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 TAKE ACTIONS TO PREPARE FOR POTENTIAL EXTREME WEATHER IN THE SUMMERS OF 2021 AND 2022

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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 Take Actions to Prepare for Potential Extreme Weather in the Summers of 2021 and 2022* ("PD"), issued by Administrative Law Judge ("ALJ") Brian R. Stevens on March 5, 2021. Pursuant to Rule 14.6(a)(1) and Rule 14.6(a)(8) and the guidance provided in the PD, these comments are being timely filed and served on March 15, 2021 with electronic copy submitted to brc@cpuc.ca.gov.

I. INTRODUCTION.

To mitigate the risks of future extreme-weather-driven capacity shortage and outage events, similar to those experienced in August 2020, the Commission directs the investor-owned utilities ("IOUs") to take a number of actions targeting Summer 2021 and 2022 needs. Specifically, the PD would establish minimum targets and hard/soft caps for supply-side procurement directed at Summers 2021 and 2022, establish a new Emergency Load Reduction Program ("ELRP") to serve as five-year pilot and as an insurance policy, and make a number of modifications to existing demand response ("DR") programs to position DR resources in responding at greater scale and more effectively to repeat extreme-weather events of August and September 2020.

CESA strongly supports the proposed actions in the PD that follows much of the same logic and reasoning as Decision ("D.") 21-02-028, which recognized that procurement is not an "exact science" and that a "least-regrets" approach to procurement is prudent and reasonable.[1] The timing of this decision will be particularly helpful for in-front-of-the-meter ("IFOM") energy storage capacity to be procured and brought online with sufficient lead time to address Summer 2022 risks and needs, thus replacing the need for year-by-year patchwork solutions that will predominantly consist of fossil-based capacity. Furthermore, CESA appreciates and supports the Commission's leadership on identify a number of demand-side actions that should be implemented to support emergency reliability needs in Summer 2021 and 2022. Demand-side solutions represent a resource type that could be expeditiously brought online and committed to support both incremental (regular) capacity and emergency reliability needs, so the Commission's orders on the creation of a new ELRP and modifications to existing DR programs are smart and reasonable.

While generally supportive of the direction of the PD, CESA offers comments in support of the Summer 2021 and 2022 procurement order but also provides recommendations on how some of the demand-side measures can be improved to address the stated goals of the Commission in launching this proceeding in the first place. Our comments can be summarized as follows:

- Procurement parameters should be refined to require that new incremental non-fossil capacity must be contracted on a long-term basis pursuant to D.19-11-016 and to clarify that contracts with existing fossil resources must be short in duration.

- The IOUs should seek and value not only System RA value but also Local RA value from incremental capacity procurement.

- The IOUs should be allowed to hybridize or repower existing fossil generation sites with energy storage and submit contracts via a Tier 1 advice letter.

- The IOUs should be encouraged to include pre-RA delivery period contract provisions for RA resources.

- The ELRP compensation should consider reservation payments.

[1] D.21-02-028 at 9-10.

- The ELRP is voluntary, and its resources should not be subject to certain resource requirements, unless the program is modified to seek capacity and appropriately compensate for its capacity attributes.

- The customer eligibility criteria for Sub-Group A.3 and A.4 and the export counting methodologies should be clarified and revised to better enable customer participation.

- The option to delay implementation of customer eligibility of Sub-Group A.3 and A.4 and export counting methodologies to May 1, 2022 should be removed.

- An enhanced option with commensurate higher payments and possibly penalties should be developed ahead of Summer 2022.

- Southern California Edison Company's ("SCE") Virtual Power Plant ("VPP") Phase II pilot proposal should be adopted.

II. <u>THE PROCUREMENT NEEDS ANALYSIS AND AUTHORIZATION FOR POTENTIAL EMERGENCY RELIABILITY RISK MITIGATION IN SUMMER 2022 IS PRUDENT, PRACTICAL, AND LEAST-REGRETS STRATEGY</u>.

