

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Continue Implementation and Administration, and Consider Further Development, of California Renewables Portfolio Standard Program.	Rulemaking 18-07-003 (Not Consolidated)
Order Instituting Rulemaking to Continue Implementation and Administration, and Consider Further Development, of California Renewables Portfolio Standard Program.	Rulemaking 15-02-020 (Not Consolidated)
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**REPLY COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE ON
THE ADMINISTRATIVE LAW JUDGE'S RULING SEEKING UPDATED
INFORMATION REGARDING THE RENEWABLE MARKET ADJUSTING TARIFF
PROGRAM**

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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 reply comments to the *Administrative Law Judge’s Ruling Seeking Updated Information Regarding the Renewable Market Adjusting Tariff Program* (“Ruling”), issued by Administrative Law Judge (“ALJ”) Manisha Lakhanpal and ALJ Carolyn Sisto on April 22, 2021.

I. INTRODUCTION.

CESA appreciates the Commission’s attention to potential modifications to the Renewable Market Adjusting Tariff (“ReMAT”) to enable energy storage enhancements to eligible renewable facilities, consistent with determinations and policies made at the Federal Energy Regulatory

Commission (“FERC”) and the Commission itself in recognizing the treatment of energy storage as a component of renewable facilities. Policies, regulations, and processes in California and across the nation are increasingly evolving to accommodate energy storage resources paired with renewable facilities, including but not limited to, interconnection processes, market participation models, various program and tariff eligibility criteria, investment tax credit eligibility, and many more. CESA therefore believes that changes to ReMAT to allow for storage eligibility are long overdue. With this in mind, CESA responds to parties’ comments with a focus on questions or views on energy storage eligibility in the ReMAT Program, summarized as follows:

- The case for storage eligibility is backed by Renewables Portfolio Standards (“RPS”) policy and how the ReMAT Program is not behold to determinations made regarding Public Utility Regulatory Policies Act (“PURPA”).
- While relevant for market participation purposes, distinctions between hybrid and co-located resources are less applicable for storage eligibility.
- Hybrid and co-located resources should have product eligibility defined by the time of expected delivery.
- Energy storage has the ability to change the hybrid and co-located resource dispatch profile in response to evolving grid needs and in adherence to time of delivery (“TOD”) factors.

II. THE CASE FOR STORAGE ELIGIBILITY IS BACKED BY RENEWABLES PORTFOLIO STANDARD POLICY AND HOW THE RENEWABLE MARKET ADJUSTING PROGRAM IS NOT BEHOLDEN TO DETERMINATIONS MADE REGARDING PUBLIC UTILITY REGULATORY POLICIES ACT.

Public Advocates Office cites Public Utilities Code (“PUC”) Section 399.20 as not providing explicit clarifications that energy storage can be added to eligible renewable facilities as an addition or enhancement and recommends deferring on this issue¹ until it is addressed at the

¹ PAO comments at 8-9.

federal level and/or clarified in the PURPA proceeding, Rulemaking (“R.”) 18-07-017.² However, even as PAO has acknowledged and the Commission has determined,³ the ReMAT Program does not need to meet all of the minimum requirements of PURPA, making the recommendation to defer to determinations made at the federal level or in R.18-07-017 to be unnecessary. It is not a prerequisite to await determinations or clarifications made elsewhere when the Commission can leverage eligibility determinations already made consistent with the RPS Eligibility Handbook, as raised by CESA and other parties.⁴

III. WHILE RELEVANT FOR MARKET PARTICIPATION PURPOSES, DISTINCTIONS BETWEEN HYBRID AND CO-LOCATED RESOURCES ARE LESS APPLICABLE FOR STORAGE ELIGIBILITY.

