

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

Application of Southern California Edison
Company (U 338-E) for Approval of its 2016
Energy Storage Procurement Plan.

Application 16-03-002
(Filed March 1, 2016)

**RESPONSE OF THE CALIFORNIA ENERGY STORAGE ALLIANCE
TO SOUTHERN CALIFORNIA EDISON COMPANY'S APPLICATION FOR
APPROVAL OF ITS 2016 ENERGY STORAGE PROCUREMENT PLAN**

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In accordance with Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), the California Energy Storage Alliance (“CESA”)¹ hereby submits this response on *Southern California Edison Company’s Application for Approval of its 2016 Energy Storage Procurement Plan*, submitted on March 1, 2016 (“Application”) in accordance with Rule 2.6 of the Commission’s Rules of Practice and Procedure and Administrative Law Judge Michelle Cooke’s e-mail ruling issued March 23, 2016, which set this date for filing of protests.

¹ 1 Energy Systems Inc., Advanced Microgrid Solutions, AES Energy Storage, Aquion Energy, Brookfield, California Environmental Associates, Consolidated Edison Development, Inc., Cumulus Energy Storage, Customized Energy Solutions, Demand Energy, Dynapower Company, LLC, Eagle Crest Energy Company, East Penn Manufacturing Company, Ecoult, ELSYS Inc., Energy Storage Systems, Inc., Enphase Energy, EV Grid, GE Energy Storage, Gordon & Rees, Green Charge Networks, Greensmith Energy, Gridtential Energy, Inc., Hitachi Chemical Co., Ice Energy, IMERGY Power Systems, Innovation Core SEI, Inc. (A Sumitomo Electric Company), Invenergy LLC, K&L Gates, LG Chem Power, Inc., Lockheed Martin Advanced Energy Storage LLC, LS Power Development, LLC, Mitsubishi Corporation (Americas), NEC Energy Solutions, Inc., NextEra Energy Resources, NRG Solar LLC, OutBack Power Technologies, Panasonic, Parker Hannifin Corporation, Powertree Services Inc., Primus Power Corporation, Princeton Power Systems, Recurrent Energy, RES Americas Inc., Saft America Inc., Sharp Electronics Corporation, Skylar Capital Management, SolarCity, Sovereign Energy, Stem, SunEdison, SunPower, Toshiba International Corporation, Trimark Associates, Inc., Trina Energy Storage, Tri-Technic, UniEnergy Technologies, Wellhead Electric, Younicos. The views expressed in this Response are those of CESA, and do not necessarily reflect the views of all of the individual CESA member companies. (<http://storagealliance.org>).

I. INTRODUCTION.

CESA appreciates the opportunity to comment on Southern California Edison Company's ("SCE") Application for Approval of its 2016 Energy Storage Procurement ("ESP") Plan. CESA applauds SCE for its leadership to date in the energy storage market – notably through the 16.3 MW of energy storage procured through its 2014 Energy Storage Request for Offers ("RFO") and the 23 energy storage contracts for 261 MW in its 2013 Local Capacity Requirements ("LCR") RFO (D.15-11-041). Although SCE has met its energy storage procurement targets for the 2016 biennial cycle, CESA urges SCE to fulfil its goals with the 2016 RFOs "to maintain momentum in transforming the energy storage market."²

Overall, CESA supports SCE's 2016 ESP Plan to procure up to 20 MW of Resource Adequacy ("RA") only projects in its 2016 Energy Storage RFO, with offers limited up to 10 MW and a preference for projects located in certain locations that SCE has identified. CESA also supports SCE's consideration of "innovative" use cases, which includes community storage, energy storage used in microgrids, and distribution deferral. SCE says that it will modify its *pro forma* contracts prior to RFO launch for these innovative use cases and may request for a timeline extension to determine a way to determine the costs and benefits of and procure energy storage for these innovative use cases.³ CESA cautions, however, that the procurement process already takes too long and recommends that the consideration of innovative use cases should not excessively delay the approval of executed energy storage contracts. CESA recommends SCE consider both full toll contracts as well as RA only contracts through *pro forma* contracts. In line with D.13-10-040, SCE should seek to gain experience with energy storage procurements, likely

² *Testimony of Southern California Edison Company in Support of Its 2016 Energy Storage Procurement Plan*, submitted on March 1, 2016. p. 29.

³ *Ibid*, p. 31.

including full toll contracts, rather than focusing exclusively on RA-Only contracts. Finally, CESA supports SCE's approach to consider energy storage across many of its procurement mechanisms, including its Renewable Portfolio Standard ("RPS") RFP and Preferred Resources Pilot RFO 2.

While generally supportive of SCE's 2016 ESP Plan, CESA focuses its response here on several high level considerations to ensure that SCE continues on its path of energy storage procurement leadership. Specifically, CESA recommends that SCE and the Commission consider: a) incentives to accelerate SCE's solicitation timeline as applicable and practical; third-party ownership and operation of energy storage projects for the distribution deferral use cases; b) appropriate definitions for station power in *pro forma* contracts; and c) revisiting of the 2016 ESP Plan if the electricity reliability situation in SCE's service territory worsens due to the Aliso Canyon gas leak.

