CESA
CALIFORNIA ENERGY STORAGE ALLIANCE

May 26, 2020

CPUC Energy Division Tariff Unit
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Re: Protest of the California Energy Storage Alliance to Advice Letter 4208-E of Southern California Edison Company

Dear Sir or Madam:

Pursuant to the provisions of General Order 96-B, the California Energy Storage Alliance ("CESA")[1] hereby submits this response to the above-referenced Advice Letter 4208-E of Southern California Edison Company ("SCE"), *Southern California Edison Company's Updates to its Distribution Investment Deferral Framework Request for Offer Projects* ("Advice Letter"), submitted on May 6, 2020.

[1] 174 Power Global, 8minutenergy Renewables, Able Grid Energy Solutions, Aggreko, Amber Kinetics, Ameresco, Aparrent, Aquifer Based Hydroelectric Systems LLC, Arevon Energy Management by Capital Dynamics, Avangrid Renewables, B2U Storage Solutions, Better Energies, Boston Energy Trading & Marketing, Bright Energy Storage Technologies, Buchalter, Carrier, Clean Energy Associates, ConEd Battery Development, Connect California, Customized Energy Solutions, Dimension Renewable Energy, Doosan GridTech, Eagle Crest Energy, East Penn Manufacturing, EDF Renewable Energy, Emera, Enel X, Energy Dome, Energport Inc., Energy Storage Response Group, Energy Vault, Engie, ESS Inc., esVolta, Fluence, Form Energy, General Electric, Gridwiz, Hecate Energy, Highview Power, Honda, Hydrostor, Jensen Hughes, Lendlease Energy Development, LG Chem Power, Li-Ion Tamer, Lockheed Martin AES, LS Power Development, Malta, NantEnergy, NEC Energy Solutions, Inc., NextEra Energy Resources, NEXTracker, NGK Insulators, Nostromo, NRStor, Nuvve, Ormat/Viridity, Plus Power, PolyJoule, PXiSE, Quidnet Energy, Range Energy Storage, RAW Energy, Recurrent Energy, Reimagine Power, RWE, Southwest Generation Company, Stem, Stoel Rives, Elsys, Sumitomo Electric, Sunrun, Swell Energy, Tenaska, Tenaska Power Services Company, Trane, UL, VRB Energy, Wartsila, WattTime, Wellhead Electric and Zitara Technologies. 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://storagealliance.org).

I. INTRODUCTION & BACKGROUND.

In the Distribution Resources Plan ("DRP") proceeding (R.14-08-013), each of the investor-owned utilities ("IOUs") worked with the Distribution Planning Advisory Group ("DPAG") to provide advisory input into their Grid Needs Assessment ("GNA") and Distribution Deferral Opportunity Report ("DDOR") as part of the 2020 Distribution Investment Deferral Framework ("DIDF") cycle. Since the DIDF was launched two years ago, CESA has observed improvements made to the planning and solicitation process. To this extent, CESA appreciates the collaboration from the Commission and the IOUs to identify pathways to see where cost-effective distribution deferral by distributed energy resources ("DERs") can be made possible.

In this spirit, CESA held high hopes for SCE's 2020 DIDF Request for Offers ("RFO") as yielding some level of DER procurement to address the identified distribution deferral needs. The DPAG identified a number of Tier 1 projects that were strong candidates for deferral given the capacity and duration of the need that were well-suited for DERs to address, in addition to a number of other timing and cost-related factors included in the screening and prioritization criteria. CESA was also looking forward to seeing whether DERs could be procured to address distribution reliability projects since DERs have only been procured for distribution capacity needs to date; this would have resulted in new insights into the challenges and opportunities for a new distribution service and use case.

However, the Advice Letter detailed a number of changes to the needs estimates and, in some cases, to the cost estimates for the traditional mitigation measure, leading to the cancellation of two proposed projects for solicitation and drastically changed scope and costs for other projects. CESA is concerned about the drastic changes late in the solicitation process, which creates a "moving target" for bidders and leaves little time for bidders to make adjustments to the updated service requirements and/or cost estimates. As a result, DER projects, whether cost-effective or not, or whether capable of delivering on the needs or not, were doomed to fail in these solicitations.

In reviewing the Advice Letter, CESA protests the process by which these revisions and updates were made. CESA does not dispute the facts or findings of the nature of the needs and costs for the six proposed projects; it is reasonable to expect these estimates to be refined upon field verification and new information gathered around load growth projects. However, CESA finds issue with the timing of making these revisions and updates that were late-arriving in the solicitation process and made it very difficult, if not impossible, for bidders to make adjustments to the changing nature of the need.

II. DISCUSSION.

In this protest, CESA discusses the process issues regarding the revisions and updates made to the six proposed projects in SCE's 2020 DIDF RFO. Beyond these immediate process issues, CESA also highlights several planning process improvements that could be made to avoid similar misalignment issues in the future.

Upon further investigation, CESA urges the Commission and SCE to recognize the below issues and address them in order to improve the viability of DER projects in the DIDF RFOs. CESA is not advocating for DER projects be selected in absolute, but rather that DER projects in these solicitations be positioned to have potential viability (*i.e.*, "have a shot") with reasonable fixes to the planning and solicitation process. Otherwise, CESA is worried that these experiences will deter future DER market participation in these solicitations, thereby leading to ratepayers potentially missing out on cost-effective deferral and savings on capital investments.

