

**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 and Flexible Procurement
Obligations for the 2019 and 2020
Compliance Years.

Rulemaking 17-09-020
(Filed September 28, 2017)

**REPLY COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE
ON THE PROPOSED DECISION GRANTING MOTION REGARDING QUALIFYING
CAPACITY OF HYBRID RESOURCES WITH MODIFICATIONS**

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In accordance with the 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 Granting Motion Regarding Qualifying Capacity of Hybrid Resources With Modifications* (“PD”), filed by Administrative Law Judges (“ALJs”) Debbie Chiv and Peter V. Allen on November 26, 2019.

I. INTRODUCTION.

CESA commends both the Commission and all the parties that have expressed interest in establishing an interim qualifying capacity (“QC”) methodology for hybrid resources. Some of our concerns regarding an overly conservative set of QC counting rules and the lack of clarity on the “operational restrictions” definition were echoed by other stakeholders. While there are areas of shared interest, CESA has also found key issues where further refinement is needed. In these reply comments, CESA focuses on the following topics:

- The Commission should adopt an additive interim methodology as it aligns with California’s policy goals and the CAISO’s Hybrid Resources Framework.
- If the Commission decides to adopt a “greater-of” methodology, it should define “operational restrictions” as storage assets charging exclusively from the paired generation resource and should clarify that the proposed interim methodology would only apply for resources with “operational restriction” as defined.

- Southern California Edison Company’s (“SCE”) modified QC methodology for hybrid resources with oversized storage components further depresses the capacity value of hybrids and should not be adopted.
- The Commission should start a working group process to define a permanent capacity-counting methodology for hybrid resources.

II. THE COMMISSION SHOULD ADOPT AN ADDITIVE INTERIM METHODOLOGY.

CESA is concerned that the interim methodology proposed in the PD is overly conservative and consistently underestimates the capacity and reliability contributions of hybrid resources to the grid at large. In this sense, CESA echoes the sentiment shared by American Wind Energy Association of California (“AWEA CA”) and the Large-Scale Solar Association (“LSA”) that this methodology could discourage the deployment of paired resources under a single resource ID, hindering fulfillment of Decision (“D.”) 19-11-016 in a sustainable manner.¹ By disincentivizing the procurement of assets managed under a single resource ID, the Commission would prevent ratepayers from enjoying the full benefits of the Federal tax incentives, thereby increasing costs and slowing down the adoption of resources need to support reliability and decarbonization.²

As a result, CESA urges the Commission to reconsider and instead implement an additive methodology for all hybrid resources that would operate under one resource ID in the California Independent System Operator (“CAISO”) markets. Thus, CESA reaffirms its conviction on the fact that, even if the additive approach may sometimes overestimate the capacity provided by hybrid resources, it is the most appropriate interim methodology as it recognizes and values different hybrid resource types and configurations.

III. THE COMMISSION SHOULD DEFINE “OPERATIONAL RESTRICTIONS” AS STORAGE ASSETS THAT CHARGE EXCLUSIVELY FROM THE PAIRED GENERATION RESOURCE.

If the Commission decides to adopt an interim capacity-counting methodology based on the “greater-of” approach, CESA recommends reevaluating the definition of “operational

¹ Comments of AWEA CA and LSA at 4.

² See the Commission’s Proposed 2019-2020 Reference System Plan foresees the deployment of around 11 GW of solar PV and 11 GW of battery storage.

restrictions.” As pointed out by CAISO, California Community Choice Association (“CalCCA”), Pacific Gas & Electric Company (“PG&E”), and SCE in their initial comments, the PD does not adopt a clear definition of “operational restrictions”.³

To achieve clarity, SCE recommends modifying the definition of hybrid resources to “a generating resource co-located with a storage project *that has charging restrictions*, having a single point of interconnection and represented by a single market resource ID. *The storage project may either charge from both the grid and the generating resource or charge from only the generating resource*” [emphasis added].⁴ CESA strongly opposes this definition as it: (1) assumes all hybrid resource configurations would have operational restrictions, contrary to the participating schemes contemplated by CAISO; and (2) applies a greater-of methodology for all hybrid configurations with varying degrees of operational restrictions. Instead, CESA proposes maintaining the PD’s definition of “hybrid resource” and defining “operational restrictions” as: “The requirement that the storage project associated with the hybrid resource charges *exclusively* from the generation of the co-located generator under a single resource ID.” This bright-line approach is in line with the comments offered by CalCCA⁵ and would be consistent with the PD’s apparent intent to establish of an interim QC methodology for hybrid resources with operational restrictions. Such clarifications would also recognize the incremental value of gas-storage hybrids.

