

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

Order Instituting Rulemaking to
Oversee the Resource Adequacy
Program, Consider Program Reforms
and Refinements, and Establish
Forward Resource Adequacy
Procurement Obligations.

Rulemaking 21-10-002
(Filed October 7, 2021)

**COMMENTS OF THE JOINT DER PARTIES ON THE PROPOSED DECISION
ADOPTING LOCAL CAPACITY OBLIGATIONS FOR 2023-2025, FLEXIBLE
CAPACITY OBLIGATIONS FOR 2023, AND REFORM TRACK FRAMEWORK**

Jin Noh
Policy Director
California Energy Storage Alliance
2150 Allston Way, Suite 400
Berkeley, California 94704
Telephone: (510) 665-7811
Email: cesa_regulatory@storagealliance.org

Kate Unger
Senior Policy Advisor
California Solar & Storage Association
1107 9th Street, Ste. 820
Sacramento, CA 95814
Telephone: (747) 296-4780
Email: kate@calssa.org

Marc Monbouquette
Senior Manager, Regulatory Affairs
Enel X North America, Inc.
360 Industrial Road
San Carlos, CA 94070 USA
Telephone: (415) 553-0381
Email: marc.monbouquette@enel.com

Christopher Worley
Director of Public Policy
Sunrun
717 17th St #500
Denver, CO 80202
Telephone: (303) 912-9391
Email: christopher.worley@sunrun.com

Noah Garcia
Principal
Advanced Energy Economy
1010 Vermont Ave. NW, Suite 1050
Washington, D.C. 20005
Telephone: (202) 380-1950
Email: ngarcia@ace.net

June 9, 2022

Subject Index

I. Introduction. 1

II. The PD does not accurately or adequately address the Joint DER Parties’ substantial discussion of the barriers identified in past commission decisions. 2

III. The Commission should adopt a core QC value for BTM hybrid and storage exporting resources. 4

IV. The Commission should direct follow-up work on the Joint DER Parties proposal as a starting point. 6

V. Conclusion. 8

Table of Authorities

Commission Rules

Rule 14.3. 1

Commission Decisions

D.20-06-031. 2, 5-6

D.21-02-006. 3

D.21-06-029. 2, 5-6

Commission Proceedings

R.21-06-017. 4

R.21-10-002. 1

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

Order Instituting Rulemaking to
Oversee the Resource Adequacy
Program, Consider Program Reforms
and Refinements, and Establish
Forward Resource Adequacy
Procurement Obligations.

Rulemaking 21-10-002
(Filed October 7, 2021)

**COMMENTS OF THE JOINT DER PARTIES ON THE PROPOSED DECISION
ADOPTING LOCAL CAPACITY OBLIGATIONS FOR 2023-2025, FLEXIBLE
CAPACITY OBLIGATIONS FOR 2023, AND REFORM TRACK FRAMEWORK**

In accordance with Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), the Joint DER Parties¹ hereby submit these comments on the *Proposed Decision Adopting Local Capacity Obligations for 2023-2025, Flexible Capacity for 2023, and Reform Track Framework* (“PD”), issued on May 20, 2022, by Administrative Law Judges (“ALJ”) Debbie Chiv and Shannon O’Rourke.

I. INTRODUCTION.

Given the current emergency reliability risks and forecasted capacity shortfalls, the Joint DER Parties are disappointed that the Commission is not making a concerted effort to take full advantage of behind-the-meter (“BTM”) hybrid and energy storage resources that are well-positioned to address these urgent near- and mid-term needs. Establishing a qualifying capacity (“QC”) value in R.21-10-002 for BTM hybrid and energy storage resources, inclusive of exports, is critically important, given the unrecognized value in the Proxy Demand Resource (“PDR”) model, tight capacity market faced by the state, and need to meet the intent of Federal Energy Regulatory Commission (“FERC”) Order 2222 by enabling participation in the California

¹ The Joint DER Parties, for purposes of this filing, are: California Solar & Storage Association (“CALSSA”), California Energy Storage Alliance (“CESA”), Enel X North America, Inc. (“Enel X”), Sunrun, Inc. (“Sunrun”), and Advanced Energy Economy (“AEE”). The Joint DER Parties have authorized CESA to file these comments on their behalf. In reference to the proposal submitted in this proceeding, the Joint DER Parties include CALSSA, CESA, Enel X, and Sunrun.

