

**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

**PHASE 1 PROPOSAL OF THE
CALIFORNIA ENERGY STORAGE ALLIANCE**

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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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R.11-10-023
Filed September 22, 2011

**PHASE 1 PROPOSAL OF THE
CALIFORNIA ENERGY STORAGE ALLIANCE**

The California Energy Storage Alliance (“CESA”)¹ hereby submits this Proposal on Phase 1 Issues in response to the *Phase 1 Scoping Memo and Ruling of Administrative Law Judge and Assigned Commissioner*, issued December 27, 2011 (“Scoping Memo”).

I. INTRODUCTION.

CESA proposes that the Commission consider three closely related topics concerning energy storage at the earliest opportunity in this proceeding. First, it would be helpful to parties if the Commission were to clarify that (unless the context dictates otherwise) references to “demand response” (“DR”) can reasonably be presumed to encompass energy storage. Second, it would also be useful were the Commission to clearly state, and spell out in some detail, the specific timing and process for coordinating this proceeding with the Energy Storage

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, Seo, Sharp Labs of America, Silent Power, Sumitomo Electric, SunPower, Suntech, SunVerge, SustainX, TAS Energy, 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>.

Rulemaking.² Finally, CESA continues to urge the Commission to directly address and adopt, or begin to adopt, multi-year (*i.e.*, long-term) contracting for resource adequacy capacity provided, enabled, or enhanced by energy storage.

II. THE COMMISSION SHOULD CLARIFY THAT ENERGY STORAGE IS A MEANS TO ACCOMPLISH DEMAND RESPONSE AS PART OF THE LOADING ORDER IN THE ENERGY ACTION PLAN.

It is implicit in the context in which DR is typically discussed in relation to resource adequacy (“RA”) at the Commission, as well as the CAISO and the FERC, that energy storage is often considered a “subset” of DR. CESA notes that, for example, the subject of allocation of RA credit for third-party DR providers who participate in reliability DR programs is included within the scope of Phase 1(p. 4). At the same time, however, energy storage per se is to be considered in Phase 2 (p. 7). There is no doubt that the load management goals of DR programs can be met by reduction of peak demand and/or storage of generation for use at a later time. Of course, energy storage can also increase supply of generation. The overlap of DR and energy storage functionality has been publicly remarked on, for example, in the context of the California Energy Commission’s Workshop on Electric Energy Storage for Renewable integration held on April 28, 2011, as part of the 2011 IEPR process.³

Until the loading order set forth in the Energy Action Plan is modified to create a distinct category for energy storage, it should at least be explicitly included in one of the existing categories. This point is very important if for no other reason than the implications it has for the

² *Order Instituting Rulemaking Pursuant to Assembly Bill 2514 to Consider the Adoption of Procurement Targets for Viable and Cost-Effective Energy Storage Systems*, filed December 16, 2010.

³ *See*, Staff Slide Presentation and Transcript of testimony of Michael Colvin: “And then, this is again something that I use, as sort of a touchstone in thinking about storage, but how does storage connect to the other resources in the Energy Action Plan? And again, it goes a little bit back to this idea of applications, but if you think about storage and demand response, and the problems or opportunities there vs. storage and distributed generation that’s behind the Grid, totally different barriers to entry, probably – different ownership models, different value streams, but yet it’s all still storage. And so, just going through the rigor or going through the exercise of connecting to different points along the loading order is probably a useful way to making certain that whatever general policy framework we come up with is strong enough to go through that process, go through that ladder.” (TR 36-37).

role of energy storage in long-term procurement. In the Commission’s Decision Approving Modified Bundled Procurement Plans at its regularly scheduled meeting yesterday, the Commission emphasized the role of the loading order as follows:

“Accordingly, to clarify the Commission’s position, we expressly endorse the general concept that the utility obligation to follow the loading order is ongoing. The loading order applies to all utility procurement, even if pre-set targets for certain preferred resources have been achieved. This is only a clarification of our existing policy, and does not modify any Commission decision relating to procurement of specific resources, such as energy efficiency or renewable generation.

. . . .

We understand that opportunities to procure additional energy efficiency or demand response resources may be more constrained than just signing up for more conventional fossil generation, but the utilities should still procure additional energy efficiency and demand response resources to the extent they are feasibly available and cost effective. If the utilities can reasonably procure additional energy efficiency and demand response resources, they should do so.” (Mimeo pp. 20-21).

It is imperative that energy storage be clearly identified as a key resource in all of the Commissions proceedings, including this one.

III. THE COMMISSION SHOULD EXPLAIN HOW IT PLANS TO COORDINATE THIS PROCEEDING WITH THE ENERGY STORAGE RULEMAKING.

In the weeks between comments being filed on the Order Instituting Rulemaking filed in this proceeding and today, a Staff Proposal was introduced into evidence in the Energy Storage Rulemaking⁴ that included the following recommendation to the Commission:

“The first important outcome of this rulemaking should be to begin the process of having RA value assigned to energy storage as part of the new RA rulemaking (R.11-10-023). The ‘end use’ framework outlined in Section 3 of this proposal identifies the broad uses for storage. The CPUC will need to determine whether and how RA can be attributed to each of the ‘end uses’ or their combinations. The RA treatment for energy storage is preliminary in the scope of R.11-10-023.7 CPUC Staff anticipates close

⁴ Energy Staff Storage Framework Proposal, published December 12, 2011.

coordination between R.10-12-007 and R.11-10-023 regarding the RA rules for energy storage.” (page 7).

CESA submits that it is important that, given that energy storage *per se* is being deferred to Phase 2 in the Scoping Memo, to explain the way in which this proceeding and the Energy Storage OIR will be coordinated.

IV. THE COMMISSION SHOULD BEGIN ADDRESSING MULTI-YEAR CONTRACTING FOR STANDALONE ENERGY STORAGE, AND GENERATION AND DEMAND RESPONSE ENABLED BY ENERGY STORAGE.

In D. 10-06-018, issued June 3, 2010, the Commission, at page 61, directed the Energy Division and other appropriate Commission staff to study the potential of a forward procurement obligation and report its findings to the Commission at some future date. It is CESA’s hope that the staff will use the occasion of filing its proposal today as specifically directed in the Scoping Memo, at page 6, to deliver such a report. The Scoping memo lists several topics that should be included in the staff’s proposal “at a minimum”. CESA proposes that the Commission should begin to address the subject of multi-year forward contracting using energy storage-related facilities, stand alone, or integrated with renewable or conventional generation.

It is also important to note that energy storage can be sited at the location of conventional or renewable generation, or sited with distributed generation (distribution-located or on the customer side of the meter). As an example, thermal energy storage installed at natural gas-fired plants (both simple cycle and combined cycle) can utilize power generated at off-peak hours stored in the form of cold water to significantly improve the electrical output of those plants when they operate on peak by cooling their air intake. Thermal energy storage and many types of chemical storage technologies can also be installed on the customer side of the meter to effectively shift peak demand to off-peak periods. CESA, and others, have made this proposal

previously in comments filed in this proceeding,⁵ but the Scoping Memo makes no mention of the topic being addressed in either Phase 1 or Phase 2 of this proceeding. It is no longer “premature” to address multi-year procurement in this proceeding.

V. CONCLUSION.

CESA appreciates the opportunity to submit this proposal, and looks forward to working with the Commission and other stakeholders in this proceeding going forward.

Respectfully submitted,



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⁵ See, e.g., CESA’s Reply Comments, filed November 21, 2011.