CESA
CALIFORNIA ENERGY STORAGE ALLIANCE

November 9, 2020

CPUC Energy Division Tariff Unit
505 Van Ness Avenue
San Francisco, California 94102
EDTariffUnit@cpuc.ca.gov

Re: Response of the California Energy Storage Alliance to Advice Letter 4316-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") hereby submits this response to the above-referenced Advice Letter 4316-E of Southern California Edison Company ("SCE"), *Submission of a Contract for Procurement of Energy Storage Resulting from Southern California Edison Company's 2019-2020 Distribution Resources Plan Distribution Investment Deferral Framework Request for Offers* ("Advice Letter"), submitted on October 20, 2020.

I. INTRODUCTION & BACKGROUND.

Pursuant to Decision ("D.") 18-02-004 that established the Distribution Investment Deferral Framework ("DIDF") and the Distribution Planning Advisory Group ("DPAG") to assess distribution deferral opportunities, SCE launched its annual 2020 DIDF Request for Offers ("RFO") for Tier 1 project needs. The competitive solicitation process was run and led to the contracting of a 14-MW in-front-of-the-meter ("IFOM") energy storage project (Homestead Energy Storage) to defer the Elizabeth Lake #1 and #2 planned investments, under a 10-year agreement for deliveries starting on March 1, 2023. The 14-MW capacity is expected to be phased over time in six tranches and is contracted to also deliver Local Resource Adequacy ("RA"), where SCE seeks to buy all RA attributes and deliver distribution capacity via directed dispatch.[1]

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 energy storage resources, SCE will address the distribution capacity need at the identified location and provide incremental value "stack" through the provision of Local RA capacity. Given the short lead time between now and initial deliveries – as well as challenges arising from the "moving target" issue detailed in Section II(c) below – CESA strongly believes that expedited Commission approval is critical to ensure the success of the deferral project. CESA

[1] SCE Advice Letter at 2-3 and 8.

generally agrees with the Independent Evaluator's ("IE") Report that the 2020 DIDF RFO was conducted fairly and consistent with authorizing decisions and least-cost, best-fit evaluation principles.[2]

At the same time, CESA submits this response to highlight certain key issues that should be addressed in future DIDF RFO opportunities and to support improvements to the process and outcomes.

- The proposed contracts should be approved in an expedited manner.
- The multiple-use application ("MUA") rules need to be revisited to enable energy storage resources to provide both distribution deferral and RA capacity services without impacting the provision of either service.
- The IE Report highlights process improvements that presented challenges in the 2020 DIDF RFO that should be modified for future DIDF RFO cycles.

II. DISCUSSION.

In this response, CESA details our comments for supporting expedited approval of the submitted contracts while highlighting key issues to address for the future.

A. The proposed contracts should be approved in an expedited manner.

As detailed in SCE's Advice Letter, the proposed contract represents a generally fair and cost-effective outcome that aligns with Commission guidance and decisions. The ability for the project to provide both distribution deferral value and RA capacity likely supports the cost-effectiveness of the project and represents an innovative use case of stacking values. In addition, CESA underscores the conservative demand charges assessed as costs to the project pursuant to the recently-adopted changes to the Wholesale Distribution Access Tariff ("WDAT") for charging related to IFOM energy storage. These changes are subject to change, but the fact that these projects were selected and contracts were executed based on conservative approaches[3] suggest that the project is economically viable even with these assumptions.

B. The MUA rules need to be revisited to enable energy storage resources to provide both distribution deferral and RA capacity services without impacting the provision of either service.

[2] SCE Advice Letter Appendix D: IE Report at 46-50.
[3] *Ibid* at 25-26.

While fully supportive of SCE's approach to pursue multiple value streams, SCE and the IE point to Rule 6 of D.18-01-003 of only applying the RA value in its net present value ("NPV") assessment to months in which there is *not* an expected distribution deferral need based on the month-by-month provision of RA capacity. They add that incremental RA benefit will be attributed to oversized distributed energy resources ("DERs") during the deferral months if the capacity of the DER exceeds that of the deferral need.[4] Specifically, Rule 6 states that "[p]riority means that a single storage resource must not enter into two or more reliability service obligation(s) such that the performance of one obligation renders the resource from being able to unable to perform the other obligation(s)." CESA believes that these rules must be refined or modified in a future rulemaking proceeding.

