

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

Order Instituting Rulemaking to  
Establish Policies, Processes, and  
Rules to Ensure Reliable Electric  
Service in California in the Event of an  
Extreme Weather Event in 2021.

Rulemaking 20-11-003  
(Filed November 19, 2020)

**COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE ON THE E-  
MAIL ADMINISTRATIVE LAW JUDGE'S RULING DIRECTING PARTIES TO  
SERVE AND FILE RESPONSES TO PROPOSALS AND QUESTIONS REGARDING  
EMERGENCY CAPACITY PROCUREMENT BY THE SUMMER OF 2021**

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**COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE ON THE E-MAIL ADMINISTRATIVE LAW JUDGE’S RULING DIRECTING PARTIES TO SERVE AND FILE RESPONSES TO PROPOSALS AND QUESTIONS REGARDING EMERGENCY CAPACITY PROCUREMENT BY THE SUMMER OF 2021**

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 comments on the *E-Mail Administrative Law Judge’s Ruling Directing Parties to Serve and File Responses to Proposals and Questions Regarding Emergency Capacity Procurement by the Summer of 2021* (“OIR”), issued by Administrative Law Judge Brian Stevens on December 11, 2020.

**I. INTRODUCTION AND SUMMARY.**

In the aftermath of the extreme weather conditions experienced in August and September 2020 and the rolling outages triggered on August 14-15, 2020, CESA generally supports the intent of this proceeding and the need to procure additional capacity to mitigate or avoid future similar events. However, as the Commission considers various solutions to address these emergency reliability needs, CESA strongly recommends against any actions that would have long-term implications that contravene the state’s decarbonization objectives. Specifically, as evidenced by the nature of the proposals and questions posed in the Ruling, as well as based on the workshop held by the California Energy Commission (“CEC”) on December 2, 2020 on incremental

efficiency improvements to the existing gas fleet that could be considered, CESA is concerned that the Commission may be authorizing the procurement of gas plant efficiency upgrades that will detract from the state's need to transition the current fleet of resources in smart and rational ways toward a deeply decarbonized grid. Even as some parties have pointed to the Integrated Resource Planning ("IRP") and Senate Bill ("SB") 100 models showing a need to retain good portions of the gas fleet in the long term such that short-term measures to upgrade the gas fleet would still be consistent with electric-grid decarbonization goals, these modeling results should also be viewed within the context of its limitations. For example, these models do not sufficiently take into account all types of resources and capabilities (*e.g.*, long-duration storage), are unable to assess local needs, and are not currently capable of identifying the specific gas units that would be needed for reliability and yet support the long-term trajectory to decarbonize the electric grid.

Rather than making decisions that have longer-term impacts and that may further entrench the state with the current gas fleet with upgrades to their efficiency, the Commission should consider temporary procurement approaches for existing gas generation facilities to help address the emergency reliability needs for Summer 2021 and only allow for long-term procurement and contracting for new incremental preferred resources, energy storage resources, or hybrid resources (*e.g.*, incremental storage addition to hybridize an existing gas generation facility), consistent with the clean resource adequacy ("RA") requirements in Public Utilities Code ("PUC") Section 380. The California Independent System Operator ("CAISO") suggests such a pathway by leveraging their own expedited stack analysis and by temporarily increasing the planning reserve margin ("PRM") for Summer 2021 to direct RA procurement by load-serving entities ("LSEs") to the emergency reliability needs, where, if the LSEs are unable to meet the higher need in the select months of risk, the CAISO would have the ability to conduct backstop procurement via the

Capacity Procurement Mechanism (“CPM”). So long as LSEs are not allowed to contract for existing gas generation on a short-term basis and the CAISO has the option to use their CPM tool as backup, the Commission will be better positioned to weather emergency reliability risks in 2021 and position the state to procure the additional clean generation or storage resources needed to mitigate these risks in the longer term. Due to the urgency of the emergency reliability need, CESA strongly urges the Commission from reflexively take measures that would limit the state’s reliance and leaning on the current gas fleet more than necessary.

