

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

Order Instituting Rulemaking to Consider Policy and Implementation Refinements to the Energy Storage Procurement Framework and Design Program (D.13-10-040, D.14-10-045) and related Action Plan of the California Energy Storage Roadmap.

Rulemaking 15-03-011  
(Filed on March 26, 2015)

**REPLY COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE ON  
THE FINAL REPORT ON TECHNICAL WORKSHOPS TO CONSIDER STATION  
POWER RULES FOR HYBRID AND CO-LOCATED ENERGY STORAGE  
RESOURCES**

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February 21, 2023

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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 *Final Report on Technical Workshops to Consider Station Power Rules for Hybrid and Co-Located Energy Storage Resources* (“Workshop Report”), submitted by CESA on behalf of the technical workshop co-chairs on January 31, 2023 and accepted by the Commission on February 1, 2023. Pursuant to the *Assigned Commissioner’s Amended Scoping Memo and Ruling* (“Amended Scoping Memo”) issued by President Alice Reynolds on June 13, 2022, two sets of comments were filed two weeks following the submission of the workshop from: (1) Independent Energy Producers Association (“IEP”); and (2) Southern California Edison Company (“SCE”), San Diego Gas & Electric Company (“SDG&E”), and Pacific Gas and Electric Company (“PG&E”), referred to as the “Joint Utilities” in these reply comments. In response to these parties and in accordance with the Amended Scoping Memo, CESA timely submits these reply comments.

## **I. INTRODUCTION.**

With the proliferation of hybrid and co-located energy storage resources being contracted and/or deployed on the grid, CESA submitted a Petition for Modification (“PFM”) of D.17-04-039 on March 19, 2021 urgently seeking clarification on the applicability of the station power rules previously adopted for standalone in-front-of-the-meter (“IFOM”) energy storage resources. Since self-supply provisions were not addressed in D.17-04-039, CESA requested several areas of modification and clarification given that hybrid and co-located energy storage resources involve onsite generation that can self-supply the station load needs of the combined resource. As a reminder, CESA’s requested relief can be summarized as follows:

- Affirm that the rules for standalone IFOM energy storage, including the permitted netting rules, apply equally to hybrid and co-located resources
- Affirm that hybrid and co-located resources have the right to self-supply their internal power needs, including station service, and avoid retail energy charges, as is the case with any conventional generator
- Affirm that a single ‘high-side’ meter is sufficient for the purposes of delineating between wholesale and retail electricity draws

The context in which CESA submitted the PFM remains the same. Rather than creating resource-specific approaches, a level playing field is needed for hybrid and co-located resources, as is consistently done for conventional generation facilities and standalone IFOM energy storage resources. As the California Independent System Operator (“CAISO”) previously expressed, CESA’s request would simply extend the self-supply and netting rules for hybrid and co-located resources, similar to what D.17-04-039 did for standalone IFOM energy storage in extending the

extant rules for conventional generation.<sup>1</sup> In the PFM, CESA also aimed to address every “operational mode” of a hybrid and co-located resource, ranging from onsite charging only, net injection to the grid, net draw from the grid, and idling. Detailed example walk-throughs were further refined and explained during the subsequent technical workshops.

Importantly, even as close to two years have elapsed since the submission of the PFM, CESA maintains the view that Commission resolution of the issue is urgent, ideally no later than the timeline outlined in the Amended Scoping Memo to have a Proposed Decision (“PD”) issued to address the PFM by Q2 2023.<sup>2</sup> That is, case-by-case determinations are inefficient and can lead to many months in delay, where the accumulation of many potential sources of delay (*e.g.*, supply chain, Auxin tariff, interconnection, upgrade construction) risk reliability. As CESA expressed at the first technical workshop, months matter in the timely commercial deliveries of incremental capacity resources, where net qualifying capacity (“NQC”) in September is critical as compared to the same NQC in December of every year. For Summers 2022-2023, for example, solar-plus-storage projects constituted 25% of expected total NQC and project types among potential new resources,<sup>3</sup> representing the latest data to CESA’s knowledge on the significant portion of hybrid and co-located energy storage resources to support near- and mid-term reliability.<sup>4</sup> However,

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<sup>1</sup> CAISO Response to October 27, 2021 Ruling at 3.