Independent System Operator’s (“CAISO”) Distributed Energy Resource Provider (“DERP”) market participation model. Absent a QC value inclusive of exports and using directly measurable methods, DERP participation will continue to be non-existent, otherwise usable export capacity from existing installed systems will be stranded, and new BTM hybrid and energy storage resources will not be designed to maximize and optimize system designs for both customer and system benefit. In the face of uncertainty surrounding various ongoing interconnection delays and supply-chain constraints, California should fully leverage BTM exporting resources and unlock the value that these resources can provide.²

II. THE PD DOES NOT ACCURATELY OR ADEQUATELY ADDRESS THE JOINT DER PARTIES’ SUBSTANTIAL DISCUSSION OF THE BARRIERS IDENTIFIED IN PAST COMMISSION DECISIONS.

The Joint DER Parties poured in significant time and resources to develop a comprehensive proposal to address each of the eight barriers identified in Commission Decision (“D.”) 20-06-031 and D.21-06-029, yet the Commission concluded that the capacity value cannot be assessed for a value that has not yet been defined.³ While the PD acknowledges that the Joint DER Parties submitted a lengthy proposal, the discussion in the PD does not fully acknowledge the substantial work presented in the proposal to address each of the eight barriers,⁴ nor does it attempt to rule on the merits of the Joint DER Parties’ recommendations. Contrary to the Commission’s determination that this proposal is premature and fails to address the issues identified in D.20-06-031, the Joint DER Parties developed detailed proposals to each of the concerns discussed in the PD, including around visibility, deliverability, incrementality, etc.⁵

With limited and cursory discussion on the proposals, the Joint DER Parties cannot discern where the Commission sees critical flaws in the various proposals on the eight issues. The Joint

² As noted by Energy Division staff during the May 20 CEC workshop on summer reliability, there are several near-term challenges that threaten to delay development of RA-eligible resources and further jeopardize California’s near-term grid reliability, including supply chain issues, interconnection and transmission delays, and permitting hurdles. Presentation – Tracking Energy Development, slide 5, CPUC, May 20, 2022. Available at: <https://efiling.energy.ca.gov/Lists/DocketLog.aspx?docketnumber=21-ESR-01>

³ PD at 54-55.

⁴ Joint DER Parties’ Reply Comments (February 24, 2022) Attachment A, section II (“Eight Barriers in D.20-06-031 & D.21-06-029”) pp. 8-82.

⁵ PD at 54.

DER Parties discussed each of the eight issues at length, including identifying issues that need clarification, such as “interaction of such resources with existing BTM resources such as proxy DR.”⁶ The PD provides no guidance on the Commission’s thinking regarding these issues and no avenues for further work to achieve the “goal of counting these resources in the RA program.”⁷

Additionally, the PD misstates the thrust of the Joint DER Parties’ discussion of how best to account for exports beyond load reductions. The PD states that the Joint DER Parties recommended that the CAISO’s PDR model be expanded to allow for BTM resources to provide RA.⁸ The Joint DER Parties’ proposal discussed the PDR model as precedent for customer participation in market-integrated RA resources, but primarily recommended that the CAISO’s DERP model be improved to enable exporting BTM resources to participate as RA resources.⁹

The PD also states that, “given the existing incentive structure under NEM and TOU”, additional compensation is only justified for incremental performance.¹⁰ The Joint DER Parties agree that resources should not be compensated twice for providing the same service, and the proposal addresses potential incrementality concerns in referencing D.21-02-006, which clarifies that capacity services provided by BTM DERs in the Commission-approved Partnership Pilot would be fully incremental to Net Energy Metering (“NEM”) or Self-Generation Incentive Project (“SGIP”) compensation.¹¹ It stands to reason that this Commission finding would hold true for BTM DERs providing capacity services for RA.