A. Developers were given few days of advanced notice to make revisions to their bids in light of the revisions and updates.

Notwithstanding the general issue of the "dynamic nature" of the distribution planning and solicitation process, CESA believes that SCE could have run a more fair and reasonable process that better enabled bidders to make adjustments to the revised project scope, needs, and costs. CESA understands that SCE notified participating bidders of these revisions on April 22, 2020 and directed them to provide updated bids by April 30, 2020, thus giving them only several business days to make substantial engineering and financial decisions. With certain projects seeing increased capacity and/or energy needs, developers needed to assess the technical and financial viability of increasing the capacity/energy of their proposed deferral project – a redesign exercise that could more likely be accomplished with at least a couple weeks of notice, but unlikely to be possible in a few days.

Furthermore, with SCE also seeking projects that can provide resource adequacy ("RA") value, developers had to make substantial financial decisions within a few days regarding whether they would enter the California Independent System Operator ("CAISO") Queue Cluster ("QC") 13 study process to be studied for RA deliverability based on the revised scope, need, and cost. Such development decisions are significant and can materially impact the financial viability of a proposed DER deferral project if the underlying assumptions for the needs estimate and the "cost to beat" changes, as interconnection applicants must put down major study deposits that can amount to up to $250,000.

Finally, according to the bidders conference presentation, the final award date was originally planned to be April 27, 2020, which gave bidders a few days to put down their interconnection study deposit before April 30 with an idea of whether bidders were awarded a contract. However, with the award date presumably being pushed back due to these changes, updated pricing and bids were required to be submitted along with interconnection study deposit without any idea of an award. Alternatively, bidders may also enter next year's queue (*i.e.*, QC 14) but a year-long delay in the interconnection process would also make it challenging for these projects to meet projects requiring a 2022 commercial online date ("COD"), though a 2023 COD is possible. While the decision to make an interconnection study deposit before or after an award is different for each developer, the change to the solicitation timeline created unexpected challenges for those who planned their competitive bidding strategy in one way.

In summary, had notification of these changes occurred even a couple weeks earlier, bidders would have had a significantly better chance of responding and making informed bid adjustment and financial commitment decisions. Given this, CESA seeks to understand the degree to which such field validation, load customer verification, and other adjustment processes needed to occur on the timeline in which it actually occurred in the 2020 DIDF RFO. If demonstrated to be unavoidable, then CESA believes that this will inform whether broader DIDF reforms are needed to address these timeline alignment issues regarding the Integrated Energy Policy Report ("IEPR") forecast, distribution planning (*e.g.*, verification, disaggregation), and solicitation processes.

B. The DPAG should focus on accounting for changing variables during the solicitation process and identify ways to mitigate the "moving target" issue.

As explained above, CESA believes that the most significant issue in the 2020 DIDF RFO was the dramatic changes to the service requirements and traditional cost of mitigation just before bids were due or after bids have been submitted. While acknowledging that distribution planning can be dynamic, actual load growth will always deviate to some degree from forecasted load growth. Despite these dynamic conditions, CESA believes that other planning activities still move forward with procurement of resources or wires by assuming some level of certainty but also some level of flexibility and optionality. To this extent, CESA believes that the DPAG should assess whether DERs in the DIDF are being planned and procured in a similar way as other generating resources or infrastructure investments (*e.g.*, procurement directed or approved out of the Integrated Resources Planning proceeding or CAISO's Transmission Planning Process).

Furthermore, CESA seeks to understand whether the additional field verification steps or information of known load growth projects can be conducted or uncovered sooner in the process to provide greater certainty on the scope, needs estimates, and cost of the proposed projects submitted for procurement in the DIDF RFOs. If it is possible to be done sooner, then it could resolve the "moving target" issue. Alternatively, if such information cannot be provided earlier, it would inform the screening and prioritization criteria for projects included in the DIDF RFO. Qualitative criteria on the certainty of these project needs and cost estimates would be informative but should also be vetted more closely by DPAG stakeholders.

Finally, if RA is sought or other value stacks are pursued, CESA also recommends that the DPAG consider how to align the procurement process with interconnection study timelines. The interconnection process represents a long process that can span up to five years for projects seeking CAISO deliverability and that operates on a regular calendar-year schedule.

The above points represent key areas of inquiry for the upcoming 2020-2021 DIDF cycle. In the broader DRP proceeding and within the DPAG, CESA will raise more refined points of feedback based on developers' reported experience with SCE's 2020 DIDF RFO.

III. CONCLUSION.

CESA appreciates the opportunity to submit this protest to SCE's Advice Letter and looks forward to collaborating with the Commission and SCE in the next DIDF cycle.

Respectfully submitted,

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California Energy Storage Alliance

cc: Gary A. Stern, SCE (AdviceTariffManager@sce.com)
Laura Genao c/o Karyn Gansecki, SCE (Karyn.Gansecki@sce.com)
Service lists for R.14-08-013 and R.14-10-003