BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding Continued Implementation of the Public Utility Regulatory Policies Act and Related Matters.	Rulemaking 18-07-017 (Filed July 26, 2018)

COMMENTS OF VOTE SOLAR, THE SOLAR ENERGY INDUSTRIES ASSOCIATION AND THE CALIFORNIA ENERGY STORAGE ALLIANCE ON THE AMENDED SCOPING MEMO AND RULING OF ASSIGNED COMMISSIONER CLIFFORD RECHTSHAFFEN

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Vote Solar, the Solar Energy Industries Association, and the California Energy Storage Alliance (referred to hereafter as the ("Joint Parties") respectfully submit these comments pursuant to the Amended Scoping Memo and Ruling of Assigned Commissioner Clifford Rechtshaffen regarding the continued implementation of the Public Utilities Regulatory Policies Act and related matters issued on January 11, 2021 ("Amended Scoping Memo").

I. INTRODUCTION

The Joint Parties appreciate that the deadline for this proceeding has been extended for ten more months. The issues that have been scoped into this portion of the proceeding are important and deserve careful consideration before any changes, if necessary, are made to the standard offer contract available to Qualifying Facilities ("QF") of 20 megawatts or less. The Public Utility Regulatory Policies Act ("PURPA") has been, and will continue to be, a critically important policy instrument to ensure the cost-effective future development of smaller renewable energy and storage projects which will be needed as part of an increasingly more distributed, low carbon and resilient electric system.

The first stated reason for the needed revisions to the scoping memo as initially framed in this proceeding is the recent adoption by the Federal Energy Regulatory Commission ("FERC") of Orders 872 and 872-A. These two Orders have been described as providing states more flexibility in how they can implement PURPA. The Amended Scoping Memo observes that the FERC Orders offer the Commission a good cause to amend the scope of the proceeding to include consideration of whether to require the use of variable energy rates instead of fixed energy prices in new QF standard offer contracts. It is worth noting at the outset, however, that nothing in FERC Orders 872 and 872-A requires the Commission to make any changes to its past orders, tariffs or contracts used in its implementation of PURPA including the new fixed-priced standard offer contract authorized in D.20-05-006. The Commission should take the time necessary to carefully evaluate whether eliminating the use of fixed energy priced contracts would significantly impact California clean energy goals by undermining the financing and development of new QFs. The need for consistent procurement policies in California is crucial as a very large amount of new clean energy resources will need to be built through the remainder of the decade to reach the 46 million metric ton greenhouse gas emission goal for 2030 adopted by the Commission in D.20-03-028.

The other stated reason for needed revisions to the scoping memo is that, as initially framed, it did not expressly incorporate QFs that included storage as a component as an issue for consideration. In the two subsequent years since the original scoping memo was written the inclusion of storage in facilities powered by solar or wind has become ubiquitous. As of December 16, 2020, fifty-one percent (51%) of the capacity in the CAISO interconnection queue are solar hybrids and five percent (5%) of the capacity in the queue are wind-storage hybrids.

Importantly, the Commission should recognize that FERC has affirmed that hybrid renewable projects are eligible QFs.

It is view of the Joint Parties that the current definition of QF permits the inclusion of battery storage devices that are charged by the qualifying renewable resource. Nevertheless, it is essential that PURPA standard offer contracts contemplate that a QF may include an energy storage component. Therefore, it is appropriate that the consideration of language, if necessary for the inclusion of a storage component within a QF be within the scope of this proceeding.

II. ANSWERS TO QUESTIONS OUTLINED IN THE SCOPING MEMO

1. Pursuant to 18 CFR 292.304, should the Commission make changes to avoided cost pricing options available to QFs?

As noted above, nothing in FERC Orders 872 or 872-A requires the Commission to take any action in relation to its implementation of PURPA. Furthermore, several petitions for judicial review of the Orders have been submitted to the Ninth Circuit Court of Appeals. The outcome of those appeals may make it mandatory that California provide contracts with fixed energy prices determined at the time of contract execution. Given the possibility of this outcome, it would be prudent for the Commission to await for a court decision on the legal challenges to the FERC orders before eliminating standard offer contacts with the fixed price option.

From a clean energy policy perspective, eliminating fixed-energy priced standard offer contracts at this time would be short-sighted. In Rulemaking 20-11-003, which was opened to establish policies, processes and rules to ensure reliable electric service in California in the event of extreme weather events in the summers of 2021 and 2022. the Commission has recognized that there is an urgent need for new clean energy capacity. Undermining an effective policy tool

authorized by PURPA at this time would clearly weaken efforts to meet the State's immediate and ongoing shortfall in system capacity. California is not only anticipating the possibility of rotating outages in the summer of 2021 but also faces an ongoing capacity deficit through the middle of the decade when PG&E's Diablo Canyon power plant retires.

Standard offer contracts with fixed-energy prices should, therefore, continue to be one of the important tools that California uses to address the large capacity shortfall as well as the need to reduce greenhouse gas emissions. In its Integrated Resource Planning proceeding the Commission adopted a reference system portfolio that shows a need by 2030 for 11.0 GW of new solar, 3.4 GW of new wind, 8.9 GW of new four-hour battery storage and nearly one GW of long-duration storage. Some portion of that decade-long need could be met through standard offer contracts for smaller hybrid renewable projects that could be located at strategic locations on the grid.

2. Does the current QF SOC allow for hybrid and co-located storage project eligibility without expressly including energy storage as an eligible technology?

