanism for energy storage will significantly enable new grid energy storage installations in California, as its current absence is one of the chief barriers to securing necessary financing. Such financing for energy storage projects, as with all other capital-intensive energy infrastructure projects, requires multi-year contracts to ensure investors sufficient cash flow to earn their return. Multi-year procurement is timely and crucial as energy storage projects currently have no other long term procurement mechanism in California today. Development of multi-year RA procurement mechanisms will also be consistent with and would support implementation of the goals of AB 2514 in context of the Energy Storage OIR.

V. CONCLUSION.

CESA appreciates this opportunity to reply to the Initial Comments filed by the parties, and looks forward to working with the Commission and other stakeholders in this proceeding.

Respectfully submitted,



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¹³ California ISO, Renewable Integration Market Vision and Roadmap, p. 1111 (Oct. 11, 2011). (<http://www.caiso.com/Documents/RenewablesIntegrationMarket-ProductReviewPhase2Vision-Roadmap.pdf>).

¹⁴ D.10-06-018, p. 68.