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

Order Instituting Rulemaking to Continue Electric Integrated Resource Planning and Related Procurement Processes.	Rulemaking 20-05-003 (Filed on May 7, 2020)

REPLY COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE ON POTENTIAL NEAR-TERM ACTIONS TO ENCOURAGE ADDITIONAL PROCUREMENT

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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 on the *Administrative Law Judge's Ruling Seeking Comments on Staff Paper on Procurement Program and Potential Near-Term Actions to Encourage Additional Procurement* ("Ruling"), issued on September 8, 2022.

I. INTRODUCTION.

CESA appreciates the opportunity to provide replies to the opening comments submitted by parties on the above-referenced Ruling. Overall, CESA is supportive of the intent of the Ruling and the Commission's consideration of means to facilitate the procurement of incremental resources in the coming years. CESA also agrees with some of recommendations offered by parties in opening comments. As the Ruling accurately notes, market conditions have greatly changed since the issuance of the aforementioned decisions. While commodity pricing and interconnection woes dominated discussions across the electric sector in the first half of 2022, the signing of the Inflation Reduction Act ("IRA") will undoubtedly spur innovation across multiple generation and storage resource classes for the next decade. Moreover, some of the conditions that drove the urgency of mid-term procurement have also changed; most notably the retirement of Diablo Canyon Power Plant ("DCPP"), California's single largest generating asset and its last nuclear power plant in operation. Thus, CESA's reply comments can be summarized as follows:

- The Commission should note that any shortfalls that result from the reframing of the baseline should be added to LSE requirements for 2026, not 2025.
- The Commission should allow long lead-time ("LLT") resources to come online by 2028 and note that, if they are delayed beyond that deadline, good-faith efforts will be taken into consideration.
- The Commission should consider adopting expedited approval processes for all incremental capacity related to reliability-driven procurements.
- The Commission should coordinate with the California Independent System Operator ("CAISO") to reassess the deliverability methodology in a manner that supports the addition of thousands of megawatts of zero-carbon resources.

II. THE COMMISSION SHOULD NOTE THAT ANY SHORTFALLS THAT RESULT FROM THE REFRAMING OF THE BASELINE SHOULD BE ADDED TO LSE REQUIREMENTS FOR 2026, NOT 2025.

In opening comments, Clean Power Alliance ("CPA") Pacific Gas & Electric ("PG&E"), and Peninsula Clean Energy ("PCE") both argue that the Commission should defer any additional procurement need resultant from the reframing of the D.19-11-016 baseline to 2026, not 2025. PG&E argues that this is reasonable since it will allow LSEs time to solicit and procure such resources given the abrupt change in instituting additional procurement orders.[1] PCE notes

[1] PG&E Opening Comments, at 4.

that the deferral is needed since LSEs are already advanced in their procurement for 2025, and, given current market conditions, resources for 2025 not already under negotiation are extremely unlikely to come online by 2025 regardless.[2] CPA argued that allowing for additional time would provide LSEs more lead time to procure additional resources and avoid exacerbating a seller's market at ratepayers' expense.[3]

CESA agrees with the modification to the Ruling proposed by PG&E and PCE for three reasons. First, this modification will give both buyers and sellers reasonable time to respond to the new requirements. Second, this modification is in the interest of ratepayers as, by 2026, resource buyers and sellers will be more familiar with the mechanics of the IRA, thus potentially lowering the costs of said incremental capacity if certain federal (bonus/adder) incentives are able to be captured upon further guidance from the U.S. Treasury Department. Finally, deferring any potential shortfalls to 2026 is reasonable considering that one of the key drivers behind the urgency of D.21-06-035, the retirement of DCPP, has now been delayed from 2025 to 2030. Thus, CESA recommends the Commission modify the Ruling to state that any shortfalls that result from the reframing of the baseline should be added to LSE requirements for 2026, not 2025.

III. THE COMMISSION SHOULD ALLOW LONG LEAD-TIME RESOURCES TO COME ONLINE BY 2028 AND NOTE THAT, IF THEY ARE DELAYED BEYOND THAT DEADLINE, GOOD FAITH EFFORTS WILL BE TAKEN INTO CONSIDERATION.

In the Ruling, the Commission asked parties if there were any modifications to prior decisions that the Commission should make to facilitate continued procurement by LSEs subject

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[2] PCE Opening Comments, at 2.

