May 24, 2021

CESA
CALIFORNIA ENERGY STORAGE ALLIANCE

Edward Randolph, Director
Energy Division
California Public Utilities Commission
505 Van Ness Avenue, Room 4004
San Francisco, CA 94102

RE: Draft Resolution E-5150. Adopts updates to the Avoided Cost Calculator for use in demand-side distributed energy resource cost-effectiveness analyses.

Dear Mr. Randolph,

Pursuant to Rule 14.6 of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission") and the Comment Letter accompanying Draft Resolution E-5150 ("Draft Resolution"), the California Energy Storage Alliance ("CESA") respectfully comment on the proposed updates to the Avoided Cost Calculator ("ACC").

I. INTRODUCTION

CESA appreciates the opportunity to provide comments on the proposed changes to the ACC. In 2021, the Commission was set to update data inputs and include other minor modifications to the ACC. Instead, the Draft Resolution describes an ACC that has gone through major modifications, some of them not previously discussed and approved in the Integrated Resource Planning ("IRP") proceeding. Thus, in these comments, CESA recommends the Commission to refrain from adopting the version of the ACC described in the Draft Resolution and instead revise the proposed modifications to ensure they align with the bifurcated approach established in Decision ("D.") 19-05-019. As such, CESA's comments can be summarized as follows:

- The Commission should note the use of a previously unapproved modeling scenario constitutes a major change to the ACC and introduces procedural issues to the process.
- Even if changes were minor, the Commission should consider that stakeholders were not given enough information in a timely manner to determine if the proposed changes are in fact "minor."
- The Commission should acknowledge that, even if the changes were minor, the results of the RESOLVE run associated to the Draft 2021 ACC represent an unfeasible deployment strategy that should not be used as a counterfactual scenario.

II. THE COMMISSION SHOULD NOTE THE USE OF A PREVIOUSLY UNAPPROVED MODELING SCENARIO CONSTITUTES A MAJOR CHANGE TO THE ACC AND INTRODUCES PROCEDURAL ISSUES TO THE PROCESS

The current ACC update process is the result of Decisions D.16-07-007 and D.19-05-019. In the latter of these Decisions, the Commission determined that "major" changes would be addressed in even years through a formal evidentiary process, while "minor" changes would be made in odd years through the Commission's resolution process. D.19-05-019 defined "minor changes" as "data and input updates as indicated in D.16-06-007" [and] "changes to the modeling method that most parties can reasonably agree are minor in scope and impact."[1] The establishment of clear definitions for minor and major changes is essential to administer the update cycles; and these concepts will be revisited for discussion in the following section of this comments.

Since major updates to the ACC framework are conducted in even years, the 2020 ACC approved in D.20-04-010 included the use of a new No New DER scenario associated with the IRP Reference System Plan ("RSP") that the Commission approved in D. 20-03-028. In fact, D.20-04-010 noted it is essential to align the ACC with the most recently approved RSP of the IRP proceeding, stating that the "use of the Reference System Portfolio, as adopted by the Commission, should allay concerns expressed by parties that the previously released draft Reference System Portfolio should not be the basis for the 2020 Avoided Cost Calculator update."[2] Notably, the investor-owned utilities ("IOUs") commented on the need to align the ACC process to the IRP, highlighting the need for stakeholder review and comment; stating that the 2020 ACC should use the final version of the IRP RSP that will be adopted by the Commission since "the proposed RSP, issued on November 6, 2019, has not yet been subject to party comments and analysis, includes a number of disputed issues".[3]

In this context, the use of a completely new No New DER scenario in a year slated to only consider minor updates is procedurally incorrect and contrary to the spirit of the bifurcated approach instituted in D.19-05-019. The release of the Draft Resolution was the first any parties heard of the new IRP scenario considered for the Draft 2021 ACC. Fundamentally, the use of this scenario is not, in fact, a minor change. Instead, this scenario is vastly different than the RSP adopted in D.20-03-028, and results in significantly lower avoided GHG values than those used in the 2020 ACC; which, in turn, significantly affect the avoided cost value of distributed energy resources ("DERs").

Notably, the new No New DER scenario includes more than 19 GW of out-of-state wind and 10 GW of offshore wind that was not in the RSP portfolio. This has a direct effect on the

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[1] D.19-05-019, at 49-50.
[2] D.20-04-010, at 32 (emphasis added).
[3] See *Joint Opening Comments on Staff Proposal for Major Updates to the Avoided Cost Calculator and Joint Opening Brief of Southern California Edison Company, Pacific Gas and Electric Company and San Diego Gas & Electric Company*, R. 14-10-003 (December 17, 2019), p.3.

greenhouse gas ("GHG") emissions adder, which, for 2030, decreases dramatically between the 2020 ACC and the Draft 2021 ACC. In essence, the single-year 2030 GHG Adder sets the avoided costs of meeting the State's GHG goals in the 30 years modeled in the ACC. As such, modifications to the scenario used to inform this adder are substantial and should only be considered in the context of major changes and with a vetting process along with interested parties.

In sum, the Commission should not try to update the IRP modeling used in the ACC in this year's minor update process. The use of a new No New DER scenario is in fact a major update that substantially modifies the avoided cost value of DERs and sends widely different signals to market participants relative to the 2020 ACC. CESA does not oppose the incorporation minor changes within the Draft 2021 ACC process, such as those made to the inputs used directly in the ACC and the correction of certain programming errors and bugs. Nevertheless, CESA does not consider the usage of a new IRP case as a "minor" update. Hence, the Commission must reject the use of the unapproved No New DER scenario and focus on the established scope and process of minor updates.