CESA supports the Commission's determination that identifies the need for incremental physical resources and modified DR measures during the system peak and net peak demand periods for Summer 2021 and 2022 and pursues the "most practical and expeditious method" to establish a procurement target.[2] As expressed in our testimony and briefs, a timely procurement authorization and order for Summer 2022 resources is needed by March 2021 to afford sufficient time for contracting, equipment procurement, interconnection, construction, and commissioning of incremental capacity such as energy storage that can address near-term reliability while also advancing the state's decarbonization goals. With the timing of and determinations made in this PD, the Commission smartly creates some runway for such resources to be developed. Ideally, a more robust needs analysis would be conducted using loss-of-load expectation ("LOLE") modeling, or the planning reserve margin ("PRM") would be updated with extensive modeling evidence, but such processes would require significant time and stakeholder input. Unfortunately, the lead time to Summer 2022 is short and the risks to repeat events from August 2020 should be mitigated in the interim. Thus, as a stopgap measure, CESA supports the Commission's approach

[2] PD at Finding of Fact ("FOF") 5-6.

to set minimum and maximum procurement targets for resources that are available at the net peak based on a calculation of an "effective PRM".[3] This determination in the PD is supported by the stack analysis conducted by the California Independent System Operator ("CAISO") who identified between 1,073 MW and 2,194 MW of capacity needed in HE 20 under 15% and 17.5% PRM assumptions,[4] thus bookending the Commission's assessment.

The focus on procurement needs for Summer 2022 is also prudent because, pursuant to D.21-02-028, much of the recent procurement by the IOUs to address Summer 2021 emergency reliability needs are short term in nature, leading to residual, unmet needs in Summer 2022.[5] Rather than persistently addressing emergency reliability risks with just-in-time procurement and through patchwork measures, the procurement order, if timely approved, will position incremental resources such as energy storage to mitigate these risks until the Commission can analyze the risks further and incorporate them into regular Resource Adequacy ("RA") planning processes.

Finally, CESA supports the procurement parameters expressed in the PD that indicate a preference for energy storage contracts.[6] Rather than continuing to rely heavily on incremental capacity that can be delivered from the existing fossil fleet for another year in Summer 2022, the Commission appropriately pursues incremental capacity from preferred and energy storage resources, where feasible, which can only be accomplished with timely procurement authorization and orders. In Rulemaking ("R.") 20-05-003, the Commission staff has proposed significant levels of mid-term reliability procurement needed for the 2024-2026 period with possibilities of accelerated commercial online dates ("COD") and adopted a Preferred System Portfolio in March 2020 that identified around 10 GW of energy storage as part of the optimal 2030 portfolio. In order to achieve its climate targets, California requires expedited and decisive action to comply with SB 100, which will require a storage buildout pace of 2.2 GW per year until 2045.[7] In this vein, timely action to procure incremental preferred and energy storage capacity for Summer 2022 will serve multiple objectives for near-term emergency reliability, mid-term reliability needs, and

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[3] PD at 38.

[4] *Testimony of Jeff Billinton on Behalf of the California Independent System Operator Corporation* on January 11, 2021 in R.20-11-003 at 11-12.

[5] *See* PG&E Advice 6088-E and 6089-E, SCE Advice 4415-E, and SDG&E Advice 3689-E.

[6] PD at 42.

[7] CEC *et al,* "Draft 2021 SB 100 Joint Agency Report", December 2020, at 106.

longer-term decarbonization objectives – a trade-off that could be made with patchwork reliance on fossil resources for not only Summer 2021 but also Summer 2022.

In addition to these points in support of the Commission's determination to direct procurement within a range for Summer 2021-2022, CESA supports the expeditious Tier 1 advice letter process for contract approval of certain contract types but recommends additional procurement parameters and guidance that would support efficient and cost-effective short-term reliability procurement and long-term achievement of decarbonization goals.

A. Procurement parameters should be refined to require that new incremental non-fossil capacity must be contracted on a long-term basis pursuant to D.19-11-016 and to clarify that contracts with existing fossil resources must be short in duration

While supportive of the preference for energy storage contracts, CESA believes that the procurement parameters should be clarified to specify that long-term contracting requirements for preferred and energy storage resources pursuant to D.19-11-016 should apply, whereby energy storage resources should be contracted for terms of 10 years or more.[8] The PD's stated preference for contract terms that are shorter in duration[9] do not specify that such terms should be narrowly applied to existing fossil resources.

