

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

Application of San Diego Gas and Electric
Company (U 902-E) for Approval of its 2018
Energy Storage Procurement and
Investment Plan.

Application 18-02-016
(Filed February 28, 2018)

And Related Matter.

Application 18-03-001
Application 18-03-002

**REPLY COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE
TO THE PROPOSED DECISION IMPLEMENTING THE AB 2868 ENERGY
STORAGE AND INVESTMENT FRAMEWORK AND APPROVING AB 2868
APPLICATIONS WITH MODIFICATION**

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

Application of San Diego Gas and Electric Company (U 902-E) for Approval of its 2018 Energy Storage Procurement and Investment Plan.	Application 18-02-016 (Filed February 28, 2018)
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**REPLY COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE
TO THE PROPOSED DECISION IMPLEMENTING THE AB 2868 ENERGY
STORAGE AND INVESTMENT FRAMEWORK AND APPROVING AB 2688
APPLICATIONS WITH MODIFICATION**

In accordance with Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), the California Energy Storage Alliance (“CESA”) hereby submits these reply comments to the *Proposed Decision Implementing the AB 2868 Energy Storage Program and Investment Framework and Approving AB 2868 Applications with Modification* (“PD”), issued by Administrative Law Judge (“ALJ”) Brian Stevens on February 26, 2019.

I. INTRODUCTION.

In these reply comments, CESA focuses on the opening comments by the Public Advocates Office (“PAO”) and San Diego Gas and Electric Company (“SDG&E”) on their recommended path forward for the proposed in-front-of-the-meter (“IFOM”) energy storage investments. CESA also agrees with comments made by GRID Alternatives and the California Housing Partnership Corporation (“CHPC”) in support of Southern California Edison Company’s (“SCE”) and SDG&E’s behind-the-meter (“BTM”) programs. Finally, CESA recommends that a number of issues raised by other parties that are not directly applicable to these Applications be instead addressed in a successor Energy Storage proceeding and/or a new Multiple-Use Applications (“MUA”) proceeding.

II. UTILITY-OWNED ENERGY STORAGE INVESTMENTS MAY BE DEEMED REASONABLE PENDING SUPPLEMENTAL INFORMATION BEING PROVIDED.

Among other things, the Coalition of Utility Employees (“CUE”) and SDG&E focused on the Legislative intent to accelerate the deployment of energy storage through programs and investments authorized under AB 2868. CESA agrees, and particularly echoes the point that SDG&E made in regard to not taking a “fixed-pie view” of the energy storage market.¹ CESA thus recommended that the Commission allow for a more expeditious path for SDG&E’s proposed energy storage investments. Since the enactment of AB 2868, the Commission has had the opportunity to review several storage procurements, and as such, has enough familiarity with storage contracts to move to a more streamlined and efficient advice letter approval process. Additionally, under the Appendix A guidance in the PD, there is little need for the Commission to conduct a full application process for these procurements if the utility has complied with the provisions outlined therein. Review processes that often take over one year greatly expose contracting parties to commercial risk on the terms of their contract, and do not provide the stability and certainty that the market needs to grow. Further, quicker deployment of storage resources will allow the Commission and stakeholders to more quickly evaluate how distributed energy storage systems are benefiting the distribution system and to more quickly identify areas of improvement to be implemented as well. Furthermore, PAO recommends the removal of references to an expeditious process,² but CESA finds it unnecessary to delay the initiation of the RFO process if pre-approved criteria for modification and review of the investments are adopted in accordance with the PD.

III. THIRD-PARTY-OWNED ENERGY STORAGE SYSTEMS ARE CAPABLE OF SUPPORTING DISTRIBUTION NEEDS THROUGH CONTRACTS, INCLUDING FOR RESILIENCY USE CASES.

CESA recognizes that the topic of distributed energy resources (“DERs”) providing distribution services is being considered in other Commission proceedings and believes that the record in those cases may be better for making determinations on this topic rather than making determinations in this proceeding. Accordingly, CESA raises these points here but recommends

¹ SDG&E comments at p. 8.

² PAO, p. 3.

the role of third parties in providing distribution services be more comprehensively addressed in the R.14-08-013 and R.14-10-003. Instead, for the purposes of this proceeding, the Commission should focus on how Appendix A guidance may allow for competition from various business model approaches. CESA has both expressed support for SDG&E in pioneering the resiliency use case under a utility ownership model, *and*, through consideration either in the supplemental filings or the 2020 Applications, has recommended SDG&E consider pathways for how to procure for third-party-owned systems for innovative and new use cases (*e.g.* through a two-track Request for Offers (“RFOs”) with potential related contracting of third-party ownership models.³