III. EVEN IF CHANGES WERE MINOR, THE COMMISSION SHOULD CONSIDER THAT STAKEHOLDERS WERE NOT GIVEN ENOUGH INFORMATION IN A TIMELY MANNER TO DETERMINE IF THE PROPOSED CHANGES ARE IN FACT "MINOR"

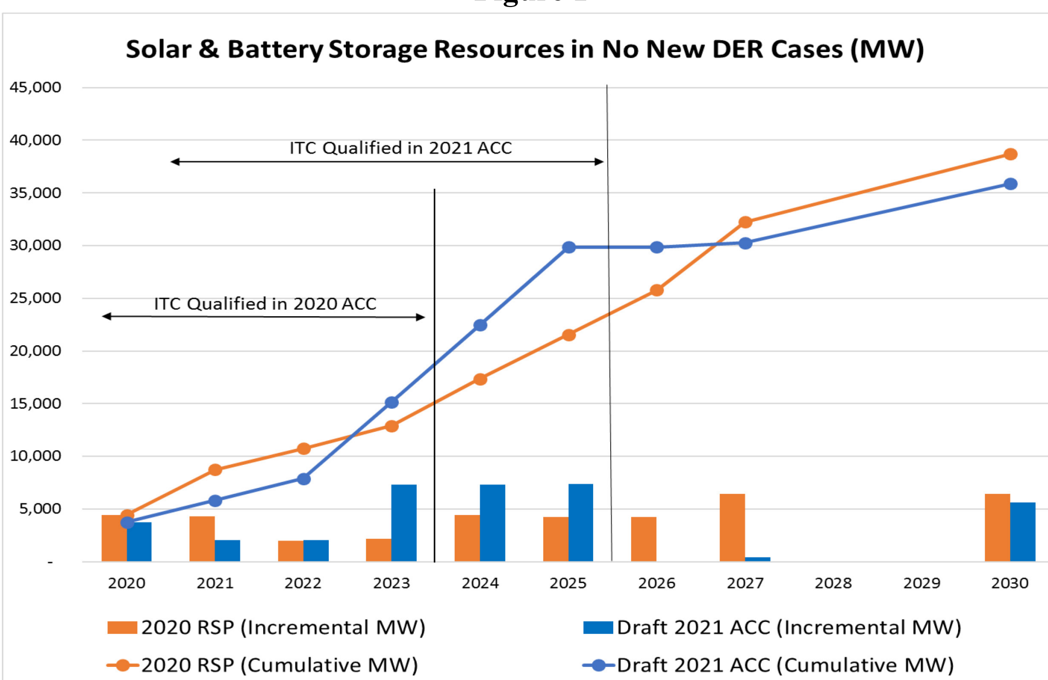
As noted in the prior section, CESA does not consider the Commission should try to update the IRP modeling in this year's minor update process. CESA elaborates on this issue by noting that this update is particularly inappropriate given the availability of information regarding the updates included in the Draft 2021 ACC. As the Commission requests parties to provide feedback on proposed modifications, it is essential that staff makes key materials and data available for revision. Unfortunately, in the development of the Draft 2021 ACC, staff did not make available the input assumptions and the associated source documentation in a timely manner. This resulted in a significant procedural deficiency which essentially denied parties of the opportunity to determine if the changes were in fact minor in scope and aligned with D.19-05-019.

Throughout the commenting process for the Draft Resolution, parties had few materials available to determine the validity and scale of the modifications proposed for the Draft 2021 ACC. On May 3, Energy Division only posted the RESOLVE output file, leaving out input files or any documentation of the input assumptions. Documentation regarding the changes made in the input assumptions for the new No New DER run was also missing despite being crucial for any form of thorough feedback. It was until May 19, that staff communicated additional information to stakeholders; four working days prior to the comment deadline. Given the relevance of the ACC to the achievement of the State's energy and environmental goals, CESA urges the Commission to recognize the significance of this procedural deficiency and note that this lack of information makes it considerably more difficult for parties to substantially contribute to the attainment of said targets.

IV. THE COMMISSION SHOULD ACKNOWLEDGE THAT, EVEN IF THE CHANGES WERE MINOR, THE RESULTS OF THE RESOLVE RUN ASSOCIATED TO THE DRAFT 2021 ACC REPRESENT AN UNFEASIBLE DEPLOYMENT STRATEGY THAT SHOULD NOT BE USED AS A COUNTERFACTUAL SCENARIO

The use of the new and previously unapproved No New DER case results in the selection of about 30 GW of solar and storage resources by 2030. Figure 1 compares the solar and storage build-outs in the 2020 and draft 2021 ACCs. As it can be observed, the modifications to input assumptions have resulted in the selection of approximately 85% of the solar and storage needed in 2030, by 2025. In essence, this RESOLVE run assigns a significantly lower avoided cost value to DERs based on the assumption that it is possible to deploy 30 GW of incremental resources, 18 GW of solar and 12 GW of storage, in the next four years.

Figure 1



CESA considers this result is unrealistic and highlights the deficiencies inherent to an expedited, procedurally flawed, and unwarranted major update of the ACC. Despite the fact that lower costs contribute to the scenario's results; it is simply infeasible to assume that California will deploy 150% more than the State's existing utility-scale solar fleet and more than ten times the existing battery storage capacity in the next four years. Hence, the Commission would be amiss by using these analyses to send investment signals to market participants across California.

V. CONCLUSION

CESA appreciates the opportunity to submit these comments and looks forward to working with the Commission and stakeholders.

Respectfully submitted,

Jin Noh
Policy Director
CALIFORNIA ENERGY STORAGE ALLIANCE

Date: May 24, 2021