To this end, CESA also recommends that the PD be modified to eliminate the stated preference for efficiency upgrades to existing fossil generation and specify that any contracts for existing fossil generation be limited to terms of three years. The PD instead sets no term limits for existing fossil generation, where a Tier 3 Advice Letter would be the means by which to seek Commission approval if contract terms are five years or more in length.[10] CESA views the preference for efficiency upgrades or the allowance of term lengths of more than three years to be contrary to the state's long-term decarbonization goals since the state should be progressing along a trajectory to reduce reliance on fossil generation. In the Commission's own modeling, the natural gas fleet's role will be

[8] D.19-11-016 at Ordering Paragraph ("OP") 10.
[9] PD at 42.
[10] PD at Ordering Paragraph ("OP") 11.

substantially decreased as decarbonization deadlines approach, resulting in the estimated retirement of over 4.5 GW of conventional gas resources by 2045.[11]

In sum, CESA makes the above recommendations to ensure that near-term reliability procurement does not contravene the state's long-term decarbonization goals, nor prolong the state's transition to a zero-carbon electric grid, longer than needed. Instead, CESA recommends a Tier 3 Advice Letter process for any contracts of more than three years for incremental generation at existing fossil generation sites.

B. The IOUs should seek and value not only System RA value but also Local RA value from incremental capacity procurement.

Even as the procurement need was assessed for System RA shortfalls under a higher effective PRM and for capacity needs at certain net peak hours, the Commission should ensure that the IOUs are also seeking and procure Local RA from the same resources being solicited for the System RA need. While the procurement authorizations and orders from D.19-11-016, D.21-02-028, and this PD were premised on an identified system need, significant ratepayer savings can be gained from resources procured to address both System and Local RA needs. With the IOUs being positioned to conduct procurement pursuant to this PD, there are also efficiency gains of the IOUs being able to procure for both System and Local RA needs since they are also similarly positioned to play the Central Procurement Entity ("CPE") role for Local RA purposes. Such preferences should be explicitly stated to encourage the IOUs to pursue resources with both system and local reliability attributes for those that are located in ways to deliver both services.

C. The IOUs should be allowed to hybridize or repower existing fossil generation sites with energy storage and submit contracts via a Tier 1 advice letter.

The PD should be modified to clarify that hybridization or repowering of existing fossil generation sites with energy storage qualify for incremental procurement and for the Tier 1 advice letter process since energy storage additions in this way can reduce greenhouse gas ("GHG") and criteria pollutant emissions and support the transition from

[11] CPUC, "Fact Sheet: Decision on 2019-20 Electric Resource Portfolios to Inform Integrated Resource Plans and Transmission Planning", April 2020, at 2.

the current fossil fleet while delivering incremental reliability capacity. As written, the PD would subject all redevelopment or repowering of existing generation sites to an Application process, regardless of contract length.[12]

D. The IOUs should be encouraged to include pre-RA delivery period contract provisions for RA resources.

Due to the long process of existing or new resources to obtain full capacity deliverability status, CESA reiterates our recommendation 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 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. This parameter should be included in the PD.[13]

III. THE PROPOSED EMERGENCY LOAD REDUCTION PROGRAM REPRESENTS A GOOD STARTING POINT BUT REQUIRES SOME MODIFICATION TO SERVE AS AN EFFECTIVE INSURANCE POLICY.

CESA commends the Commission for establishing a new ELRP pilot that would be established for a five-year period to address emergency reliability needs on an ongoing basis and to potentially iterate on the program to position DR resources, as well as distributed energy resources ("DERs") more broadly, to provide incremental grid services. CESA supports many aspects of the proposed ELRP, including, but not limited to, the exemption from cost-effectiveness assessments by virtue of being a pilot, the inclusion of a day-ahead trigger to facilitate customer and aggregator participation, the consideration of a broader range of DER types, and the allowance of dual participation in third-party DR provider ("DRP") portfolios and existing DR programs.[14]

Notably, CESA underscores our support for the inclusion of Rule 21 Exporting DERs (Sub-Group A.3) and VPPs (Sub-Group A.4) as eligible customer types and the explicit consideration of exports to deliver incremental load reduction ("ILR") services. Standalone energy

[12] PD at OP 11.

[13] *See* Exhibit No. CESA-01 at 43-44.

[14] PD at 21 and 26.

storage and hybrid solar-plus-storage resources, whether at individual customer sites or in aggregations, can provide immediate incremental capacity and energy if load limitations under the traditional DR construct are revised to recognize and compensate exports to the grid. Similarly, as recognized in the PD,[15] the issuance of D.20-12-029 and D.20-09-035 have established vehicle-grid integration ("VGI") strategies and adopted technical pathways for Rule 21 interconnection of electric vehicle ("EV") customers and fleets as viable DERs under Sub-Group A.3, thus increasing the pool of DERs that can deliver ILR for emergency reliability needs.