The investor-owned utilities (“IOUs”) contend that co-located storage resources are separate facilities from eligible renewable facilities,⁵ suggesting that storage eligibility does not apply to storage resources with separate resource IDs. CESA respectfully disagrees with these distinctions being made since the only practical difference between hybrid and co-located projects is the metering configuration, where the former involves two or more resources operating under a single resource ID and the latter involves two or more resources operating under their own separate and individual resource IDs. Both project types have a single point of interconnection and are co-optimized as a single resource, with hybrid projects being optimized by the project owner and co-located projects being optimized by the California Independent System Operator (“CAISO”)

² See, e.g., Questions 2-7 of *Amended Scoping Memo and Ruling of the Assigned Commissioner* issued on January 11, 2021 in R.18-07-017.

<https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M359/K864/359864724.PDF>

³ See D.20-10-005 at Conclusion of Law 6: “ReMAT does not need to by itself satisfy all the Commission’s PURPA implementation requirements because the New QF SOC already fulfills these requirements and without a limit on procurement.”

⁴ See, e.g., Clean Coalition comments at 7.

⁵ Joint IOU comments at 9.

subject to aggregate capability constraints submitted by the project owner;⁶ in either case, the storage resource is being used to enhance and shape the renewable energy delivery to the grid, consistent with the RPS policies in place to determine storage eligibility.

Importantly, the Commission has recognized that there is no practical difference in operational characteristics of hybrid and co-located resources in the Resource Adequacy (“RA”) proceeding:⁷

“For example, Tesla states that “the operational behavior of a Hybrid Resource comprised of storage and a [Variable Energy Resource] with a single resource ID is likely to be very similar to that of a similar Co-Located resource, since the economic incentives are similar.” *In other words, if a hybrid and a co-located resource have identical physical characteristics and charging restrictions, the same QC value should apply to both. The Commission agrees with this view.*” [*emphasis added*]

As the Commission has recognized elsewhere, there are no differences in how hybrid and co-located resources should be counted for qualifying capacity since they are otherwise the same, aside from unique considerations for CAISO market participation, as discussed above. However, whether the project is hybrid or co-located should make no difference for determining its eligibility for the ReMAT Program.

IV. HYBRID AND CO-LOCATED RESOURCES SHOULD HAVE PRODUCT ELIGIBILITY DEFINED BY THE TIME OF EXPECTED DELIVERY.

The IOUs point to Decision (“D.”) 20-12-034 as seeking to affirm that ReMAT product types are determined by when electricity output is generated, not delivered, such that, for example, solar should qualify under the As-Available Peaking (“AAP”) product type and wind should

⁶ See CAISO Tariff Section 27.13.

⁷ See D.20-06-031 at 28-29.

<https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M342/K083/342083913.PDF>

qualify under the As-Available Non-Peaking (“AANP”) product type.⁸ CESA does not believe that D.20-12-034 holds weight as the Commission considers a number of *prospective modifications* to the ReMAT program and tariffs; by contrast, D.20-12-034 addressed a complaint by a party that was resolved through the interpretation of the *existing* ReMAT program and tariffs. While D.20-12-034 can inform how the existing ReMAT rules may apply to energy storage eligibility, the Commission is within its authority to clarify or change policy in ways that may diverge from determinations made in D.20-12-034.

To this end, CESA recommends that the Commission modify ReMAT rules and tariffs to affirm that product type eligibility is defined by the expected output that will be generated during a particular period. When energy storage is paired with renewable facilities, the time of generation is less relevant to the value provided to the grid than the time of delivery. With energy storage adding dispatchability to the hybrid or co-located resource, the value of renewable generation is not in the generation itself but in the generation “exported” to the grid across the point of common coupling (“PCC”), where storage provides an enhanced benefit of delivering that generation at times of most value. For example, if a solar-plus-storage resource is able to shift and deliver energy during non-peaking periods, their value should be no different from that of a wind generation facility for the purposes of ReMAT; yet, under current interpretations of ReMAT product eligibility according to D.20-12-034, the solar-plus-storage resource would be receiving a different value as though it is delivering energy to the grid during a different period.⁹

Finally, the Solar Energy Industries Association (“SEIA”) and Vote Solar recommends perhaps a clean way to address the complexities of megawatt allocations or eligibility criteria

⁸ Joint IOU comments at 10.

