

**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
PROPOSED DECISION DIRECTING PACIFIC GAS AND ELECTRIC COMPANY,
SOUTHERN CALIFORNIA EDISON COMPANY, AND SAN DIEGO GAS &
ELECTRIC COMPANY TO SEEK CONTRACTS FOR ADDITIONAL POWER
CAPACITY FOR SUMMER 2021 RELIABILITY**

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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 *Proposed Decision Directing Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company to Seek Contracts for Additional Power Capacity for Summer 2021 Reliability* (“PD”), issued by Administrative Law Judge (“ALJ”) Stevens on January 8, 2021.

I. INTRODUCTION.

The Final Root Cause Analysis (“FRCA”) Report affirmed many of the same findings and recommendations from the preliminary report, where, among other contributing factors, an increase in supply-side capacity is needed to mitigate the risks of future extreme-weather-driven capacity shortage and outage events, similar to those experienced in August 2020. As a result, in this PD, the Commission authorized and directed each of the investor-owned utilities (“IOUs”) to procure and contract for incremental capacity resources that can address these reliability deficiencies to meet Summer 2021 needs. In support of this decision, the PD explains that

procurement is not an “exact science” and that a “least-regrets” approach to procurement is prudent and reasonable.¹

CESA is generally supportive of the least-regrets procurement approach taken in issuing these procurement orders. While more robust analysis would be beneficial and provide greater assurances of the exact need, CESA agrees that there is insufficient time at this time to conduct a deeper evaluation, which would otherwise risk leading to a situation where the Summer 2021 needs could not be met altogether. However, to align with the Commission’s goals and intent to pursue a least-regrets approach, CESA believes that the PD needs to be modified to establish more concrete procurement parameters to avoid regretful long-term resource investments misaligned with the state’s long-term decarbonization and planning goals and to target Summer 2022 needs as quickly as possible. Specifically, CESA recommends the following:

- The Commission should direct the IOUs to pursue incremental capacity contracts for Summer 2022 as well.
- Procurement parameters should be established that limit contract length terms consistent with Decision (“D.”) 19-11-016 .
- Resources that are on the path to reaching full capacity deliverability by Summer 2022 should be eligible for procurement related to emergency reliability.
- Behind-the-meter (“BTM”) resources should be made eligible for this emergency procurement order.

¹ PD at 9-10.

II. THE COMMISSION SHOULD DIRECT THE INVESTOR-OWNED UTILITIES TO PURSUE INCREMENTAL CAPACITY CONTRACTS FOR SUMMER 2022 AS WELL.

In contrast to the December 2020 Ruling,² the PD critically omits the procurement of contracts for Summer 2022, recognizing the need for swift action but requiring additional consideration in a subsequent decision in this proceeding.³ CESA, however, strongly urges the Commission to reconsider and direct the IOUs to pursue contracts for incremental Summer 2022 capacity as well. While understanding of the Commission’s likely desire to conduct additional needs analysis or verification of already-submitted analysis, CESA does not believe that there is sufficient time to conduct such analyses within the 1-2 months between now and the planned Final Decision in March or April 2021. The California Independent System Operator (“CAISO”) and Southern California Edison Company (“SCE”) have both already submitted separate supplemental analyses of the current and expected resource portfolio for the critical Summer 2021 months,⁴ which should serve as a sufficient basis to direct procurement not only for Summer 2021 but also for Summer 2022 since these needs will likely persist and because any executed contracts for Summer 2021, likely to be uncontracted existing gas or incremental efficiency improvements to existing gas resources, should be short-term in nature in line with D.19-11-016 or as a result of being backstop procured by the CAISO. Thus, a narrow focus on Summer 2021 in this PD directing procurement will put the state in a tough position to address Summer 2022 needs.

² *Assigned Commissioner’s Ruling Directing the State’s Three Large Electric Investor-Owned Utilities to Seek Contracts for Additional Power Capacity to be Available by the Summer of 2021 or 2022* (“December 2020 Ruling”) issued on December 28, 2020 in R.20-11-003 at 3-4.