It is also important to note that NEM and time-of-use (“TOU”) rates alone do not obligate BTM DER owners to operate dispatchable DERs in a manner consistent with grid reliability needs. In fact, many customers that participate in supply-side DR programs also take service on TOU rates. Baselines ensure that DR dispatches in response to CAISO market awards provide incremental response beyond the customer’s likely consumption during the same intervals, in

⁶ See Joint DER Parties’ Reply Comments Attachment A at 53-54.

⁷ D.20-06-031 at 33.

⁸ *Ibid.* at 48.

⁹ Joint DER Parties’ Reply Comments at 6 (“The Joint DER Parties’ Proposal is focused on the CAISO’s Distributed Energy Resource Provider (DERP) model, as it is an available market participation model that accounts for BTM resource exports”); *see also* Attachment A at 20-22; Joint DER Parties Implementation Track – Phase 2 Proposal (January 21, 2022) at 19-21.

¹⁰ PD at 54.

¹¹ D.21-02-006 at 81; *see* Joint DER Parties’ Reply Comments Attachment A at 44-46.

absence of a dispatch instruction. Clean, dispatchable BTM DER discharges, inclusive of exports, are no different, and can provide incremental RA, per the Joint DER Parties' recommendation, to measure performance at the device level and apply the CAISO's meter generator output ("MGO") baseline methodology, revised to count exports and not zero out storage charging. The Joint DER Parties respectfully urge the Commission to recognize that BTM storage and hybrid resources can provide incremental reliability benefits to the grid beyond those enabled by existing NEM and TOU tariffs.

Notwithstanding any purported flaws in the proposals, which the PD does not identify, the Commission should nonetheless adopt our proposed QC methodology to establish forward capacity QC values based on contract capacities, with penalties for undercompliance and using a submetering baseline based on the CAISO existing MGO method to calculate baselines and settlement.

Like with resource counting and other framework issues that require follow-on workstreams and collaboration to refine and implement the broader slice-of-day ("SOD") reforms, we acknowledge that the Joint DER Parties' proposal requires further development, particularly around the elements that are better and more appropriately addressed in the purview of the CAISO,¹² California Energy Commission ("CEC"),¹³ or other Commission proceedings.¹⁴ This need for further work should not deter the Commission from establishing a base QC value now, and directing the development of the follow-up work that it determines is needed.

III. THE COMMISSION SHOULD ADOPT A CORE QC VALUE FOR BTM HYBRID AND STORAGE EXPORTING RESOURCES.

The Joint DER Parties are very disappointed in the Commission's decision to defer adopting a QC value for BTM hybrid and storage exporting resources for the third year in a row, with little effort or support to advance this topic beyond a workshop held in November 2020 and an opening for parties to create a working group process. The Commission has opened a High DER proceeding (R.21-06-017), acknowledging that there will be significant amounts of DERs

¹² These include deliverability and wholesale market participation, to the degree that there is further discussion required on the latter.

¹³ These include load forecasting and adjustment issues.

¹⁴ These include cost for energy and incrementality.

deployed in California, including many exporting resources: BTM generation, storage, hybrids, and export-capable (“V2X”) electric vehicles (“EVs”). There has also been acknowledgement of the incremental value that can be provided by exports from BTM resources, as the Commission has allowed for compensation for exports in the Emergency Load Reduction Program (“ELRP”). However, the Commission has refused to integrate these resources into the wholesale energy market. While the Distributed Energy Resource Aggregation (“DERA”) participation pathway does exist in the CAISO market, through the DERP participation model, no provider has used the DERP market model primarily because there is no capacity value in the RA program for DERAs. The Commission must remove this barrier in order for aggregators to participate in the DERP model, and ultimately, to bring the state into compliance with FERC Order No. 2222 given that DERP is CAISO’s proposed model for compliance.