[3] CPA Opening Comments, at 2.

to the IRP process and the requirements of D.19-11-016 and D.21-06-035. In opening comments, Hydrostor recommended that the Commission: (1) clarify that LLT resources that come online by June 1, 2028 are acceptable for the purposes of that D.21-06-035,[4] and (2) codify that if a procurement is slightly delayed beyond the mandated deadline, including the project commercial operations date ("COD"), that good faith efforts will be taken into consideration.[5]

CESA strongly agrees with Hydrostor's recommended modifications. As stated in Section II of these replies, two critical conditions have changed since the issuance of D.21-06-035: (1) the adoption of the IRA; and (2) the deferral of DCPP's retirement by five years. For non-lithium long-duration energy storage ("LDES") resources, Assembly Bill ("AB") 205 also passed that would make $140 million in funds available to support the commercialization of eligible technologies that can become commercially operational by 2028, with the potential for more funds to be allocated into the LDES Program at the California Energy Commission ("CEC"). In this context, it would be in the best interest of ratepayers to allow LLT resources to come online by June 1, 2028, without restrictions to leverage these opportunities. Furthermore, given that DCPP is now expected to continue operating until 2030, CESA agrees that the provision included in D.21-06-035 to allow delayed LLT resources that demonstrate a good-faith effort to come online by 2028 should be extended to 2030.

IV. **THE COMMISSION SHOULD CONSIDER ADOPTING EXPEDITED APPROVAL PROCESSES FOR ALL INCREMENTAL CAPACITY RELATED TO RELIABILITY-DRIVEN PROCUREMENTS.**

In opening comments, San Diego Gas & Electric ("SDG&E") recommended the Commission extend the expedited approval processes established in D.21-12-015 to all resources

[4] Hydrostor Opening Comments, at 3.
[5] *Ibid,* at 5.

that conform to the Commission's procurement guidance (*i.e.*, resources procured under D.19-11-016 and D.21-06-035, as well as those procured in accordance with any future procurement mandates), including utility-owned energy storage resources.[6] CESA agrees in principle with SDG&E's recommendation regarding expedited approval processes, especially as CESA has observed many storage contracts submitted by the investor-owned utilities ("IOUs") via Advice Letter go unprotested, with quick turnarounds for adoption via Resolution. However, we understand that the Commission may wish to continue exercising a particular degree of scrutiny regarding the costs incurred by regulated utilities for utility-owned projects, especially when there are competitive third-party alternatives. For this reason, CESA supports generalizing the use of expedited approval processes, but we do not opine on its application to utility-owned energy storage resources at this time.

V. THE COMMISSION SHOULD COORDINATE WITH THE CAISO TO REASSESS THE DELIVERABILITY METHODOLOGY IN A MANNER THAT SUPPORTS THE ADDITION OF THOUSANDS OF MEGAWATTS OF ZERO-CARBON RESOURCES.

In opening comments, PCE noted the Commission should encourage CAISO to reevaluate its deliverability methodology since, currently, it appears that CAISO uses a set of exceptionally unlikely scenarios to evaluate the deliverability of resources. PCE underscores that making the deliverability methods too restrictive, reliability could be jeopardized if needed resources cannot be contracted and built due to the lack of full capacity deliverability status ("FCDS"). Thus, PCE recommends CAISO should reevaluate the balance between the threats to

[6] SDG&E Opening Comments, at 5.

reliability from less restrictive deliverability criteria and the threats to reliability from the inability to bring needed resources online.[7]

CESA agrees with the intent of PCE's recommendation. With energy storage being a dispatchable resource and the majority of their deployments being energy-limited in nature (*i.e.*, 4 hours), it is important to reassess our core assumptions around how energy storage should be modeled in deliverability studies. Especially in light of the Commission's future adoption of slice-of-day ("SOD") reforms, the Commission should work with the CAISO to launch a new initiative tasked with developing comprehensive reforms that fit within these new constructs where energy storage resources can be shown across different periods of the day. In addition, the deliverability reform initiative should consider: (1) the appropriateness of N-2 contingency assumptions in all cases; (2) the location of storage resources; (3) how to incorporate LDES resources and how assumptions may need to differ; and (4) how behind-the-meter ("BTM") storage aggregations can be considered in these studies when accounting for the fact that their export capacity is more likely to be consumed by local loads than to be delivered to the bulk power system.

VI. CONCLUSION.

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

Respectfully submitted,

[7] PCE Opening Comments, at 3.

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