Nothing in PURPA or any FERC order prohibits QFs from including energy storage technology. In fact, there have been solar thermal QFs with storage dating back to December 1984 when the first Luz Solar Electric Generating Station was brought on line.

There is no valid policy reason for excluding hybrid and co-located storage projects in California's implementation of PURPA, especially as their eligibility is not a matter for the states but a settled matter in the courts.[1] On the contrary, these paired system can be used to co-optimize California's need for more capacity and a greater reduction of greenhouse gas emissions.

[1] In Franklin Energy vs. IPCo (1:18-cv-00236-REB), the courts ruled that the determination of QF status is the domain of the federal government, not the state commissions.

The advice letters filed by the three IOUs pursuant to D.20-05-006 included language related to energy storage in the authorized new QF standard offer contract (Sections 9.02(j) and 9.04 (j).[2] Unfortunately, the Commission created some confusion on this issue when it removed Sections 9.02(j) and 9.04(i) from the fixed-priced standard offer contracts at the request of the Public Advocate's Office.[3] It appears that decision had the effect of excluded pairing energy storage with qualified renewable energy sources. This proceeding is an appropriate venue for correcting that decision.

3. Should QFs be prohibited from charging co-located storage with grid power and discharging under a QF SOC? If so, what proposed language would need to be included in the QF SOC?

As noted in our response to Question 2 above, the Joint Parties do not believe that QFs that incorporate storage should be prohibited from grid charging. So long as the primary-source fuel-use requirements are met, grid charging should be allowed without impacting their PURPA eligibility. This will allow an energy storage device co-located with a qualified renewable facility to switch between providing energy as a QF and providing other grid services to the CAISO as envisioned in FERC Order 841. However, the Joint Parties recognize the complexities of metering and verifying minimum fuel-use requirements are met where grid charging is allowed. As a result, at minimum, the Commission should immediately allow QFs incorporating energy storage to be eligible where charging exclusively from the onsite QF-eligible generation, as originally proposed by the IOUs in Sections 9.02(j) and 9.04(i) from their fixed-priced standard offer contracts.

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[2] See PG&E Advice Letter 5833-E, SCE Advice Letter 4229-E and SDG&E Advice Letter 3555-E requesting approval for new QF Standard Offer Contracts.

[3] See Resolution 5104-E, Finding 9, at Page 26.

4. Are other storage-specific provisions necessary in the QF SOC for hybrid and co-located storage project eligibility?

The scope of this proceeding should be expanded to consider the opportunity to pair new qualifying renewable energy facilities with existing standalone storage projects to enable some or all of the storage capacity to be charged from a renewable resource and to sell energy under a standard offer contract. Furthermore, this proceeding should discuss how Resource Adequacy ("RA") capacity payments and counting applies to hybrid and co-located projects given recent changes in R. 19-11-009 and potential additional reforms being contemplated, especially as storage adds and/or enhances the dispatchability of QF generators.

5. Should hybrid and co-located storage projects with a combined nameplate capacity above 20 MW be eligible for the QF SOC? If so, what additional language is necessary to limit a QF's output to 20 MW at any given time if the generator's nameplate capacity plus storage capacity exceeds 20 MW?

The nameplate capacity of components of the QF is not relevant to the 20 MW cap on the overall project capacity. If the project point of interconnection is limited to 20 MW, then the amount of power that can be exported at any interval will not exceed 20 MW. The additive capacity of the QF generator and storage components is not relevant in this context where standard offer contract eligibility is tied to the nameplate capacity of the QF generator being 20 MW or less, where storage merely shifts energy deliveries to different times of the day. So long as the fuel-use requirements are met for energy storage resources paired with QF generators, size limitations for the storage component may not be necessary.

6. How should we define co-located and hybrid energy storage resources in light of recent and future developments in the California Independent System Operator's (CAISO) Hybrid Resource Initiative?

We do not believe that the terms co-located or hybrid are relevant to a QF that would be treated as a single resource under a standard offer contract. It is not relevant for the scheduling of electricity under a standard offer contract whether generating components within the project are coupled through an AC link or a DC link or whether the combined resource operates in the market with a single or two resource IDs. These are market participation and operationalization considerations that should not impact the contracting for hybrid and co-located projects. .

7. How do co-located and hybrid energy storage impact the pricing under the QF SOC? Are there any additional pricing clarifications or modifications necessary in the QF SOC to accommodate energy storage?

The addition of battery energy storage to an eligible QF project should not impact pricing under the QF standard offer contract. Having energy storage will enable the project to dispatch energy at times when it is most valuable to the grid and receive appropriate time-of-delivery ("TOD") compensation for that service. Clarifying and affirming storage eligibility in this way would also in line with D. 20-05-006 in setting TOD pricing structures that incentivize the configuration and development of projects that delivery energy during the most valuable periods. Storage additions and enhancements enable the shifting of energy delivery to the period of need, in accordance with the TOD pricing structure. Furthermore, technical capabilities are in place to apply operational restrictions to a shaped generation profile, similar to how power control systems and/or relays are used to enforce that non-grid-charging provisions or investment tax credit ("ITC") related compliance. The timing of the delivery of the electricity should be determined by the operator of the QF.

III. CONCLUSION

The Joint Parties appreciate the opportunity to offer these comments to the Amended Scoping Memo and Ruling of the Assigned Commissioner regarding the continued Implementation of PURPA. We look forward to working with the Commission and other parties in this proceeding.

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