<sup>2</sup> See Amended Scoping Memo at 10. CESA overlooked the commenting schedule for the Workshop Report and did not submit opening comments on February 14, 2023, but we hope to summarize our key closing arguments in response to the Workshop Report and ahead of any final resolution of CESA’s PFM in these reply comments.

<sup>3</sup> “Tracking Energy Development: Presentation at CEC Staff Workshop on Summer and Midterm Reliability,” presented by Molly Sterkel at CPUC Energy Division on May 20, 2022, Slide 6. <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/summer-2021-reliability/tracking-energy-development/cec-may-reliability-workshop-tracking-energy-development-may-2022.pdf>. See also Workshop Report at 27.

<sup>4</sup> See also “Summary of Compliance with Integrated Resource Planning (IRP) Order D.19-11-016 and Progress Toward Mid Term Reliability (MTR) D.21-06-035 Procurement,” Energy Division Staff Review of IRP August 2022 Data Filing, published on February 13, 2023. <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/integrated-resource-plan-and-long-term-procurement-plan-irp-ltpp/d1911016andd21.pdf>

CESA and the Joint Utilities disagree on whether the station power rules impact the project viability for any individual project, with CESA holding the view that projects face risks of being less economic, though both sides agree that having upfront, established station power rules for these resources will alleviate these problems.<sup>5</sup>

Following the PFM and a round of responses to an October 27, 2021 Ruling, the Amended Scoping Memo directed the technical co-chairs to convene a series of technical workshops and tasked the co-chairs with facilitating discussion on a range of issues.<sup>6</sup> The Workshop Report culminated a series of technical workshops and multiple co-chair working group calls to discuss not only the workshop agenda and structure of presentations but also to work towards consensus where possible on the station power terminology and framework, in addition to various proposals addressing the applicability of the station power rules adopted in D.17-04-039 to hybrid and co-located storage resources. CESA appreciated the opportunity to collaborate with the Joint Utilities and IEP as the co-chairs, where productive discussion was had on fairly technical issues and near-consensus was reached on Scenarios One and Two, but greatly divergent positions made it impossible to make any progress on Scenario Three.

Overall, IEP summarized well the problem and the areas of consensus and non-consensus,<sup>7</sup> but the Workshop Report and the follow-up comments should make clear that the Commission will have to make a policy determination on the key areas of non-consensus, particularly for co-located resources (Scenario Three), despite the best efforts of the co-chairs to resolve these differences. CESA's reply comments and recommendations can thus be summarized as follows:

- Scenario One: Hybrid On-Site Self-Supply and Charging

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<sup>5</sup> Workshop Report 27-28.

<sup>6</sup> Amended Scoping Memo at 6-7.

<sup>7</sup> IEP Comments at 1-2.

- The Joint Utilities fail to substantiate the need for separate assurance agreements for Scenario One resources.
- If the Commission finds a need for additional financial assurance, CESA would be open to subjecting all grid charging by Scenario One resources to retail treatment.
- Scenario Two: Hybrid Mixed Charging
  - In addition to adopting the “simplified tariff” for Scenario Two resources to provide near-term clarification on their station power rules, the Commission should allow for continued process to develop more complex and granular proposals and surface the Joint Utilities’ purported implementation challenges.
- Scenario Three: Co-Located Resources
  - Cost-shifting arguments are inapplicable in the station power context that seeks to establish similar or comparable treatment of resources, and even assuming *arguendo* that they are applicable, they are inconsistently used against co-located resources.
  - The Commission can set station power rules, which is well within their jurisdiction, and have CAISO conform its tariff and take the appropriate implementation steps.
  - Public Utilities Code Section 218 does not apply when two or more legal entities operate co-located resources.