The PD states that the Commission cannot adopt a QC value at this time because “critical threshold issues must be addressed first before the Commission can consider providing a capacity value to BTM resources.”¹⁵ The Joint DER Parties reiterate previous comments that not all of the issues identified in D.20-06-031 can nor need to be fully resolved before the creation of a QC value for these resources, particularly given the wide variety of venues both at the Commission and other agencies and reluctance for stakeholders to address these issues fully before these BTM resources are even eligible for RA.¹⁶ This issue crosses jurisdiction, agencies, and topic-specific proceedings at the Commission, such that the RA proceeding cannot reasonably expect this proposal to completely address each of the barriers at this time. Adoption of foundational QC issues germane to the RA docket is further required to provide direction for the remaining issues to be scoped into the related proceedings and initiatives at the three agencies, in the first place.

Additionally, while BTM hybrid and storage exporting capacity issues may be more complex than considering resources that strictly participate in the wholesale or retail domains, or from those that are strictly load reducing, the Commission has not let the need for further work on methodology refinement or implementation details stop it from directionally adopting a method or

¹⁵ PD at 55.

¹⁶ See Joint DER Parties’ Reply Comments at 4: “Nowhere in D.21-06-029 or D.20-06-031 did the Commission require or direct that the issues enumerated in D.20-06-031 be fully resolved before a QC value for BTM hybrid or storage resources can be considered. Many of the issues listed by the Commission in both decisions, and consequently addressed in our Proposal, are outside of the scope of the RA docket, and even outside the jurisdiction of the Commission.”

framework, or identifying a proposal as a starting point for further work. Such approaches to policymaking have been commonplace in the Commission’s RA proceedings. In this PD, for example, there are still details to be discussed for the QC values of hybrid and co-located resources associated with the implementation of the Slice of Day RA framework. The Commission adopts the existing additive methodology with the modification of using exceedance rather than ELCC for the generation. However, there is an acknowledgement that, “further discussion is needed to address different hybrid configurations, ITC charging assumptions, and partial deliverability counting under the 24-hour framework”¹⁷ as part of workstreams for the remainder of 2022. There are a number of other areas in the PD but also historically where the Commission has adopted a “starting point” upon which follow-on processes and coordination activities are directed or requested to refine the proposal(s) at hand.

The Joint DER Parties are therefore disappointed to see that the Commission is treating BTM hybrid and storage exporting resources differently from other resources, where a base QC value is directed while providing time and a platform for discussion of additional details. We believe that the core aspects of the Joint DER Parties’ proposal can be adopted at this time as a starting point, with further details being directed to the workstream process. Specifically, as a physically-backed resource, a BTM hybrid and/or storage resource’s QC should be accepted based on its contracted capacity, reflective of the resource’s capabilities and inclusive of penalties for any shortfall for non-performance. Measurement and settlement to this contract capacity can be done using the CAISO’s existing MGO methodology, modified to count exports and not zero out storage charging.

IV. THE COMMISSION SHOULD DIRECT FOLLOW-UP WORK ON THE JOINT DER PARTIES PROPOSAL AS A STARTING POINT.

To realize the benefits of BTM hybrid and storage capacity for near- and mid-term reliability needs, the Joint DER Parties urge the Commission to direct follow-on proposal/solution development for each of the eight identified barriers in D.20-06-031 and D.21-06-029. Similar to other resource classes where QC counting issues will be discussed and further developed as part of either the SOD Workstream 2 (Determine PRM and Counting Rules) or the CEC’s DR QC Working Group, BTM hybrid and storage resource QC methods and issues should also be included

¹⁷ PD at 85-86.

in either of these procedural paths as a means to not only realizing the aforementioned benefits but also to avoid having our proposal languish without any progress.