Although the proposed ELRP in the PD represents a good starting point to activate DERs at greater scale and closer to their full capabilities, CESA believes that further modifications are needed to better position the ELRP as an effective "insurance policy" for emergency reliability events. We detail our recommendations below.

A. The ELRP compensation should consider reservation payments.

The PD adopts $1/kWh as an ELRP compensation rate as being set to be "substantial enough to drive participation without over-compensating participants."[16] Importantly, by introducing a new ILR assessment, the PD lifts dual participation restrictions and enables the participation of resources like energy storage to incrementally deliver load reductions and exports beyond their commitments and requirements in existing DR programs. This is particularly important for energy storage resources where the ELRP alone would not incentivize their participation, requiring values to be stacked.

However, CESA still has some reservations over whether an energy-only rate will drive significant enrollment and participation in the ELRP, absent a reservation or capacity payment. To illustrate, if the proposed ELRP pilot was offered last year to customers between May 1, 2020 and October 31, 2020, CESA estimates a Group A.3 customer could have theoretically earned approximately $110 in ELRP payments in the most optimistic scenario with a 13.5-kWh Rule 21 stationary energy storage system responding to a Day-

[15] PD at 44.

[16] PD at 23.

Ahead ("DA") trigger prompted by a CAISO Alert.[17] However, after calculating the ILR relative to a baseline and incorporating less optimistic assumptions, the actual revenues will mostly likely be much lower.[18]

As currently constructed, the ELRP and associated payments are also highly uncertain. CESA could foresee a situation in which customers may not enroll and participate without knowing how often they could be triggered and thus how much they could be paid as a result. As a voluntary program, having this uncertainty may not be too much of a problem, but it could limit participation from the group of A.3 customers, where enrollment may involve some incremental level of upfront financial investment. For example, to modify non-exporting energy storage systems to receive an export permit, some A.3 customers may need to make proceed through a Rule 21 material modification study, which involves an interconnection study fee, study and review process, and/or payment for any upgrades necessary to receive an export permit. From the customer perspective, these costs represent potential disincentives that – due to the upfront nature of these costs – may be disproportionately weighed against the $1/kWh energy-only compensation and the uncertainty of the number of events and level of payment.

As proposed by CESA and other parties, a reservation payment for ELRP resources may be warranted. CESA believes this additional payment may still be reasonable even if the proposed ELRP pilot remains outside of the RA framework, primarily to drive

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[17] *See* CAISO "AWE Grid History Report – 1998 to Present" http://www.caiso.com/Documents/AWE-Grid-History-Report-1998-Present.pdf.

CAISO issued nine Alerts between May 1, 2020 and October 31, 2020 ranging in duration from 1 hour to 7.5 hours, totaling 36.25 hours. Assuming an ELRP window of 4 pm to 9 pm, there would have been 32.75 hours in which DA ELRP customers triggered by a CAISO Alert could have been eligible to earn compensation. Assuming a battery with usable capacity of 13.5 kWh and continuous power of 5 kW, such as the Tesla Powerwall, began each event with 100% state of charge, it could have earned $109.50 in ELRP compensation by using all of its capacity in each hypothetical ELRP event, except for the October 1, 2020 and October 15, 2020 Alerts lasting 1 hour and 2 hours in which only 5 kWh and 10 kWh, respectively would have been exported.

[18] This estimation: (a) assumes the system began each event with 100% state of charge; (b) does not account for charging costs before or after each event; and (c) includes hours in which a customer may have been exposed to rolling blackouts on August 14, 2020 and August 15, 2020 and would therefore not have been able to export.

meaningful participation. CESA respectfully urges the Commission to reconsider an ELRP reservation payment, either in 2021 or in revisions to the ELRP pilot for Summer 2022.

B. The ELRP is voluntary, and its resources should not be subject to certain resource requirements, unless the program is modified to seek capacity and appropriately compensate for its capacity attributes.

