

June 11, 2020

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**Re: Response of the California Energy Storage Alliance to Advice Letter 4218-E  
of Southern California Edison Company**

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Dear Sir or Madam:

Pursuant to the provisions of General Order 96-B, the California Energy Storage Alliance (“CESA”) hereby submits this response to the above-referenced Advice Letter 4218-E of Southern California Edison Company (“SCE”), *Submission of Southern California Edison Company System Reliability Fast Track Contracts, Related Solar Amendments, and Related Tariff Changes for Review and Approval Pursuant to Decision 19-11-016* (“Advice Letter”), submitted on May 22, 2020.

## **I. INTRODUCTION & BACKGROUND.**

In the Integrated Resource Planning (“IRP”) proceeding (R.16-02-007), the Commission issued Decision (“D.”) 19-11-016 on November 13, 2019 that directed all load-serving entities (“LSEs”) serving load within the California Independent System Operator (“CAISO”) balancing authority area to conduct incremental procurement for resources to meet project System Resource Adequacy (“RA”) shortfalls from 2021 to 2023. Interim procurement targets were established whereby LSEs must procure at least 50% of the LSE-specific targets to come online by August 1, 2021, 75% by August 1, 2022, and 100% by August 1, 2023. Any resulting contracts from the investor-owned utilities (“IOUs”) are required to be submitted for Commission approval via a Tier 3 advice letter.

Pursuant to D.19-11-016, SCE launched their 2019 System Reliability Request for Offers (“RFO”) in September 2019 with a Fast Track and Standard Track and subsequently submitted this Advice Letter on May 22, 2020 seeking Commission approval of seven agreements for 770 MW of incremental storage nameplate capacity for two standalone battery storage projects and five storage retrofits to existing generation facilities. Each of the agreements require commercial online dates (“CODs”) by August 1, 2021 and span 10- to 20-year contract terms.

In reviewing the Advice Letter, CESA provides this response in support of timely Commission approval of the proposed contracts included in SCE’s Advice Letter. By procuring new, incremental standalone and paired energy storage resources, SCE will bring online resources that

can not only provide incremental System RA to address the 2021-2023 reliability need but also provide renewable integration and flexibility.<sup>1</sup> Importantly, by procuring energy storage resources to address the near-term need, SCE also reduces the need to default to the use of once-through-cooling (“OTC”) facilities, improving the odds that they remain last-resort System RA resources given their carbon and environmental impacts. SCE’s proposed contracts thus advance the state’s decarbonization goals while providing reliability and flexibility at the same time. However, to ensure this outcome, the Commission should expeditiously approve the proposed contracts.

## **II. DISCUSSION.**

In this response, CESA details our comments for supporting expedited approval of the submitted contracts.

### **A. The proposed contracts are consistent with the requirements of D.19-11-016.**

As detailed in SCE’s Advice Letter, the proposed contracts represent procurement of entirely new storage resources, as well as incremental System RA relative to the baseline adopted in D.19-04-040.<sup>2</sup> Furthermore, these new storage resources are contracted with term lengths at or exceeding 10 years, thus meeting this requirement.<sup>3</sup> With the proposed contracts not utilizing onsite fossil-fueled generation or needing to assess for competitiveness with utility-owned offers,<sup>4</sup> the assessment for compliance of the contracts pursuant to D.19-11-016 is made simpler.<sup>5</sup> All projects are for preferred resources, including two projects located in disadvantaged communities (“DACs”).<sup>6</sup> In accounting for the above, CESA believes the proposed contracts are compliant with the procurement parameters of D.19-11-016.