The Joint DER Parties' preference is for the Commission to request that the CEC DR QC Working Group take on this task given the potential familiarity of involved stakeholders with performance measurement associated with BTM hybrid and storage resources, such as the sub-metering protocols and methods stemming from initial experience with the ELRP. As such, we recommend the following modifications to the Findings of Fact ("FOF") and Conclusions of Law ("COL"):

FOF 7. It is appropriate for the CEC Working Group to develop long-term recommendations for DR QC counting conventions, **as well as QC methods for BTM hybrid and storage resources using sub-metered approaches, such as the CAISO's metered generator output methodology.** Given the short time remaining, it is more realistic for the CEC Working Group to develop recommendations for the 2025 RA year and beyond.

COL 8. The CEC Working Group should continue to develop long-term recommendations on DR QC methodologies for the 2025 RA year, consistent with the adopted Reform Track framework. **The CEC Working Group should also develop QC methods for BTM hybrid and storage resources using sub-metered approaches, such as the CAISO's metered generator output methodology.**

Finally, we recommend the following new Ordering Paragraph ("OP") to set the scope of issues to be tackled by the CEC Working Group:

New OP. **The CEC Working Group is requested to develop long-term QC methods for BTM hybrid and storage resources using sub-metered approaches, such as the CAISO's metered generator output methodology, and consistent with the Reform Track framework adopted in this decision. Using the Joint DER Parties' proposal as a starting point, we request that the CEC Working Group develop**

recommendations for the eight barriers identified in D.20-06-031 and D.21-06-029. The CEC Working Group is requested to submit recommendations into this proceeding by February 1, 2023 for consideration for the 2025 RA year.

Alternatively, if the Commission does not find it appropriate or the CEC is unwilling to take on this incremental policy development work as a “workstream” in the current DR QC Working Group, we recommend that the development of QC methods for BTM hybrid and storage resources be included in SOD Workstream 2.

In sum, whether or not the Commission adopts a QC value for BTM resources, we urge that this follow-up work is necessary and request it be directed.

V. CONCLUSION.

The Joint DER Parties appreciate the opportunity to submit these comments on the PD and look forward to working with the Commission and stakeholders in this proceeding.

Respectfully submitted,



Jin Noh
Policy Director
CALIFORNIA ENERGY STORAGE ALLIANCE

Kate Unger
Senior Policy Advisor
CALIFORNIA SOLAR & STORAGE ASSOCIATION

Marc Monbouquette
Senior Manager, Regulatory Affairs
ENEL X NORTH AMERICA

Christopher Worley
Director of Public Policy
SUNRUN

Noah Garcia
Principal
ADVANCED ENERGY ECONOMY

Date: June 9, 2022

Appendix A

Recommended Changes to Findings of Fact, Conclusions of Law, and Ordering Paragraphs

New FOF. The Joint DER Parties' proposed QC methodology for BTM hybrid and storage exporting resources is reasonable.

FOF 7. It is appropriate for the CEC Working Group to develop long-term recommendations for DR QC counting conventions, **as well as QC methods for BTM hybrid and storage resources using sub-metered approaches, such as the CAISO's metered generator output methodology.** Given the short time remaining, it is more realistic for the CEC Working Group to develop recommendations for the 2025 RA year and beyond.

New COL. The Joint DER Parties' proposed QC methodology for BTM hybrid and storage exporting resources should be adopted.

COL 8. The CEC Working Group should continue to develop long-term recommendations on DR QC methodologies for the 2025 RA year, consistent with the adopted Reform Track framework. **The CEC Working Group should also develop QC methods for BTM hybrid and storage resources using sub-metered approaches, such as the CAISO's metered generator output methodology.**

New OP. The Joint DER Parties' proposed QC methodology for BTM hybrid and storage exporting resources is adopted.

New OP. The CEC Working Group is requested to develop long-term QC methods for BTM hybrid and storage resources using sub-metered approaches, such as the CAISO's metered generator output methodology, and consistent with the Reform Track framework adopted in this decision. Using the Joint DER Parties' proposal as a starting point, we request that the CEC Working Group develop recommendations for the eight barriers identified in D.20-06-031 and D.21-06-029. The CEC Working Group is requested to submit recommendations into this proceeding by February 1, 2023 for consideration for the 2025 RA year.