The PD establishes the ELRP as a voluntary program where payments are made based on performance, but no penalties are assessed if an ELRP resource does not perform as expected or contracted. Given the short lead time to Summer 2021, CESA initially supports the program being structured as a voluntary program at this time but believe that there is opportunity to "get more" out of ELRP resources with greater certainty and reliability, as discussed in subsequent sections of these comments. Yet, as a voluntary program, CESA is unclear on why ELRP resources should be subject to certain requirements or be counted toward meeting incremental procurement "soft cap" targets.

First, the PD allows the IOUs to conduct ELRP test events and deems ELRP resources to be ineligible for compensation if load reduction is not delivered during these test events.[19] Such provisions or requirement, however, are more typical for DR resources supplying RA capacity, where buyers of the RA capacity seek assurances that the load reduction capability exists and is reliable. If such reliability and assurances are desired as part of the ELRP, the pilot should be modified to include capacity payments, conditioned on being subject to such test event requirements. As a voluntary program, the ELRP thus should not require enrolled participants to be subject to test events, but if such requirements are put in place, ELRP compensation should be provided for any test-event response.

Furthermore, the PD determines that ELRP resources should count toward incremental IOU "soft cap" procurement targets, even though it is made clear that emergency-triggered ELRP resources will not count towards RA capacity needs.[20] Again, as a program where payment is made on voluntary performance alone, CESA does not find it reasonable to count ELRP resources toward procurement targets. For planning purposes, the Commission is assured of sufficient supply by having the RA Program allow load-

[19] PD at 24.

[20] PD at 39-40.

serving entities ("LSEs") to provide capacity payments and subject RA resources to availability requirements and performance-related penalties. Test events and actual dispatch to a committed level of capacity is one way that DR resources can provide sufficient assurances of forward-planning capacity that will be available, but without capacity payments and requirements and because of the voluntary nature of the ELRP, it would be unwise to have ELRP resources be "counted on" to deliver for emergency reliability events. Granted, the ELRP may provide some indication of the amount of customer participation and resulting MW that *could* be delivered, but as an insurance policy, the ELRP cannot be used to support planning around discrete need.

C. The customer eligibility criteria for Sub-Group A.3 and A.4 and the export counting methodologies should be clarified and revised to better enable customer participation.

CESA reiterates our support for the consideration of exports as part of the ILR assessment in the ELRP, which is applicable to customers or aggregations in all Sub-Group categories, according to the Attached Guidance.[21] However, with no explanation on how the Commission landed on the specific customer eligibility criteria, minimum participation size thresholds, and ILR performance evaluation methodologies, CESA is left to interpret and deduce the intent of the specifics included in the Attached Guidance.

First, CESA recommends revisions to customer eligibility criteria. Customer Subgroup A.3 appears to be most relevant for single-site non-residential Rule 21 Exporting DERs capable of exporting 25 kW, whereas Subgroup A.4 seems designed to capture aggregations larger than 500 kW consisting of BTM storage paired with Net Energy Metering ("NEM") solar. These categories thus exclude Rule 21 Exporting DERs that may be located at residential sites. An estimated 26,000 V2G-capable Nissan LEAFs are on the road in California with batteries ranging from 24 kWh to 62 kWh, totaling an estimated 844 MWh of energy storage capacity that could be unlocked at residential sites using V2G-capable EV supply equipment ("EVSE") interconnection under Rule 21.[22] While CESA

[21] PD Attachment 1: Rulemaking 20-11-003 Guidance at 10-12.

[22] At the end of 2019, an estimated 26,020 V2G-capable Nissan LEAFs are on the road in California, totaling an estimated 977 MWh of energy storage capacity, assuming only vehicles with Model Year

recognizes the restriction to non-residential sites and the 25 kW minimum threshold may simplify the implementation process for IOUs and limit the amount of customers seeking to participate, CESA recommends the Commission revise the PD such that Subgroup A.3 include Rule 21 Exporting DERs at residential sites and explicitly lower the Minimum Export Threshold to 15 kW to accommodate commercially-available V2G-capable EVSEs.

Additionally, the Subgroup A.3 and A.4 definitions do not leave room for aggregations of DERs other than BTM storage paired with solar. While CESA certainly supports BTM hybrids, limiting eligibility for ELRP to such applications may fail to fully capitalize on the critical opportunity to leverage existing DERs for reliability support under the ELRP pilot. CESA believes eligibility under A.4 should not be restricted to sites with NEM-paired storage, and instead be open to aggregations of BTM Rule 21 resources more broadly. For example, a given aggregated VPP portfolio could consist of NEM-paired storage, non-NEM storage, and V2G resources, which would be expected to be non-NEM. As such, the PD should clarify that A.4 includes VPPs of DERs, regardless of whether every customer in the aggregation takes service under the NEM tariff.