Considering this recommended definition of “operational restrictions”, CESA recommends that the Commission modify the PD to clarify that the proposed interim methodology would only apply to hybrid resources that have such exclusive charging restrictions. This means that all other hybrid resources, even those that claim partial investment tax credit (“ITC”), shall be exempt from the “greater-of” counting convention. For hybrid resources that do not charge exclusively from onsite generation, the Commission should apply an additive methodology as it most accurately represents the contributions of those resources. However, even for resources that charge exclusively from onsite generation, it is reasonable for the Commission to adopt an additive methodology for all hybrid resources in the interim.

Furthermore, CESA disagrees with SCE’s conclusion that a QC methodology for hybrid resources that receive partial ITC is complicated, will take longer to resolve, and should not be

³ See Comments of CAISO at 2, CalCCA at 5, PG&E at 2, and SCE at 3.

⁴ Comments of SCE at 3.

⁵ CalCCA at 7. Filed under R. 17-09-020.

addressed in this PD.⁶ This does little to provide certainty for developers with projects in CAISO’s interconnection queue, and load-serving entities (“LSEs”) that seek to satisfy their resource adequacy (“RA”) requirements and fulfill their share of the procurement directed by D.19-11-016. Moreover, if hybrid resources seek to provide resiliency, as encouraged by D.19-11-016, they may have their capacity contributions undervalued as a result even though resiliency could be provided through some flexibility to charge from the grid. Thus, if the Commission adopts the greater-of methodology, CESA asks the Commission to explicitly restrict the application of the proposed “greater-of” methodology to hybrid resources that charge *exclusively* from on-site generation, and establish an additive methodology for all other hybrid configurations as it would signal there is value in optimizing fossil-fueled resources and minimizing output variability of variable resources.

IV. SCE’S MODIFIED QC METHODOLOGY FOR HYBRID RESOURCES WITH OVERSIZED STORAGE COMPONENTS DEPRESSES THE CAPACITY VALUE OF HYBRIDS AND SHOULD NOT BE ADOPTED.

In opening comments, SCE points out that the Commission’s proposed interim methodology may overstate the capacity of hybrid resources where the storage asset is considerably oversized.⁷ SCE proposes a “modified QC” methodology⁸ and argues that the final QC value for the storage component of the hybrid resource should be set as the lesser of the modified QC or the QC of the storage device as if it were a stand-alone device.⁹ While understanding SCE’s concern, CESA disagrees with the adoption of this methodology within the PD as it: (1) assumes hybrid resources with oversized storage components would have operational constraints (*i.e.*, charging requirements); and (2) further depresses the capacity value of hybrid resources even though the available energy to charge is already accounted for in the ELCC value of the variable generating facility. For example, oversizing the paired storage facility beyond the available energy from the generating facility (*e.g.*, 120 MW storage paired with 100 MW solar) would presumably involve some charging from the grid to take advantage of *otherwise stranded storage capacity*, such that a greater-of methodology combined with the cap on the QC of the storage based on the paired generating facility would significantly reduce the capacity value of the

⁶ SCE at 5. Filed under R. 17-09-020.

⁷ SCE at 4 through 5. Filed under R. 17-09-020.

⁸ *Ibid.*

⁹ *Ibid.*, at 5.

storage facility. It is thus unlikely that said resources will operate charging *exclusively* from on-site generation and would be unfair to cap the QC of storage resources in these oversizing cases.

V. **THE COMMISSION SHOULD START A WORKING GROUP PROCESS TO DEFINE A PERMANENT CAPACITY-COUNTING METHODOLOGY FOR IN FRONT OF THE METER AND BEHIND THE METER HYBRID RESOURCES.**

CESA fully agrees with CalCCA's proposal to establish a working group in R.19-11-009 in order to develop permanent capacity counting methodologies for both in-front-of-the-meter ("IFOM") and behind-the-meter ("BTM") hybrid resources in an expeditious manner.¹⁰ For BTM resources, the PD points out that BTM resources currently receive RA credit as demand response ("DR") and will continue to do so.¹¹ However, BTM storage currently is evaluated for RA credit using load impact protocols ("LIPs") that were developed in 2008, before BTM storage was even available in the market. LIPs, which use counterfactual estimates of load in the absence of a DR event, are not necessary or relevant for hybrid BTM solar-plus-storage resources whose energy output can be directly measured with a meter. Given our interest in the subject, our active participation in the public record, and our knowledge regarding storage assets, CESA would like to volunteer to lead this working group if approved by the Commission.

VI. **CONCLUSION.**

CESA appreciates the opportunity to submit these reply comments to the PD and looks forward to working with the Commission and stakeholders in this proceeding. In particular, CESA looks forward to developing more permanent capacity counting methodologies for hybrid resource configurations as part of the new RA rulemaking, R.19-11-009.

Respectfully submitted,



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¹⁰ CalCCA at 4. Filed under R. 17-09-020.

¹¹ PD at 9.