## **II. SCENARIO ONE: HYBRID ON-SITE SELF-SUPPLY AND CHARGING.**

The applicability of station power rules form D.17-04-039 for Scenario One, simply defined as a hybrid resource with intentions to not charge from the grid and to only engage in on-site self-supply and charging, was more readily resolved, particularly due to the more straightforward implementability using a single CAISO settlement meter and utility retail meter for the combined resource. The key area of difference was around the need for physical or financial assurance agreements and whether policies, regulations, and incentives such as the investment tax credit (“ITC”) have any relevance to the need for additional assurance of no charging from the wholesale grid.

### **A. The Joint Utilities fail to substantiate the need for separate assurance agreements for Scenario One resources.**

CESA and IEP both agree that there is no need for separate assurance agreements for all the reasons outlined in the Workshop Report,<sup>8</sup> with IEP further adding in its opening comments how any physical assurance in particular would limit future operational flexibility to switch to Scenario Two resources.<sup>9</sup> Upon review of their opening comments, CESA continues to believe that the Joint Utilities have not substantiated the need for any type of separate assurance agreement, whether physical or financial. For Scenario One resources, the IOUs continued to express that there are reliability risks of unexpected grid charging in the absence of some form of physical assurance,<sup>10</sup> especially as import-related prevention via Power Control Systems is unproven and how CAISO market mechanisms

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<sup>8</sup> Workshop Report at 10-13.

<sup>9</sup> IEP Opening Comments at 4.

<sup>10</sup> Joint Utilities Opening Comments at 6-7.

are just “rules” and does not provide assurances. CESA believes that these arguments are non-sensical and fail to substantiate the need for additional assurances.

First, CESA finds the Joint Utilities’ argument that “rules are just rules”<sup>11</sup> to be a blanket dismissal of why the Commission sets policies and regulations in the first place and how the CAISO market mechanisms were sophisticatedly designed to allow for economically efficient solutions to ensure no grid charging of hybrid resources. Specifically, the Joint Utilities overlook or do not consider how the CAISO has established a Hybrid Dynamic Limit to provide hybrid resources with a real-time market bid parameter to represent their real-time capabilities and ensure feasible schedules. These dynamic limits are in fact updated for each five-minute interval, accounting for the hybrid resource’s fuel availability, battery state of charge, or onsite charging needs and reducing its reliance on the CAISO’s outage cards and outage management system.<sup>12</sup> Concerns about unplanned or unexpected generation availability can be reflected through the real-time optimization engine in this way. It makes no sense for the CAISO to establish such market mechanisms in place if the CAISO or the utilities believed that the only way to assure such no-grid-charging operations was through a form of physical assurance. Broadly, the Joint Utilities’ “rules are just rules” argument suggest the only way to effectively set policy is through absolutism that completely eliminates a risk regardless of the costs or need of such an approach, when in fact, there are many and sufficient economic disincentives in place.

Second, the Joint Utilities’ concerns appear to be largely theoretical and have not been substantiated as being a pervasive or real issue. The Joint Utilities have not presented information on how frequently no-grid-charging resources actually charge from the grid,

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<sup>11</sup> *Ibid* at 8.

<sup>12</sup> *See* CAISO Tariff Appendix A, Section 30.5.6.1, and Section 34.1.6.3



whether to game existing rules and regulations,<sup>13</sup> or due to incidental grid charging as a result of on-site generation tripping offline or the failure of firmware of the resource's power controls and logic.<sup>14</sup> In other words, CESA believes that the Joint Utilities are proposing an excessive and unnecessary solution in search of a theoretical problem, which has not been substantiated or quantified in magnitude or frequency.