Second, CESA recommends that the minimum size thresholds be revised. Specifically, the PD should be revised to lower the minimum size threshold for VPPs from 500 kW to 100 kW to encourage greater aggregator participation in the ELRP. The 500-kW threshold may be unreasonably high, as 100-kW thresholds are set, for example, for Proxy Demand Resource ("PDR") participation, for Base Interruptible Program ("BIP") participation, and in the future, for DER market participation pursuant to Order No. 2222. Taken together, CESA views setting a 100-kW threshold as a reasonable level to enable customer participation while balancing against implementation challenges of assessing the performance and settling payments for too many DERs. If the 100-kW threshold has been established as a reasonable threshold for other purposes (*e.g.*, PDR, BIP, Order No. 2222), a similar threshold could be set for A.4 customer eligibility for ELRP. Regarding this threshold, the PD should also clarify that the minimum export requirement of 25 kW for at

("MY") 2013 or later are V2G capable, MY2013-2015 vehicles have a 24 kWh battery, MY2016 30 kWh, and MY2017-2019 40 kWh. California Energy Commission (2021). California Energy Commission Zero Emission Vehicle and Infrastructure Statistics. Data last updated August 28, 2020. https://www.energy.ca.gov/zevstats least one hour is based on the physical interconnection capacity to export, not their actual deliveries of exports for one hour. Since actual level of exports are impacted by onsite customer load levels, this would otherwise lead to DERs sized at interconnection capacity to export at levels greater than 25 kW and thus translate to higher and less clear upfront eligibility requirements.

D. The option to delay implementation of customer eligibility of Sub-Group A.3 and A.4 and export counting methodologies to May 1, 2022 should be removed.

Without any explanation, the PD and the Attached Guidance affords the option for the IOUs to elect to defer the implementation of customer eligibility of Sub-Group A.2 and A.3 and export counting methodologies to as late as May 1, 2022.[23] Though the IOUs may elect to not defer implementation, CESA does not find it necessary to offer this option when exporting DERs and VPPs have the potential to immediately support Summer 2021 needs. Existing DERs currently have excess or stranded export capacity that could be actualized in short order with a counting methodology. The PD directs the IOUs to submit an ELRP implementation advice letter within 30 days from the effective date of the decision, likely guaranteeing an outcome where the IOUs will exercise this option to delay since the turnaround time is short and the development of an export counting methodology may require some further development given the relatively novelty of developing an export counting methodology for Sub-Group A.2 and A.3 customers. Instead, there should be a follow-up opportunity to submit a supplemental advice letter for a preliminary export counting methodology within 60 days of the decision effective date, subject to future revisions upon stakeholder feedback. The option to delay should be removed.

E. An enhanced option with commensurate higher payments and possibly penalties should be developed ahead of Summer 2022.

The ELRP represents a good starting point that could derive greater value in terms of forward planning and performance for emergency reliability events with future revisions in advance of Summer 2022. For example, CESA believes that the ELRP could create a category of customers who wish to provide enhanced DR that may include performance

[23] PD Attachment 1: Rulemaking 20-11-003 Guidance at 5-6.

penalties to provide added assurance that a resource can be counted on to show up and support the reasonableness of raising the compensation rate or providing capacity-based payments. Another potential enhancement for ELRP ahead of 2022 could be to add an enrollment incentive incremental to other existing technology deployment incentives, which may further support the development of new-build resources – a reasonable future refinement since all of the analysis by the Commission points to supply shortfalls not only in the near-term 2021-2022 period but also in the mid-term period.

Framed as an insurance policy in the PD, the ELRP should be revised to actually function as the intended insurance policy and as a "last line of defense" against grid outages instead of as a voluntary safety net during CAISO emergency events. As California's building and transportation electrification progress continues at full speed, customers' willingness to pay to avoid an outage could increase. A case could be made that the ELRP compensation rate should be valued as an insurance premium (*e.g.*, value of lost load) based on the societal cost of CAISO system-wide collapse, not just any individuals' willingness to pay or whether the ELRP would incentivize any individual customer to respond, considering rolling outages are triggered to avoid such system-wide catastrophic outcomes. Given this context, the ELRP compensation rate, if the Commission is intent on staying an energy-only rate, should be higher than the current $1/kWh; alternatively, and in CESA's view to be more optimal, the ELRP should include an enhanced DR product that includes performance-based capacity payments and penalties that support forward planning and assurances that the ELRP as an insurance policy will deliver.