Furthermore, with the Commission seeking to also advance the state’s progress toward greenhouse gas (“GHG”) emissions reduction targets, these energy storage contracts will be incentivized and operated in a manner to deliver immediate GHG-reducing benefits. In addition to reducing or eliminating the direct need to rely on OTC facilities or other existing gas generation alternatives, in-front-of-the-meter (“IFOM”), market-participating energy storage operations can reasonably be assumed to reduce GHG emissions given that marginal GHG emission rates are relatively well-correlated with wholesale energy market prices<sup>7</sup> and considering how these resources will also be operating under RA contracts with Availability Assessment Hours (“AAH”) set between 4pm and 9pm to incentivize availability and discharge during the hours of greatest need

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<sup>1</sup> D.19-11-016 at Finding of Fact (“FOF”) 17.

<sup>2</sup> *Ibid* at FOF 18 and Conclusion of Law (“COL”) 14.

<sup>3</sup> *Ibid* at COL 28.

<sup>4</sup> SCE Advice Letter at 6.

<sup>5</sup> D.19-11-016 at OP 7-8.

<sup>6</sup> SCE Advice Letter at 17-18.

<sup>7</sup> See *SGIP GHG Signal Working Group Final Report* published on September 6, 2018 at 127.

and greatest marginal emissions. Due to the investment tax credit (“ITC”), solar-paired-storage will be financially incentivized to charge from the onsite ITC-eligible solar generation and discharge as peaking capacity during the AAH period. Similarly, standalone energy storage resources responding to wholesale market prices will be incentivized to not only deliver peaking capacity but charge from grid-sourced power reflecting low energy prices correlated with low marginal emissions periods. In both cases, the procured energy storage resources can be reasonably assumed to also support the state’s decarbonization goals.

Based on comments made in other proceedings and venues, CESA understands that some stakeholders may raise questions or seek additional information from SCE substantiating the GHG emissions benefit of the contracted energy storage resource and its expected operations. While understandable to provide a more thorough review and evaluation, CESA does not believe that such an extensive review on this matter is needed at this time, especially given the short turnaround times to procure, construct, and commission projects to come online by August 1, 2021. There are sufficient assurances that energy storage resources will deliver on its promised GHG benefits when acting as a market-facing resource and contracted under an RA contract.

## **B. The IE Report finds the solicitation process to be fair and reasonable.**

In the public version of SCE’s Advice Letter, CESA is unable to view the bid comparison metrics and results, as required in D.19-11-016;<sup>8</sup> however, the Independent Evaluator (“IE”) report suggests a robust and fair outreach process and evaluation using the least-cost, best-fit (“LCBF”) methodology was conducted.<sup>9</sup> In addition, the IE reports that the contracts’ economics are favorable and represent the “best resources available” from the solicitation.<sup>10</sup> Normally, more extensive review of the LCBF evaluation may be warranted, but in this case where time remaining for approval and deployment is limited, CESA recommends that the Commission rely on the IE evaluation results to the degree feasible as providing reasonable assurances that these resources were the most effective and cost-effective resources bid into the solicitation.

Generally, CESA views the LCBF methodology as employed by SCE to be standard and familiar, similarly used as part of previous all-source and storage-specific solicitations. Improvements and increased levels of transparency could always be made and pursued; however, such improvements or reforms should be pursued prior to the solicitation launch, or as part of broader procurement framework discussions, such as in the proposed procurement track of the new IRP Order Instituting Rulemaking (“OIR”), R.20-05-003. As such, CESA believes that any questions regarding the solicitation

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<sup>8</sup> *Ibid* at COL 23.

<sup>9</sup> SCE Advice Letter at 21 and Attachment E: Independent Evaluator Report at 12-13.

<sup>10</sup> SCE Advice Letter Attachment E: Independent Evaluator Report at 33.

process and evaluation methodology may be better suited outside of the consideration of the approval of the contracts submitted in this Advice Letter.