<https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M356/K561/356561409.PDF>

³ PD at 4.

⁴ SCE comments at 16 and CAISO comments at 2 and 12 on the Order Instituting Rulemaking (R.20-11-003).

Whether the Commission directs procurement for Summer 2022 needs in this PD, which will be voted for approval and adopted by mid-February 2021, or in a future planned Final Decision by March or April 2021 may seem minor in nature, just a matter of months, but these few months make a significant difference when subjected to short lead times to the required Summer 2022 commercial online date (“COD”), if pursued. As a rule of thumb, energy storage resources need at least 12-14 months from Commission approval of executed contracts to intended COD to successfully be deployed and brought online, with battery and other equipment purchase orders needing to occur in advance as well to ensure they have the supplies in place. While not a hardline rule in all cases, the viability of energy storage projects to meet a future Summer 2022 need is heavily dependent on timely Commission procurement authorizations and contract approval processes, especially in instances where the Commission directs just-in-time procurement. Considering energy storage was the predominant resource type that has been procured pursuant to D.19-11-016 in a similar short lead-time process, an untimely procurement authorization and order for Summer 2022 in this proceeding would essentially predetermine an outcome where the IOUs contract for existing gas resources, by default of it being the only other resources that are likely able to meet peak and net peak needs in short order. To bring incremental energy storage capacity online similar to recent observed procurement activity, the Commission must direct procurement toward addressing Summer 2022 needs as soon as possible

Furthermore, another reason to direct the IOUs to procure and contract for incremental Summer 2022 capacity in this PD is because the IOUs are already in the process of running their bilateral negotiations pursuant to previous orders in the December 2020 Ruling. Though the IOUs are not conducting a competitive solicitation to compare various offers and bids at once, the bilateral negotiations will still benefit from the IOUs being able to consider the range of bilateral

offers being made around the same time period to identify, where feasible, the least-cost, best-fit, and least-regrets strategy to address Summer 2021 and Summer 2022 needs. Otherwise, with Summer 2022 needs being addressed in a subsequent decision, the IOUs may be negotiating or finalizing deals for Summer 2021 without visibility into the full range of bilateral offers that could advance the state’s decarbonization goals and address Summer 2022 needs as well. Moreover, the IOUs would be burdened with continuous solicitations for bilateral offers if Summer 2022 needs are addressed in a later-issued decision.

In sum, CESA believes that the removal and deferral of Summer 2022 consideration from this PD to be sub-optimal, creating risks that Summer 2022 needs are not met, particularly from resource types such as energy storage that can advance the state’s decarbonization goals at the same time. CESA thus strongly recommends that the revise the procurement parameter related to COD to reinstate the details (as bolded below) from the December 2020 Ruling, with some modifications to use a Tier 2 Advice Letter to support timely Commission review:⁵

For Commission consideration through a Tier 1 advice letter, a COD by June 1, 2021 is preferred but COD by September 1, 2021 will be considered.
For Commission consideration through a Tier 2 advice letter, a COD by June 1, 2022 is preferred but COD by September 1, 2022 will be considered.

Alternatively, if the Commission opts to maintain its position to defer the determination on Summer 2022 needs, CESA strongly recommends that this decision be issued as early as possible. Based on the Scoping Memo,⁶ a Proposed Decision is expected by early to mid-March, where we recommend that this be issued on the “early” end of the laid-out schedule so that a Final Decision can be issued for Summer 2022 needs before the end of March 2021. If more time is necessary to

⁵ PD at 11 and Ruling at 3-4.

⁶ *Assigned Commissioner’s Scoping Memo and Ruling* issued on December 21, 2020 in R.20-11-003 at 6. <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M355/K770/355770988.PDF>

address the various proposals in the testimony submitted on January 19, 2021 in R.20-11-003, CESA recommends a bifurcation of the issues to be resolved in separate decisions, where the one directing procurement for Summer 2022 occur earlier to leave additional time for the Commission and parties to resolve other complex issues.