CESA thus recommends that the Commission continue to iterate on the ELRP and consider revisions to the ELRP pilot ahead of Summer 2022 that include an enhanced DR product and make a number of other changes as needed (*e.g.*, customer eligibility, export counting methodology). To ensure that the Commission and stakeholders have an opportunity to iterate on the ELRP design and improve its performance over time, CESA believes a third-party program evaluator and facilitator would be beneficial to work through issues and solutions that cross multiple proceedings (*e.g.*, DR, Rule 21, Energy Storage) and agencies (*i.e.*, Commission, CEC, CAISO). Rather than leaving the administration and execution of the ELRP entirely to the IOUs, a venue for continuous improvements facilitated by a third party would best position the ELRP for success.

Finally, CESA stresses that the ELRP, while a good starting point, should not be viewed as a substitute for defining a RA capacity valuation methodology for BTM storage and its exports, even if the ELRP evolves to include capacity-based payments. The export counting methodologies developed for the purposes of the ELRP could inform the methodology used to calculate the RA capacity value, but the Commission should clearly delineate that RA capacity and emergency reliability capacity are distinct, with the former providing normal, blue-sky supply and the latter providing emergency capacity as an insurance policy. CESA thus urges the Commission to not lose sight of the need to take bold action in the RA proceeding (R.19-11-009).

F. SCE's VPP Phase II pilot proposal should be adopted.

For many of the same reasons why the PD adopted Sub-Group A.3 and A.4 for the ELRP, SCE's proposed VPP Phase II pilot proposal would further demonstrate the potential of VPPs in supporting emergency reliability. This proposal is not addressed in the PD. Due to broad support, no opposition from parties, limited scope, incremental budget required, and valuable learning objectives, CESA believes this proposal falls within the scope of other demand-side measures adopted in this PD. As such, it should be approved.

IV. 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,

Jin Noh
Policy Director
CALIFORNIA ENERGY STORAGE ALLIANCE

Date: March 15, 2021

Attachment:

CESA's Proposed Revisions to Findings, Conclusions, and Orders

CESA's Proposed Revisions to Findings, Conclusions, and Orders

Findings of Fact

17. The appropriate duration for the first iteration of ELRP is as a pilot program that will run for the years 2021-2025, ~~**with years 2023-2025**~~ subject to review and revision ~~**in the DR application proceeding expected to be initiated November 2021**~~.

27. Within 30 days of the effective date of this Decision, PG&E, SCE and SDG&E **shall** ~~**could**~~ jointly file a Tier 1 AL incorporating the ELRP terms and conditions. **Within 60 days of the effective date of this Decision, PG&E, SCE and SDG&E shall jointly file a supplemental Tier 1 AL regarding the export counting methodology, upon receiving stakeholder feedback on proposed methodology.** Limited deviations to accommodate IOU-specific implementations due to IT and billing systems could be permitted. The filing could include details necessary to implement the ELRP guidelines set forth above and address various aspects of ELRP pilot design, including enrollment, event notification and customer acknowledgment, ILR measurement, and settlement.

63. PG&E, SCE, and SDG&E could be directed to continue their procurement efforts and endeavor to meet and exceed their respective incremental procurement targets to achieve this effective 17.5% PRM for the months of concern. All procurement contracts could be submitted to Energy Division via a Tier 1 AL on a continuing basis, except for contracts for incremental gas generation of **four** ~~**five**~~ years or more and incremental imports. Contracts of **four** ~~**five**~~ years or more for incremental generation at existing gas power plants could be submitted to Energy Division via a Tier 3 AL. Contracts for fossil-fuel development at new sites will not be considered. However, contracts for redevelopment or repowering at existing electric generation sites **without energy storage** would be considered and should be submitted via Application, regardless of contract length. Tier 1 ALs are not required, but could be submitted, for incremental imports, provided the IOUs remain within the "hard cap" procurement limits for supply-side generation and storage resources discussed above.

