

January 19, 2021

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**Re: Response of the California Energy Storage Alliance to Advice Letter 3666-E  
of San Diego Gas and Electric 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 3666-E of San Diego Gas and Electric Company (“SDG&E”), *Request for Approval of Tranche 2 and 3 System Reliability Contracts Resulting from SDG&E’s Request for Offers Under D.19-11-016* (“Advice Letter”), submitted on December 30, 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, SDG&E launched their 2020 System Reliability Request for Offers (“RFO”) on December 13, 2019, seeking to procure approximately 140 MW of System RA capacity that can meet commercial online dates (“CODs”) by August 1, 2022 and August 1, 2023. SDG&E subsequently submitted this Advice Letter on December 30, 2020 seeking Commission approval of five contracts for 140 MW of incremental storage nameplate and Resource Adequacy (“RA”) capacity as in-front-of-the-meter (“IFOM”) standalone or hybrid projects. Each of the

agreements span at least 10-year contract terms, with 65 MW of the total contracted capacity in the Advice Letter expected to come online in 2022 and another 75 MW by 2023.<sup>1</sup>

In reviewing the Advice Letter, CESA provides this response in support of timely Commission approval of the proposed contracts included in SDG&E's Advice Letter. By procuring new, incremental IFOM standalone or hybrid energy storage resources, SDG&E 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>2</sup> Importantly, by procuring energy storage resources to address the near-term need, SDG&E 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. SDG&E'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.**

While more detail could be provided in SDG&E's Advice Letter in similar ways to comparable Advice Letters submitted by the other investor-owned utilities ("IOUs"), the proposed contracts appear to comply with the requirements of D.19-11-016, representing resources that are incremental System RA relative to the baseline adopted in D.19-04-040 and new and preferred resources contracted with term lengths at or exceeding 10 years.<sup>3</sup> SDG&E also detailed its bid evaluation methodology and was reported by the Independent Evaluator ("IE") as conducting its solicitation without bias towards any ownership model in the treatment of bids/bidders and during bid evaluation, pursuant to D.19-06-032 and D.19-11-016.<sup>4</sup> In accounting for the above, CESA believes the proposed contracts are compliant with the procurement parameters of D.19-11-016.

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<sup>1</sup> SDG&E Advice Letter at 8.

<sup>2</sup> D.19-11-016 at Finding of Fact ("FOF") 17.

<sup>3</sup> D.19-11-016 at FOF 18 and Conclusion of Law ("COL") 14 and 28.

<sup>4</sup> Appendix A: Evaluation Methodology of SDG&E Advice Letter at 3-5 and Appendix A of D.19-06-032 at 2 and D.19-11-016 at OP 8-9.

**B. Resolutions E-5100 and E-5101 set the precedent for review of SDG&E’s contracts for approval and should support streamlined approval where appropriate.**

To support streamlined review, the Commission should leverage the precedent established with the approval of new 2021 resource procurement by PG&E and Southern California Edison Company (“SCE”) through the issuance of Resolutions E-5100 and E-5101, respectively. These Resolutions determined, among other things, that additional greenhouse gas (“GHG”) emissions impact analysis is not a prerequisite for approval of the proposed energy storage contracts<sup>5</sup> and that interim cost tracking mechanisms and balancing accounts can be used in the interim until a modified cost allocation mechanism (“CAM”) is adopted for costs associated with procurement directed through D.19-11-016.<sup>6</sup> These issues have been raised in protests, responses, and comments, and were ultimately either dismissed or deferred in approving the resulting contracts. Given these prior determinations, the Commission should streamline review wherever possible for issues that have already been addressed or were previously deemed as outside the scope of the Commission review and approval processes.

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

In the public version of SDG&E’s Advice Letter, the IE report suggests a fair outreach process and evaluation using the least-cost, best-fit (“LCBF”) methodology was conducted, where the IE affirmed the shortlist selection.<sup>7</sup> CESA generally agrees with the IE that improvements could be made, such as in the solicitation materials for hybrid resources and in generating an even more robust bidder pool,<sup>8</sup> but the process and result was still reasonable given the tight timeline to conduct the solicitation, which is being conducted simultaneously with many other LSEs.<sup>9</sup> Despite some of these areas of improvement, based on our review of publicly-available information, CESA agrees with the IE’s recommendation that the proposed contracts merit approval.

**D. The Commission should issue a Final Resolution by March 31, 2021 approving the Advice Letter, as requested by SDG&E.**

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

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<sup>5</sup> Resolution E-5101 Finding 9 and Resolution E-5100 Finding 1.

<sup>6</sup> Resolution E-5100 Finding 3.

<sup>7</sup> Attachment B: Report of the Independent Evaluator of SDG&E Advice Letter at 16, 25, and 27.

<sup>8</sup> *Ibid* at 11-12 and 26.

<sup>9</sup> *Ibid* at 25.

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approval and appropriate due process for parties.<sup>10</sup> Given the near-term nature of the looming reliability need, SDG&E requested that the Commission issue a Resolution by no later than March 31, 2021.<sup>11</sup> CESA agrees with the need to ensure timely approval of contracts and supports SDG&E's request.

### **III. CONCLUSION.**

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

Respectfully submitted,



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Policy Director  
**California Energy Storage Alliance**

cc: Gregory Anderson, SDG&E ([GAnderson@sdge.com](mailto:GAnderson@sdge.com) and [SDGETariffs@sdge.com](mailto:SDGETariffs@sdge.com))  
Service lists R.20-05-003 and R.16-02-007

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<sup>10</sup> D.19-11-016 at FOF 28 and OP 9.

<sup>11</sup> SDG&E Advice Letter at 12.