CESA does not agree with broad-stroke statements that third-party-owned energy storage systems cannot be inserted into the instantaneous operations of the distribution resiliency use case without major risks or how third parties would opt to not adhere to their contractual obligations to provide distribution resiliency.⁴ As LS Power commented, third parties can use standardized hardware/software controls and communication protocols to integrate and automate responses when resilience services are instantly needed.⁵ Furthermore, when third-party-owned resources face with the choice of defaulting on their contract versus withdrawing from the wholesale energy market, third parties will rationally choose to adhere to their contractual obligations rather than defaulting (thereby foregoing some energy market revenues), given that the opportunity costs of foregoing some energy market revenues is only incremental and smaller relative to the real costs of defaulting on contractual obligations, which will have long-term impacts on a third party to liquidate damages and secure future financing. As outlined in Appendix A, the MUA rules and framework should apply to develop the contracting structures and operational framework to enable this use case for third-party-owned systems.⁶ For these reasons, CESA recommends that the

³ CESA contends with the characterization of our organization by SDG&E as not taking a position on ownership models or for being a spokesperson for any single company. CESA operates under policy principles of technology and business model neutrality and thus takes the position that competition from all ownership models support cost-effective and competitive outcomes, though one ownership model over another could be justified in certain cases. CESA also represents a broad membership base of more than 80 companies that inform and shape our positions, so no single company can single-handedly influence our views without buy-in or input from our broader membership base of companies.

⁴ SDG&E comments at pp. 7-8.

⁵ LS Power comments at p. 3.

⁶ Specifically, Rule 6 is applicable here where a single energy storage device may not contract for two or more different reliability service obligations such that the performance of one obligation renders the resource from being able from being unable to perform the other obligation. See *Decision on Multiple-*

Commission focus both on the intent of AB 2868 and the ability of SDG&E to further explain the rationale for or to modify its proposed projects.

IV. THE PROPOSED BEHIND-THE-METER ENERGY STORAGE PROGRAMS ARE DIFFERENT FROM AND COMPLEMENTARY TO EXISTING PROGRAMS AND SHOULD THUS BE APPROVED.

CESA agrees with the comments by GRID Alternatives and CHPC that recommend the Commission to reverse the determinations made in the PD to instead approve the BTM energy storage programs proposed by SCE and SDG&E. They raise additional important points with respect to how the proposed BTM programs are sufficiently different from the Self-Generation Incentive Program (“SGIP”) in that they plan to contract with a third-party administrator with experience in working with the target customer class and how the programs include a workforce training component that is not a part of SGIP requirements.⁷ CESA agrees that specialized experience and focused marketing/outreach would be beneficial for the target customer class, whereas the SGIP does not sufficiently customize its approach, incentive rates, or marketing/outreach to any particular customer class. GRID Alternatives and CHPC raise similar points around how resiliency is an auxiliary benefit of the proposed programs. This auxiliary benefit could be made an explicit benefit through supplemental information provided in Advice Letter filings proposing more specific program details and/or certain modifications to the performance requirements to better ensure the provision of resilience services. Despite these noted differences with SGIP, if the Commission still finds the programs to be too similar to SGIP, CESA recommends that the PD be modified to conditionally approve the proposed programs depending on whether and how the utilities make the aforementioned clarifications and/or modifications.

Furthermore, CESA disagrees with the PAO regarding how PG&E’s BTM Thermal Storage Program is duplicative of San Joaquin pilots.⁸ The program proposes to provide an incremental pay-for-performance incentive to the San Joaquin pilots to add load management

Use Application Issues, D.18-01-003, issued on January 17, 2018 in R.15-03-011.
<http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M206/K462/206462341.pdf>

⁷ GRID Alternatives and CHPC comments at pp. 5-6.

⁸ PAO comments at p. 9.

capabilities to electric water heaters. As highlighted by the Natural Resources Defense Council (“NRDC”), this program would provide enhanced benefits to the target customers.⁹

V. SEVERAL ISSUES RAISED BY PARTIES ARE BETTER ADDRESSED IN A SUCCESSOR ENERGY STORAGE PROCEEDING OR A NEW MULTIPLE-USE APPLICATIONS PROCEEDING.

Several parties raised important issues that warrant consideration in a successor Energy Storage proceeding focused on new policy and procurement frameworks, including around the merits of a feed-in tariff procurement option over an RFO, the importance of considering energy storage technology diversity in RFOs, and the need for a uniform cost allocation policy and *pro rata* crediting of energy storage benefits.¹⁰ For each of these points, CESA does not disagree in principle on these issues. However, CESA does not view these issues as being directly applicable to the Commission’s assessment of the reasonableness of the utilities’ Applications. Rather, the issues raised by these parties are broader policy issues that should be addressed in a successor Energy Storage proceeding and/or a new MUA proceeding, which CESA has previously advocated for the Commission to open. CESA thus recommends that the Commission open a successor Energy Storage proceeding and/or a new MUA proceeding to address these issues as well as a number of other outstanding issues.

VI. CONCLUSION.

CESA appreciates the opportunity to submit these reply comments to the PD and looks forward to working with the Commission going forward in this proceeding.

Respectfully submitted,



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⁹ NRDC opening testimony at pp. 2-3 and PG&E rebuttal testimony at pp. 9-10.

¹⁰ WBA comments at p. 3; Clean Coalition comments at pp. 4-6; and Green Power Institute comments at p. 4; AReM, DACC, and CCEA comments at pp. 8 and 11-13; and SBUA comments at p. 4.