To this end, CESA continues to reiterate the need to focus this proceeding on emergency reliability needs beyond Summer 2021. As explained in our comments to the Order Instituting Rulemaking (“OIR”), the emergency reliability risks are likely to persist and the current cycle of just-in-time procurement make it extremely challenging to procure the incremental preferred, energy storage, and hybrid resources needed. With some incremental procurement of preferred, energy storage, and hybrid resources for needs beyond 2021, the Commission can create “breathing room” for the IRP modeling and procurement tracks to “catch up” and effectively identify and direct the procurement of new resources for the medium- and long-term based on more substantive modeling and clear and streamlined procurement mechanisms. Given the optimistic 12- to 18-month timeline to bring new supply-side resources online and the additional time in order to establish new or modify existing behind-the-meter (“BTM”) demand response (“DR”) or distributed energy resource (“DER”) programs, a focus beyond 2021 is needed to reduce the cyclical and persistent reliance on gas-fired generation in the short term and transition to a cleaner fleet of preferred, energy storage, and hybrid resources to provide the emergency reliability on a going-forward basis.

Finally, CESA finds the critical absence of DER resource procurement or programs to be a major shortcoming of the proposals suggested in the Ruling. In the interim decision implied in the Ruling, the Commission should consider whether there are immediate actions that can be taken under existing programs and procurement mechanisms, such as a supplemental Demand Response Auction Mechanism (“DRAM”) auction. Rather than seemingly limiting the scope of the immediate procurement authorization to supply-side resources, particularly efficiency improvements to the existing gas fleet, the Commission should more comprehensively and aggressively solicit incremental DERs and/or their capabilities (*e.g.*, excess export capacity) as a priority, in line with Commission priorities, loading order, and state decarbonization objectives. Customer response and customer-sited resources represent one of the immediate cost-effective means to procure the incremental capacity needed, but they too require sufficient lead time to (*e.g.*, via an authorizing interim decision in January or February) be procured, sited, and/or deployed in time for Summer 2021.

In the limited time from the issuance of the Ruling and the comments deadline, CESA is unable to provide a comprehensive and detailed response to the proposal and questions posed in the Ruling, but our responses can be summarized as follows:

- CESA strongly recommends some incremental procurement for 2022 and 2023 needs in the interim decision to realistically address emergency reliability needs without relying on re-contracted gas more than necessary, or on gas efficiency improvements.
- Contract length parameters as defined in D.19-11-016 should be used in the emergency procurement authorization to require contracts for new incremental preferred, energy storage, and hybrid resources to be at least 10 years of length, while limiting the contract length to three years for re-contracting at-risk generation resources or for incremental efficiency upgrades to existing gas units.
- To address 2021 needs, the Commission must consider DER solutions in the interim procurement authorization decision contemplated in the Ruling.

## II. RESPONSES TO PROPOSAL AND QUESTIONS REGARDING THE AUTHORIZATION OF EXPEDITED PROCUREMENT FOR SUMMER 2021.

### A. Procurement Type Initial Proposal

**Commission proposal:** The procured capacity must have a commercial operation date (“COD”) by Summer 2021 (June 1, 2021). The resource types that should be considered for procurement include:

- Incremental efficiency upgrades to existing power plants
- Re-contracting for generation that is at-risk of retirement
- Incremental energy storage capacity
- Firm forward imported energy contracts
- RA only contracts or contracts that include tolling agreements may be proposed
- Potential resources can include Utility Owned Generation (“UOG”)

**Question 1:** In considering incremental authorization for procurement, what parameters should the Commission place on contracts regarding pricing, contract term, and operational characteristics?

**CESA’s response:** CESA supports the authorization of incremental procurement of new or existing resources subject to similar parameters as directed in the 2021-2023 System Resource Adequacy (“RA”) procurement directive. Consistent with Decision (“D.”) 19-11-016, the Commission should authorize and require contracts for new incremental preferred, energy storage, and hybrid resources above the baseline established in D.19-11-016 to be at least 10 years of length, while limiting the contract length to three years (or shorter) for re-contracting for at-risk generation resources or for incremental efficiency upgrades to existing gas units. As a result, any emergency reliability procurement will be consistent with previous procurement directives and

provide a bridge strategy in 2021 until the resources consistent with the IRP and decarbonization policy goals are able to address the need in subsequent near-term years. Meanwhile, the operational characteristics of procured resources should align with the CAISO's identified need, where capacity was identified as being needed in the highest net load peak hour periods (*e.g.*, HE20). The general provision of RA from procured resources should sufficiently address these concerns.