Third, there are contradictions in the Joint Utilities' arguments that reliability risks would exist in the absence of some form of physical assurance that could lead to large unplanned-for-loads that appear instantaneously. Yet, despite these purported reliability risks, the Joint Utilities alternatively propose financial assurances to sufficiently disincentivize grid charging for Scenario One resources. At the same time, they also find the arguments made by CESA and IEP to fall short even though we highlighted how there are sufficient disincentives in place, ranging from the loss of the ITC revenues and property tax benefits and legal risks tied to various contracts or eligibility for programs. It is unclear and confusing how the Joint Utilities raise concerns about reliability risks but find CESA/IEP arguments of economic disincentives in place to alleviate concerns about potential grid charging of Scenario One resources, when the Joint Utilities' alternative proposal is to apply a financial disincentive in place with a Financial Assurance Agreement. While CESA appreciates the Joint Utilities openness to consider a financial form of assurance in lieu of a physical assurance approach, there are already sufficient

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<sup>13</sup> Joint Utilities Opening Comments at 8. Regarding gaming or perverse incentive concerns, SCE raised similar concerns in the PD leading up to D.17-04-039, yet the Commission found such arguments unconvincing due to the negative operational issues of doing what SCE raised as potential risks. However, it is important to note that no such gaming concerns have borne out and been elucidated for standalone IFOM energy storage resources, suggesting again that these concerns are theoretical and not based on actual economic incentives in place. *See* D.17-04-039 at 53. *See also* Workshop Report at 11-13.

<sup>14</sup> Joint Utilities Opening Comments at 7.

economic disincentives in place where additional financial assurance is unnecessary and excessive.

Fourth, the Joint Utilities call into question the effectiveness of the ITC or relevant contract terms,<sup>15</sup> but the station power rules should not be viewed in a vacuum without being informed by the various policies and regulations in place. The Joint Utilities point to the potential economic arbitrage opportunity to charge from the grid to, for example, capture high energy market revenues. However, again, CESA believes that these problems are theoretical and are highly unlikely to occur due to the nature of tax equity financing of hybrid and co-located energy storage projects, which often finance projects with the tax equity investor's expectation that projects would never charge from the grid in order to be able to fully capture the ITC benefits. CESA therefore sees no basis by which a typical project development would seek to capture these momentary arbitrage and high-rent opportunities if it would jeopardize the underlying financing of the project and raise compliance risks for the tax equity investors backing these projects.

Finally, although the new Inflation Reduction Act ("IRA") of 2022 changes the landscape of future hybrid and co-located energy storage resources, the Internal Revenue Service ("IRS") is still in the process of IRA implementation and issuance of related guidance, and for California hybrid energy storage resources paired with solar, there will still be incentives in place to charge exclusively from the onsite solar resource, which is eligible for the property tax exemption for the coming years. Regardless of the intended operational configuration and expected charging profile, CESA agrees with IEP's proposed framework and recommendation to essentially establish different tariffs for hybrid and co-

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<sup>15</sup> *Ibid* at 9.

located resources – one which stipulates onsite charging only and another that allows for mixed charging from a paired onsite generation resource and from the grid. Such an approach adds flexibility to accommodate changes in policies to ITC and state property tax regulations, among others, and clearly outlines the rules in place for the specific tariff under which the resource is committed. As a resource transitions to one operating mode to another, then it would require a “switch” of the tariff to which they are subject to.

**B. If the Commission finds a need for additional financial assurance, CESA would be open to subjecting all grid charging by Scenario One resources to retail treatment.**

As discussed above, CESA sees absolutely no need to require any additional assurances, whether physical or financial. However, if the Commission finds a need to adopt some form of assurance, CESA recommends a financial form of assurance. Specifically, in this case, the co-chairs seem to generally agree that a simple “settlement” solution could be one where all inbound power is assessed a retail rate for Scenario One resources.<sup>16</sup> However, where CESA disagrees is with the Joint Utilities’ additional recommendation set the rate for such retail energy at higher of the (fully-loaded) retail price or the wholesale locational marginal price (“LMP”) in order to further prevent gaming.<sup>17</sup> As discussed above, such gaming concerns are not substantiated in the context of policies and regulations in place today and into the near future.