⁹ As explained in our opening comments, the expected output during a particular period can be controlled through firmware or software controls and/or contractual terms.

would be to eliminate product types altogether.¹⁰ CESA generally agrees that such an approach could more flexibly support new generation and storage facilities by relying on more granular value of generation to the grid at multiple times of the day.

V. **ENERGY STORAGE HAS THE ABILITY TO CHANGE THE HYBRID AND CO-LOCATED RESOURCE DISPATCH PROFILE IN RESPONSE TO EVOLVING GRID NEEDS AND IN ADHERENCE TO TIME OF DELIVERY FACTORS.**

The IOUs and PAO express concerns with the use of fixed TOD factors, which can become outdated as the IOU load profile changes and thus power purchase agreement (“PPA”) rates will potentially no longer reflect avoided costs over a long-term contract.¹¹ In support of these concerns, PAO cites multiple Commission decisions on the use of TOD factors on an information-only basis as a result, including D.19-02-007, D.19-12-042, and D.20-10-005.¹² However, the cited issues are fully addressable with modifications to the ReMAT Program to align and incentivize renewable electricity delivery to the highest value periods of the year, which can be updated dynamically as load conditions evolve even if fixed TOD factors are used to set PPA prices. For example, in using TOD factors to set PPA prices, the tariff could stipulate that renewable electricity is required to be delivered to the grid during the administratively-set peak period; with a four-hour storage paired to the renewable generation facility, the contract could require deliveries during the highest four-hour periods of every day, as defined in the tariff (*e.g.*, 5-9 pm). If load conditions evolve where the peak shifts to a later time of the day (*e.g.*, 6-10 pm), then the tariff could be updated to shift the required delivery periods, alleviating concerns that the higher-priced PPA would be overpaying for electricity delivery during hours misaligned with the

¹⁰ SEIA and Vote Solar comments at 3.

¹¹ Joint IOU comments at 7-8 and PAO comments at 6.

¹² PAO comments at 4 and 6-7.

TOD factors. Energy storage is unique and valuable in that way, adding dispatchability and flexibility to the renewable generation fleet to evolve over time.

At the same time, CESA recognizes that the Commission has made multiple determinations on the use of TOD factors on an information-only basis due to the aforementioned concerns that, in our view, are addressable with further consideration of tariff modifications to allow for updates over time. If further policy development is needed to move away from previous determinations on the use of TOD factors, CESA proposes a potential alternative path where the Commission: (1) affirms energy storage eligibility in ReMAT; (2) have the IOUs procure RA attributes from the paired energy storage resources; and (3) maintain the current eligibility and payment methodology structure for the renewable generation component of the hybrid or co-located resource (*i.e.*, based on generation rather than delivery). This is an expeditious pathway to be consistent with previous Commission decisions on TOD factors and maintain the pricing methodology in place for AAP and AANP product types based on generation rather than delivery. Rather, the value of paired storage would be in the IOUs extracting additional value from ReMAT resources that are statutorily required to be procured and in meeting incremental capacity procurement obligations that the IOUs and all load-serving entities (“LSEs”) are being subject to, such as for 2023-2026 mid-term reliability.¹³ The Commission should view this pathway as an immediate opportunity to address multiple obligations at once, representing potential cost savings to ratepayers. RA capacity counting rules and requirements will evolve over time for the paired storage resource like any other non-ReMAT hybrid or co-located resource, and renewable generation facilities in ReMAT would still fall within the existing definitions and requirements, thereby addressing any concerns about overpaying due to misaligned hours or policies.

¹³ See recent Proposed Decision and Alternate Proposed Decision in R.20-05-003.

Notwithstanding CESA's proposed alternative and expeditious pathway for storage eligibility in ReMAT, CESA still urges the Commission to first consider ways to leverage TOD factors in supporting energy storage eligibility and compensating hybrid or co-located resources in accordance with their expected delivery profile, which can evolve as needed over time.

VI. CONCLUSION.

CESA appreciates the opportunity to submit these reply comments on the Ruling and looks forward to working with the Commission and stakeholders in the RPS proceeding.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Jin Noh', is positioned above the typed name and title.

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