III. PROCUREMENT PARAMETERS SHOULD BE ESTABLISHED THAT LIMIT CONTRACT LENGTH TERMS CONSISTENT WITH D.19-11-016.

The PD does not set any procurement parameters for the contract length for resources procured and contracted to meet Summer 2021 needs. CESA believes that this should be addressed in order to ensure that any procurement in R.20-11-003 aligns with the long-term decarbonization and IRP goals. To do so, CESA recommends that an additional procurement parameter be applied by following similar guidance in D.19-11-016⁷ where no new greenfield fossil generation projects are allowed, existing fossil-fueled generation resources and efficiency improvements are not contracted for terms greater than three years, and long-term contracting (*i.e.*, terms of 10 years or more) should be allowed only for incremental storage capacity, battery hybridization options with existing gas fired generation, demand-side solutions, and other clean or preferred resources. The Commission should avoid outcomes where resources (*e.g.*, fossil generation) are contracted longer than needed, including for System Resource Adequacy (“RA”), which is only required to be contracted and committed up to a one-year forward period.

⁷ Ordering Paragraph (“OP”) 10 of D.19-11-016.
<https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M319/K825/319825388.PDF>

IV. RESOURCES THAT ARE ON THE PATH TO REACHING FULL CAPACITY DELIVERABILITY BY SUMMER 2022 SHOULD BE ELIGIBLE FOR PROCUREMENT RELATED TO EMERGENCY RELIABILITY.

The PD sets a procurement parameter for the contracted resource to be deliverable during both the peak and net peak demand periods.⁸ CESA recommends modifications to this procurement parameter to account for the long process of existing or new resources to obtain full capacity deliverability status; otherwise, CESA believes that this procurement will be limited to uncontracted existing resources and/or resources with excess interconnection capacity, where the latter may be limited in availability to be procured. Instead, CESA proposes that the Commission allow and encourage the IOUs to contract for resources that can be operational by Summer 2021 or Summer 2022 but may not obtain a net qualifying capacity (“NQC”) in time for these periods. However, as energy-only resources or resources with only Partial Capacity Deliverability Status (“PCDS”) in the interim that operate in the CAISO market consistent with RA must-offer obligations, such resources can still provide incremental reliability benefits more immediately, to the degree that there are such resources online now or in the near future. To this end, CESA offers to following modification:

Resource must *either*: be deliverable during both the peak and net peak demand periods; or have executed Interconnection Agreements and be issued Notice to Proceed to interconnecting utility and scheduled to achieve Commercial Operations by September 1, 2022, with a feasible path to full deliverability.

While there is some risk that the generation or storage cannot deliver its capacity at all times since transmission upgrade needs have not been fully studied, such pre-RA delivery period operations from resources in the deliverability study process can support incremental reliability needs in the near term and provide RA benefits in the long term once full capacity deliverability

⁸ PD at 11.

is secured. Since the emergency reliability needs are not needed for RA compliance purposes, this workaround could be a means to expedite emergency capacity procurement.

V. BEHIND-THE-METER RESOURCES SHOULD BE MADE ELIGIBLE FOR THIS EMERGENCY PROCUREMENT ORDER.

The PD defers the consideration of demand-side measures to a future decision.⁹ While none of the procurement parameters exclude the consideration of BTM resources for IOU bilateral negotiations pursuant to this procurement order, it should be made explicitly clear that they are eligible. In recent IOU procurements pursuant to D.19-11-016, BTM energy storage resources were procured to meet Summer 2022/2023 needs. These resources should be explicitly included as eligible, which may be more viable if the Commission addresses Summer 2022 needs in this PD. At the same time, CESA agrees that the merits of various program-based measures or an additional Demand Response Auction Mechanism (“DRAM”) auction can be addressed in the planned March/April 2021 decision.

VI. CONCLUSION.

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

Respectfully submitted,



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⁹ PD at 4 and 9.