**III. SCENARIO TWO: HYBRID MIXED CHARGING.**

The applicability of station power rules form D.17-04-039 for Scenario Two, simply defined as a hybrid resource with the ability to either charge from the grid or the onsite generation

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<sup>16</sup> IEP Opening Comments at 4 and Joint Utilities Opening Comments at 10-11.

<sup>17</sup> Joint Utilities Opening Comments at 12.

resource, was also an area of consensus around the use of Path 1, or “simplified tariff” approaches, to extend the station power rules for standalone IFOM energy storage resources, whereby wholesale netting would only apply to contemporaneous intervals when wholesale charging exceeds station power loads<sup>18</sup>. The key area of difference was around the potential to develop a more complex optional tariff to more granularly account for self-supply and imported wholesale electricity used for station power loads, which should be further developed within 30 days of the issuance of the final decision resolving CESA’s PFM.<sup>19</sup>

**A. In addition to adopting the “simplified tariff” for Scenario Two resources to provide near-term clarification on their station power rules, the Commission should allow for continued process to develop more complex and granular proposals and surface the Joint Utilities’ purported implementation challenges.**

Despite the universal support for Path 1 that would extend the standalone IFOM energy storage treatment to Scenario Two resources, CESA agrees with IEP that parties should be afforded additional time and opportunity to flesh out more complex proposals. Due to time and resource constraints, such proposals were not developed in time for the workshop process and not able to make it into the Workshop Report. However, as IEP lays out, more granular proposals could be developed to “allow hybrid mixed charging facilities to serve station power loads from stored energy with a credit for on-site generation commensurate with the share of onsite generation used for ESS charging in each billing period.”<sup>20</sup> To this end, IEP provided an illustrative proposal of what CESA views as an empirical or metered approach.<sup>21</sup>

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<sup>18</sup> Workshop Report at 15 and 17.

<sup>19</sup> *Ibid* at 16-17.

<sup>20</sup> IEP Opening Comments at 2.

<sup>21</sup> *Ibid* at 7.

CESA fully supports continued development of IEP's proposal, as well as other potential alternative approaches. As CESA previously discussed in responses and replies to our PFM, as well as in brief technical workshop discussions, proposals could also include the development of accounting constructs, such as first-in last-out accounting or by deeming some percentage allocation of self-supplied versus wholesale charged energy. In addition to IEP's approach, CESA also suggests that the Commission consider a percentage allocation approach, whereby a conservative estimate of station load served is deemed to have been served by onsite self-supply (*e.g.*, 15%) versus wholesale/retail charging (*e.g.*, 85%), which could be informed by past historical data (*i.e.*, percentage of intervals where resources primarily served station load with self-supply versus grid charging) of the individual project or portfolio of similar assets across a monthly billing period. Granted, such approaches require further development and discussion that cannot be simply done through these reply comments, and as such, CESA and IEP recommended further process after the issuance of the final decision.

By contrast, the Joint Utilities oppose this process recommendation to develop Path 2 proposals by broadly commenting on implementation challenges, the need to try and learn from the Path 1 approach, and the need to have full and complete CAISO engagement.<sup>22</sup> CESA disagrees. First, the implementation challenges have not been detailed or substantiated. Without having even developed Path 2 proposals, it is hard to even pinpoint implementation challenges, except to categorically deem it as such on the premise that more granular approaches would be used.

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<sup>22</sup> Joint Utilities Opening Comments at 15-16.