**Question 2: Should the Commission limit the total volume of incremental procurement authorized?**

**CESA's response:** Yes, the Commission should leverage the expedited stack analysis from the CAISO, as submitted in their comments to the OIR, as a starting point for determining the incremental capacity needed.

**Question 3: Should procurement that cannot achieve a commercial operation date by June 1, 2021 also be considered in this procurement authorization?**

**CESA's response:** Yes, CESA has consistently recommended a broader focus on near-term needs beyond 2021 since there are limited range of solutions to meet Summer 2021 needs at this time. SCE has conducted loss-of-load expectation ("LOLE") modeling that the margins are slim to maintain reliability even after accounting for procurement pursuant to D.19-11-016. With the higher load requirements under extreme heat storm events, similar to what the CAISO has done with their expedited stack analysis, there is likely a greater need for procurement that was not captured in the needs analysis that informed the IRP procurement directive (D.19-11-016). Accounting for solicitation and contract negotiation processes and generally achievable development timelines of new incremental resources, the Commission must provide procurement authorization as early as possible even for needs beyond 2021. Assuming a April/May 2021 decision as outlined in the Preliminary Scoping Memo and Commission approval of executed IOU

contracts in Q4 2020, there will likely be much less than a year for projects to move forward with equipment procurement, construction, and commissioning.

Additionally, the current IRP scope and schedule presents some gaps in the procurement needs analysis and timely procurement authorization decision to address the emergency reliability needs under extreme heat storm events in the near term, such that this proceeding should play a critical role to fill the gap in processes for the Commission to ensure sufficient incremental and new resource supply. The IRP Scoping Memo has an established schedule to issue a decision on the Diablo Canyon analysis by May 2021, which will presumably focus on 2024-2025 needs of 2,200 MW of retirements and expiration of once-through-cooling (“OTC”) generation extensions.<sup>1</sup> Consequently, there is a gap in the procurement directed in D.19-11-016 for the 2021-2023 period without assuming extreme-weather conditions and the plans in R.20-05-003 to focus on the 2024-2025 procurement needs. Furthermore, the Commission just recently issued a Staff Proposal in R.20-05-003 on a Resource Procurement Framework that is still under development and may not be adopted and in place for some time. As a result, CESA strongly recommends some incremental procurement for 2022 and 2023 needs in the interim decision to realistically address emergency reliability needs without relying on re-contracted gas more than necessary, or on gas efficiency improvements. To make such new preferred, energy storage, or hybrid resource procurement feasible, the Commission must focus on procurement authorizations beyond Summer 2021. For reference, CESA documented some of the commercial realities for new energy storage resource procurement in R.16-02-007.<sup>2</sup>

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<sup>1</sup> *Assigned Commissioner’s Scoping Memo and Ruling* issued on September 24, 2020 in R.20-05-003 at 11-13. <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M347/K608/347608446.PDF>

<sup>2</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>



**Question 4:** Are there any additional considerations regarding the procurement type that the Commission should consider in issuing a procurement authorization?

**CESA's response:** As SCE highlighted, the reliability of the portfolio of resources directed in the D.19-11-016 procurement is heavily reliant on the timely development of resources to be online by August 1, 2021. The Commission should support this process by reasonably approving investor-owned utility ("IOU") contracts in a timely way, with opportunities to cure deficiencies or shortcomings in the demonstration for compliance with the authorizing decision, D.19-11-016, to ensure that all available incremental preferred, energy storage, and hybrid resources are able to come online and support the emergency reliability needs.

**Question 5:** Are there additional specific issues the Commission should consider in authorizing procurement to ensure that the procurement is cost-effective under the existing circumstances, would addresses system needs, and be in the public interest?

**CESA's response:** CESA has no further comment at this time.

#### **B. Procurement Process Initial Proposal**

**Commission proposal:** The authorized contracting vehicles should include bilateral negotiations and the offers from recent IRP request for offers ("RFO") bid stacks.

**Question 6:** Are there other expedited processes besides bilateral negotiations or revisiting offers from recent IRP RFO bid stacks that could be used to ensure cost-competitive resources are procured to be online for Summer 2021?