Conclusions of Law

6. Within 30 days of the effective date of this Decision, PG&E, SCE and SDG&E should jointly file a Tier 1 AL incorporating the ELRP terms and conditions. **Within 60 days of the effective date of this Decision, PG&E, SCE and SDG&E should jointly file a supplemental Tier 1 AL regarding the export counting methodology, upon receiving stakeholder feedback on proposed methodology.** Limited deviations to accommodate IOU-specific implementations due to IT and billing systems should be permitted. The filing should include details necessary to implement the ELRP guidelines set forth above and in Section 3 of Attachment 1 and address various aspects of ELRP pilot design, including enrollment, event notification and customer acknowledgment, ILR measurement, and settlement.

11. Continued authorizations for supply side procurement by PG&E, SCE, and SDG&E should be instituted, as outlined in Section 6 of Attachment 1, to ensure adequate capacity is procured and secured to meet the appropriate capacity need to avert the potential for rotating outages. The net costs associated with this procurement should be passed through to all benefiting customers consistent with the existing cost allocation mechanism. PG&E, SCE, and SDG&E should be directed to continue their procurement efforts and endeavor to meet and exceed their respective incremental procurement targets to achieve this effective 17.5% PRM for the months of concern. All procurement contracts should be submitted to Energy Division via a Tier 1 advice on a continuing basis, except for contracts for incremental gas generation of **four** ~~**five**~~ years or more and incremental imports. Contracts of **four** ~~**five**~~ years or more for incremental generation at existing gas power plants should be submitted to Energy Division via a Tier 3 Advice Letter. Contracts for fossil-fuel development at new sites will not be considered. However, contracts for redevelopment or repowering at existing electric generation sites **without energy storage** would be considered and should be submitted via Application, regardless of contract length. Tier 1 Advice Letters are not required, but may be submitted, for incremental imports, provided the IOUs remain within the "hard cap" procurement limits for supply-side generation and storage resources discussed in Section 6 of Attachment 1.

Orders

7. Within 30 days of the effective date of this Decision, Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company shall jointly file a Tier 1 Advice Letter incorporating the Emergency Load Reduction Program (ELRP) terms and conditions. **Within 60 days of the effective date of this Decision, PG&E, SCE and SDG&E should jointly file a supplemental Tier 1 AL regarding the export counting methodology, upon receiving stakeholder feedback on proposed methodology.** Limited deviations to accommodate investor-owned utility specific implementations due to information technology and billing systems shall be permitted. The filing shall include details necessary to implement the ELRP guidelines set forth above and address various aspects of ELRP pilot design, including enrollment, event notification and customer acknowledgment, incremental load reduction measurement, and settlement.

11. Continued authorizations for supply side procurement by Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E) shall be instituted, as outlined in Section 6 of Attachment 1, to ensure adequate capacity is procured and secured to meet the appropriate capacity need to avert the potential for rotating outages. The net costs associated with this procurement shall be passed through to all benefiting customers consistent with the existing cost allocation mechanism. PG&E, SCE, and SDG&E are directed to continue their procurement efforts and endeavor to meet and exceed their respective incremental procurement targets to achieve this effective 17.5% PRM for the months of concern. All procurement contracts shall be submitted to Energy Division via a Tier 1 advice letter on a continuing basis, except for contracts for incremental gas generation of **four** ~~**five**~~ years or more and incremental imports. Contracts of **four** ~~**five**~~ years or more for incremental generation at existing gas power plants shall be submitted to Energy Division via a Tier 3 Advice Letter.

Contracts for fossil-fuel development at new sites will not be considered. However, contracts for redevelopment or repowering at existing electric generation sites **without energy storage** would be considered and should be submitted via Application, regardless of contract length. Tier 1 Advice Letters are not required, but may be submitted, for incremental imports, provided the IOUs remain within the "hard cap" procurement limits for supply-side generation and storage resources discussed in Section 6 of Attachment 1.

New Order

Within 30 days of the effective date of this Decision, Pacific Gas and Electric Company, on behalf of the three investor owned utilities, shall retain a qualified Independent Reliability Program Evaluator to support the Commission's oversight of the programs and procurement identified herein. The Independent Reliability Program Evaluator will create regular reports on the progress of program implementation in support of the Commission's oversight. The Evaluator's tasks will include any necessary coordination, participation and investigation needed to ensure transparent program implementation.