First, the rules stipulate that the provision of one reliability service must not render the ability of the resource to perform another reliability service if contracted for both, but as CESA understands the planned dispatch and operations of the project, the provision of both services will be through the bidding and scheduling in the California Independent System Operator ("CAISO") market. During periods where RA is being delivered, the seller bids and schedules the resource, whereas during Local Resource Constrained Days ("LRCD"), SCE essentially "takes over" the dispatch and operations of the resource – both through the CAISO market. Since the resource is not being taken out of the CAISO market for the provision of either service and because the distribution deferral capacity need appears to generally align with RA Availability Assessment Hours ("AAHs"),[5] it is unclear why the resource would not be attributed both values or at least partially some of the RA value for the energy storage resource in the deferral months. As an in-market resource, the CAISO would still have visibility to this RA resource. SCE could also still count the resource in their monthly supply plan given this coincidence of need.

Second, the rules may need to be modified to consider whether and how this type of energy storage project could sell its "unsold" RA capacity to improve ratepayer investments and avoid over-procurement for RA resources at large. For example, in all other days of the deferral month, if SCE is not counting the resource toward RA capacity (per its NPV evaluation) and thus presumably not including the resource in its monthly supply plan, CESA imagines that the resource should be available to sell its unsold RA, if excess capacity is available, to other load-serving entities ("LSEs") in the short-term RA market. Likely, the energy storage project will be built to its full 14-MW capacity upon completing the cluster study process and achieving deliverability since it makes no economic sense to proceed through such a process in incremental fashion.[6] As such,

[4] SCE Advice Letter at 11 and IE Report at 23.

[5] *See* "Distribution Planning Advisory Group Meeting: SCE Update on 2020 DIDF RFO" presentation on April 30, 2020 at 9-10.

[6] In other words, when entering the queue cluster study process, esVolta is unlikely to enter the queue for 2.8 MW for one year, then additional capacity up to 7 MW in another year, etc. per the terms of agreement where capacity is phased over time. This would be a burdensome, costly, and inefficient project development

there will likely be unsold RA capacity to sell in the deferral months and/or all other months for the oversized capacity in the early years of the 10-year deferral period. The rules appear to be opaque on this type of use case, where clarification is warranted. The IE Report hints at this lack of clarity, though focusing in on what SCE could do to provide additional clarification to bidders.[7]

With the ability to utilize unsold RA capacity in the interim years or when it is not needed by SCE, the Commission will be able to serve broader objectives as well beyond just the distribution deferral need, helping Commission-jurisdictional LSEs to manage their RA obligations by utilizing existing assets to the greatest extent possible while guarding against reliability concerns.

C. The IE Report highlights process improvements that presented challenges in the 2020 DIDF RFO that should be modified for future DIDF RFO cycles.

SCE and the IE Report highlight one of the "largest challenges" in the evaluation process for the 2020 DIDF RFO as being the updates made to the project's traditional mitigation costs and operational requirements.[8] In addition to this challenge, there was a short period between April 22, 2020 when bidders were notified of the change and April 30, 2020 when bidders were required to submit revised offers[9] – making it challenging for bidders to make decisions on significant deposits for interconnection studies as part of the CAISO's queue cluster study process that closes every year at the end of April. CESA raised this issue previously when SCE submitted an Advice Letter in May 2020 requesting approval of these updates, with the Commission subsequently making changes to address this "moving target" issue. CESA supports the Commission's actions in this regard and requests that the Commission and SCE avoid these types of disruptive processes going forward.

III. <u>CONCLUSION</u>.

CESA appreciates the opportunity to submit this response in support of SCE's Advice Letter and looks forward to collaborating with the Commission and stakeholders in this proceeding.

Respectfully submitted,

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approach. Most likely, projects will be built to 14 MW capacity from the onset in order to claim deliverability and have upgrades built in an efficient manner.

[7] SCE Advice Letter Attachment D: IE Report at 26.

[8] IE Report at 32.

[9] SCE Advice Letter at 6.

Alex J. Morris
Executive Director
California Energy Storage Alliance

cc: Gary A. Stern, SCE (AdviceTariffManager@sce.com)
Matthew Dwyer, SCE (Matthew.Dwyer@sce.com)
Service lists R.14-08-013 and R.14-10-003