**C. Expedited contract approval is needed to ensure timely construction and deployment by August 1, 2021.**

D.19-11-016 directed the use of Tier 3 advice letter for any IOU procurement approval requests, finding it to be an appropriate vehicle to balance a need for expedited approval and appropriate due process for parties.<sup>11</sup> Given the near-term nature of the looming reliability need, SCE requested that the Commission issue a Final Resolution by August 27, 2020, at which point termination rights may be exercised.<sup>12</sup>

CESA agrees with the need to ensure timely approval of contracts and advocated for final Commission approval of the contracts upon issuance of a Final Resolution by June 2020, or at the very latest, July 2020. SCE's proposed timeline is likely the maximum allowable period before contracts can be terminated, but CESA believes that the Commission should strive to accelerate contract review and approval. This proposed timeline runs the risk of developers incurring additional costs and risks related to late financing and project deployment delays given the extremely compressed time for permitting, construction, and equipment procurement. To better ensure success of the solicitation and reduce regulatory costs and risks, the Commission should strive to pursue final contract approve on a more accelerated timeline than recommended by SCE.

In a Petition for Modification ("PFM") of D.19-11-016, CESA detailed the financing challenges and various development risks faced by developers if final Commission approval takes the usual 4-6 month timeline, where 30-day approval timelines will play a critical role in increasing the probability that projects will be deployed in a timely manner to meet the August 1, 2021 COD deadline.<sup>13</sup> A Proposed Decision ("PD") was subsequently issued by Administrative Law Judge ("ALJ") Julie Fitch on June 3, 2020 that ultimately denied CESA's PFM but made an important determination that the "Commission staff should consider shortening or eliminating comment periods on resolutions where no protests were received in response to the advice letter filing."<sup>14</sup>

In line with the intent of these determinations, CESA urges the Commission Energy Division to issue a Draft Resolution as soon as possible and to shorten or eliminate the comment period upon issuance of the Draft Resolution. Even if protests are

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<sup>11</sup> D.19-11-016 at FOF 28 and OP 9.

<sup>12</sup> SCE Advice Letter at 3.

<sup>13</sup> *California Energy Storage Alliance's Petition for Modification of Decision 19-11-016* filed on April 1, 2020 in R.16-02-007. <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M331/K080/331080307.PDF>

<sup>14</sup> Conclusion of Law 8 and Order 3 of *Proposed Decision Denying California Energy Storage Alliance Petition for Modification of Decision 19-11-016* issued on June 3, 2020 in R.16-02-007.

made in response to the Advice Letter, CESA recommends that the Commission staff consider whether the issues raised by these parties warrant special or exceptional considerations given the urgency of the reliability issue faced in 2021, or can be addressed outside of the contract approval process at hand. CESA understands that there are several regulatory uncertainties related, for example, to cost recovery and capacity counting methodologies, but these issues can be addressed outside of this process for assessing and approving the contracts submitted in this Advice Letter. In other words, it will be important not to delay contract approval to address broader policy or implementation issues that would be addressed elsewhere. Similarly, the Commission should be assured that any questions about technical and engineering issues (*e.g.*, charging restrictions) are addressed in the interconnection process.

As such, CESA recommends that the Commission seek to prepare a Draft Resolution as soon as possible and reasonable so that a Final Resolution on SCE's Advice Letter can be voted for approval by the June 25, 2020 voting meeting (ideally) or the July 16, 2020 voting meeting (at the latest). Thus, a more expedited approval process than the one proposed by SCE is needed.

Timely contract approval is important because many developers have already had to make equipment procurement and financing decisions on executed contracts seeking final Commission approval, thus requiring at-risk financing and further increasing the risk that projects will be unable to be delivered for the August 1, 2021 COD deadline. Even if it represents a matter of several weeks or a month, such accelerated contract approval makes a significant difference in mitigating the financing costs and reducing project development risks that increases the likelihood of project success to deliver on the promised reliability and GHG benefits of the procured storage projects.

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**III. CONCLUSION.**

CESA appreciates the opportunity to submit this response in support of SCE's Advice Letter and looks forward to collaborating with the Commission and SCE to support the Standard Track of SCE's System Reliability RFO that addresses the remaining needs as identified in D.19-11-016.

Respectfully submitted,



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