II. THE PROCESS FROM REQUESTS FOR OFFERS TO APPLICATIONS FOR APPROVAL TAKES TOO LONG.

Overall, the process from issuing the RFO to submitting Applications for Approval is too long and leads to higher bid costs and risk factors from a number of changes to the market and regulatory environment that occurs over a long solicitation timeline. While it is understandably difficult to structure and develop a relatively new type of contract for energy storage, the solicitation cycle needs to move faster to reduce transaction costs and minimize external risks from market, regulatory, and capital cost risk faced by both the utility buyer and the third-party bidder. SCE proposes to launch its 2016 Energy Storage RFO on December 1, 2016 and subsequently submit its Application for Approval on August 4, 2017, which is a reasonable timeline and one in which SCE should follow to the fullest extent possible. SCE should be expected to submit executed contracts from their 2016 Energy Storage RFO in a timely fashion

based on its experience with energy storage contracts and negotiations during the 2013 LCR RFO and 2014 Energy Storage RFO. CESA suggests that financial incentives could be provided to the SCE to accelerate its solicitation schedule.

III. ENERGY STORAGE PROCUREMENT FRAMEWORKS SHOULD MOVE TOWARD AN OPEN COMPETITION OUTLINING CERTAIN REQUIREMENTS AND REQUESTING SPECIFIC SERVICES TO IDENTIFIED PROBLEMS.

CESA believes that ESP frameworks must balance the need for flexibility to submit innovative and unique bids while providing specificity in what service is required. While certain key requirements must be met (*e.g.*, safety considerations) by all energy storage projects, CESA recommends that all ESP frameworks, including that for SCE, move toward an open competition where specific services are requested to clearly defined grid needs and problems, but that the investor-owned utilities do not prescribe specific technologies, operational profiles, or ownership models. For the most part, SCE has adhered to these values. However, for the distribution deferral use case, SCE proposes the procurement of utility ownership of energy storage projects.⁴ CESA sees no need to specify ownership models in its 2016 ESP Plan and believes that SCE should be open to third-party owned and operated projects and/or utility owned but third-party controlled and dispatched projects for the distribution deferral use case. While SCE is understandably concerned about ensuring distribution reliability, energy storage contracts could be negotiated and structured that set operational parameters to prioritize its reliability service and such that bidders assume the responsibilities and risk for ensuring reliability. The specification of ownership models needlessly precludes innovative business models in providing distribution deferral through energy storage.

⁴ *Ibid*, p. 43.

IV. SCE MUST APPROPRIATELY DEFINE STATION POWER IN ITS PRO FORMA CONTRACTS.

The issue of defining what constitutes station power is scoped into Track 2 of the Energy Storage Rulemaking (R.15-03-011), but CESA reiterates its concern as to SCE's *pro forma* contracts continuing to mistakenly define many of an energy storage device's non-discretionary loads as station use, leading to discriminatory rate treatment of energy storage devices. This issue is glaring when considering conventional generation units have loads that are essential to their operation (*e.g.*, emissions controls or water treatment at a combined cycle plant) netted against the output of the generators and settled at wholesale levels. Similar rate treatment should be applied to essential loads for energy storage, such as thermal management systems and pumps for flow batteries. SCE should therefore be required to modify its *pro forma* contracts according to the determinations made in Track 2 of R.15-03-011.

V. SCE'S ENERGY STORAGE PROCUREMENT FRAMEWORK SHOULD BE REVISITED IN LIGHT OF THE ALISO CANYON CRISIS IF IT EXTENDS BEYOND 2016.

A joint analysis by the Commission, California Energy Commission ("CEC"), CAISO, and the Los Angeles Department of Water and Power ("LADWP") highlighted critical grid reliability needs due to the gas leak that occurred at the Aliso Canyon Natural Gas Storage Facility on October 23, 2015. With only one-fifth of the capacity, the Aliso Canyon facility cannot provide the normal level of gas supplies needed for natural gas-fired power plants to meet electricity demand in the Los Angeles area, potentially leading up to 14 days of electricity service interruptions to millions of customers in this upcoming summer, according to the

Technical Assessment Group.⁵ In light of these considerations, the Commission has been directed to explore all actions necessary, including having SCE consider ways to address these issues in the near-term through existing demand response programs and resources.⁶ Similarly, quick actions and adjustments could be taken in this proceeding and through SCE's 2016 ESP Plan if the grid reliability issue in the Los Angeles area extends beyond summer and winter 2016. Expedited procurement cycles for reliability-based energy storage could be instituted given the procurement experience by SCE, the relatively quicker deployment timelines for energy storage resources, and the advantages of energy storage as a fast-responding resource to grid reliability issues.

VI. CONCLUSION.

CESA appreciates the opportunity to submit this response to SCE's Application and looks forward working with the Commission and SCE in ensuring a robust solicitation of cost-effective energy storage resources.

Respectfully submitted,



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⁵ *Aliso Canyon Action Plan to Preserve Gas and Electric Reliability for the Los Angeles Basin*, prepared by the Staff of the California Public Utilities Commission, California Energy Commission, the California Independent System Operator, and the Los Angeles Department of Water and Power, published on April 5, 2016. p. 3.

⁶ *Assigned Commissioner's Ruling Directing Activities in Response to Natural Gas Leak at Aliso Canyon Storage and Seeking Comments*, issued on March 23, 2016.