**CESA's response:** Yes, in addition to bilateral negotiations and revisiting RFO bid stacks from recent solicitations, the Commission should consider whether existing sourcing mechanisms such as the DRAM or feasible modifications to existing DR or DER programs can be made to procure the resources and capabilities needed to meet emergency reliability needs in Summer 2021. As discussed above, the Commission is not considering the full range of possible solutions.

The Preliminary Scoping Memo in the OIR and from the prehearing conference suggests that there will be future opportunities to submit proposals via testimony, but to address 2021 needs, the Commission must include BTM solutions in the interim procurement authorization decision contemplated in the Ruling.

**Question 7: Can or should actions be taken to expedite the permitting and interconnection processes associated with this procurement?**

**CESA's response:** CESA is unclear on what action that the Commission can take to facilitate more expedited permitting and interconnection processes by Summer 2021. As noted by CESA and many other parties, the ability to expedite project development and deployment processes at this stage are limited. To account for these timelines, the Commission should instead focus on the procurement of resources that can meet COD by Summer 2021 and/or at the same time in subsequent years (2022-2024). There may be incremental: new energy storage resources that are advanced in the project development process (*e.g.*, interconnection, permitting) that could be secured within the 2021-2024 period with a long-term contract; hybridization or repowering opportunities with energy storage at brownfield sites that can take advantage of existing interconnection capacity; existing BTM energy storage resources that have excess export capacity in the net load peak hours that could be delivered with certain technical and interconnection modifications as well as with some compensation or price signal; and dynamic functional storage assets (*e.g.*, thermal storage added to existing chillers) that could be brought on in short order and provide the heat-storm-driven peak capacity needed, to name a few. In each of these example cases, resources would be leveraging existing sites or be advanced in the interconnection and permitting process to feasibly come online in the 2021-2024 timeframe, recognizing that these aspects of project development can be difficult or impossible to accelerate.

**Question 8:** What existing investor-owned electric utility procurement processes (for example, Procurement Review Group consultation independent evaluator oversight, etc.) should be utilized for this procurement?

**CESA's response:** CESA generally supports the continued use of investor-owned utility ("IOU") review, oversight, and evaluation processes, as suggested in the question.

**Question 9:** What information must be included in any filings seeking final approval from the Commission, including in any potential advice letter filings that might be evaluated and resolved by the Commission's Energy Division?

**CESA's response:** To support timely approval, CESA supports utilizing the D.19-11-016 procurement parameters and information requirements.

**Question 10:** Are there any additional considerations regarding the procurement process that the Commission should consider in issuing a procurement authorization?

**CESA's response:** CESA has no further comment at this time.

### **C. Procurement Cost Recovery and Ratemaking Treatment**

**Commission proposal:** The electric investor-owned utilities should procure these resources on behalf of all customers in their service territories. The costs should be recovered through the existing cost allocation mechanism, which allows capacity benefits to be allocated to and net costs to be recovered from all benefiting customers on a non-bypassable basis.

**Question 11:** Are there any additional considerations regarding cost recovery and ratemaking treatment the Commission should consider in issuing a procurement authorization?

**CESA's response:** CESA does not have particular views on the specific cost recovery or ratemaking treatment, but we recommend that clear and upfront Commission guidance be provided to avoid delayed or contested contract approval processes.

**D. Process for Commission Review**

**Commission proposal:** Given the tight timeframe of this procurement, a Tier 1 Advice Letter approval process would ensure cost recovery certainty and allow for expedited procurement, except for proposed UOG contracts, which will require a Tier 2 Advice Letter approval process.

**Question 12:** Are there any additional considerations regarding the process for commission review that the Commission should consider in issuing a procurement authorization?

**CESA's response:** CESA recommends one modification: preferred, energy storage, or hybrid resources, regardless of UOG or third-party ownership, should be reviewed via a Tier 1 advice letter process, whereas all other procurement and contracts should be subject to Tier 2 advice letter processes.

**III. CONCLUSION.**

CESA appreciates the opportunity to these comments on the Ruling and looks forward to working with the Commission and other stakeholders in this proceeding.

Respectfully submitted,



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