

February 26, 2021

CPUC Energy Division Tariff Unit
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**Re: Response of the California Energy Storage Alliance to Advice Letter 3689-E
of San Diego Gas and Electric 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 3689-E of San Diego Gas and Electric Company (“SDG&E”), *Request for Approval of System Reliability Contracts Pursuant to the December 28, 2020 Assigned Commissioner Ruling and Decision 21-02-028* (“Advice Letter”), submitted on February 16, 2021.

I. INTRODUCTION & BACKGROUND.

In the Emergency Reliability proceeding (R.20-11-003), the Commission issued a Ruling on December 28, 2020 that ordered the three IOUs to immediately pursue contracts for incremental capacity for Summer 2021 in response to concerns about supply-side resource sufficiency to avoid repeat of extreme-weather-driven reliability events, as experienced in August 2020. The procurement order was affirmed and refined with Decision (“D.”) 21-02-028, issued on February 17, 2021. Among various parameters, D.21-02-028 specified that resources must be deliverable during the peak and net peak demand periods and meet certain requirements for commercial online date (“COD”) and resource eligibility. The Decision also stated the Commission’s preference for energy storage as well as shorter-duration contracts and efficiency upgrades.

In reviewing the Advice Letter, while not objecting to the procurement, CESA provides this response seeking further information on SDG&E’s proposed five-year contract with the Sentinel Energy Center, which was procured for 20 MW of incremental capacity to not only meet the D.21-02-028 order but also as replacement capacity for the 20 MW of proposed energy storage resources that were rejected in Resolution E-5117.¹ Given these dual goals for procurement, CESA understands that SDG&E procured the five-year contract with the Sentinel Energy Center to meet the procurement orders and requirements of D.19-11-016 from the Integrated Resources Plan (“IRP”) proceeding as well. However, as the Commission considers emergency reliability needs for

¹ SDG&E Advice Letter at 1 and 8.

Summer 2022 in R.20-11-003, SDG&E's Advice Letter does not explain how their evaluation assessed the merits and cost-effectiveness of executing a short-term Resource Adequacy ("RA") contract for Summer 2021 and procuring new incremental longer-term System RA capacity for Summer 2022 and beyond to meet the dual objectives of R.20-11-003 and R.16-02-007. Due to heavy redaction in the Independent Evaluator ("IE") Report in the appendix of the Advice Letter, CESA is unable to make this assessment without further information.

II. DISCUSSION.

In this response, CESA explains our basis for seeking further information on SDG&E's five-year Sentinel Energy Center contract for 20 MW of incremental System RA capacity.

As detailed in SDG&E's Advice Letter, the proposed contracts represent procurement pursuant to both D.19-11-016 and D.21-02-028 that is incremental System RA relative to the baseline adopted in D.19-04-040² and adhere to the requirements for contract lengths where existing resources must be contracted for at least three years in length. However, whereas Pacific Gas and Electric Company ("PG&E") and Southern California Edison Company ("SCE") procured three-month contracts to cover the Summer 2021 months pursuant to D.21-02-028,³ SDG&E executed one five-year contract to meet these needs that also addresses residual needs from the 20-MW energy storage contract rejected by the Commission in Resolution E-5117.

While the IE recommends the approval of the contract(s) based on the time constraints and goals of the procurement,⁴ the publicly-available evaluation does not discuss how SDG&E weighed the option value of procuring short-term, three-month capacity for the Summer 2021 months pursuant to D.21-02-028 that could also replace the 20-MW previously-rejected capacity to provide 2021 System RA needs pursuant to D.19-11-016 and Resolution E-5117 and procuring 20 MW of longer-term capacity from preferred and/or energy storage resources that deliver incremental System RA as well as renewable integration, grid flexibility, and greenhouse gas ("GHG") emissions reduction benefits, in line with the state's decarbonization goals. Especially as the previously-rejected 20 MW of capacity was for incremental energy storage capacity, the eventual replacement of RA capacity with a gas peaker plant warrants some additional explanation.

SDG&E can only review and procure from the pool of bids and offers submitted to them and is understandably subject to time constraints, but a subsequent procurement for Summer 2022 and beyond capacity, if pursued by the Commission in R.20-11-003,⁵ could yield incremental capacity from preferred and/or energy storage resources that better aligns with the state's decarbonization

² *Ibid* at FOF 18 and Conclusion of Law ("COL") 14.

³ See PG&E Advice Letter 6088-E and 6089-E and SCE Advice Letter 4415-E.

⁴ SDG&E IE Report at 15.

⁵ See D.21-02-028 at 4: "While we believe swift action is needed to ensure intended benefits are provided for summer 2022, we believe this can be reasonably realized through consideration in a subsequent decision in this proceeding. In the meantime, IOUs should continue to engage with market participants regarding potential summer 2022 resources."

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goals, meets the identified reliability needs, and represent cost-effective outcomes. In other words, the option value of procuring short-term, three-month capacity for the Summer 2021 months as a bridge to Summer 2022 bids and offers in a subsequent solicitation is not discussed or explained in the Advice Letter. This option value should be assessed given the Commission's stated preference for energy storage resources and shorter-duration contracts.⁶

At minimum, SDG&E should provide further information on the merits of contracting for the Sentinel Energy Center for five years, as opposed to the three-year minimum as required by D.19-11-016. Though compliant with the minimum contract term length parameter for existing resources, SDG&E should explain why a five-year contract is necessary and how it might compare to a shorter, three-year contract. In seeking this information, CESA aims to understand whether contract lengths beyond the three-year System RA forward requirement or the 2021-2023 System RA shortfall identified in D.19-11-016 are necessary. With the state's long-term decarbonization goals in mind, the Commission should be able to assess whether SDG&E's procurement efforts balance reliability-focused procurement with the procurement of resources needed to support GHG emissions reductions.

III. CONCLUSION.

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

Respectfully submitted,



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California Energy Storage Alliance

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Service lists R.20-11-003, R.19-11-009, R.20-05-003, and R.16-02-007

⁶ D.21-01-028 at 14.