Second, the Joint Utilities argue for a “wait-and-see” approach before considering Path 2 proposals, in part because standalone and co-located resources are more common than hybrid resources.<sup>23</sup> CESA sees major inconsistencies on this basis for delaying the development of Path 2 proposals since the Joint Utilities persistently encourage such paired storage resources to opt for a hybrid configuration as opposed to a co-located configuration, as a result of their perceived issues with Scenario Three resources. Due to imminence of mixed-charging configurations, the Joint Utilities cannot have it both ways by discouraging refinement of Path 2 proposals for hybrid resources while pointing to the current prevalence of standalone and co-located resources as reasons to wait and see and determine whether the efforts would be worthwhile.

Third, while supportive of CAISO engagement on these matters, CESA believes that implementation of proposals for all three scenarios come down to utility implementation since retail settlement will occur on the retail meter, not the CAISO wholesale settlement meter. In the Workshop Report, CESA underscored how the applicability of station power rules for either hybrid or co-located storage resources boil down to knowing when to “zero out” the retail meter for any billing in intervals of self-supply,<sup>24</sup> which does not involve the CAISO wholesale settlement meter, other than to know whether and when dispatch occurred to apply netting treatment. Put simply, CESA believes that CAISO involvement is helpful and important but not imperative to develop Path 2 proposals. After all, the co-chairs developed proposals and areas of consensus and non-consensus on station power rules without the CAISO involved in those discussions, though parties benefited greatly from their participation in the technical workshops.

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<sup>23</sup> *Ibid* at 16.

<sup>24</sup> Workshop Report at 24.

#### IV. SCENARIO THREE: CO-LOCATED RESOURCES.

The key unresolved issue is around the station power rules for co-located resources, where any discussion of technical implementation was stalled at a fundamental disagreement around the similarity or difference between hybrid and co-located resources and the broader policy questions around what it would mean for resources with separate resource IDs and settlement meters to be able to net or self-supply station power load.<sup>25</sup> The Joint Utilities premise their opposition to station power treatment for co-located resources on the fact that they are not similarly situated, would cause inequitable cost shifting, would conflict with the CAISO tariff, would implicate other contexts such as net energy metering (“NEM”) facilities, and would pose other legal issues. Overall, CESA believes that the Joint Utilities draw artificial distinctions between hybrid and co-located resources and offer an illogical solution to their proposed treatment of station power for co-located resources: develop hybrid resources instead.<sup>26</sup> For reasons explained below, CESA finds major flaws in these arguments.

**A. Cost-shifting arguments are inapplicable in the station power context that seeks to establish similar or comparable treatment of resources, and even assuming *arguendo* that they are applicable, they are inconsistently used against co-located resources.**

As a starting point, CESA does not agree that cost-shifting arguments are applicable to the station power rules as adopted in D.17-04-039, which extended the extant rules for conventional generation. The workshops and Staff Proposal leading up to D.17-04-039 narrowly considered where similarities exist with conventional resources and how the final rules would ensure similarly-situated participants are not conferred an undue advantage.<sup>27</sup>

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<sup>25</sup> Workshop Report at 18-21.

<sup>26</sup> Joint Utilities Opening Comments at 3-4.

<sup>27</sup> *Administrative Law Judge’s Ruling Seeking Comments on Joint Report and Staff Proposal*, submitted on January 10, 2017, at Attachment 19-20. *See also* D.17-04-039.

Despite arguments made by parties including SCE on the potential cost shift of the proposed rules at the time, the Commission did not even grant discussion on these arguments, focusing instead on “comparable” treatment of the station power rules, consistent with California Public Utilities Code Section 453.

Notwithstanding our view on the inapplicability of these arguments, CESA sees no merit in the argument that, “to the extent possible, all retail customers pay for their fair share of facilities and services that ensure they can have energy delivered to their retail loads whenever needed,”<sup>28</sup> or to false dichotomies where the Commission would have to choose between enhancing generator profits and allowing cost shifts to other retail customers versus not doing so.<sup>29</sup> These are all misleading claims that are not only inapplicable (as discussed above) but is also contradicted by the fact that hybrid energy storage resources with the exact same operations would not constitute cost shifting in the eyes of the utilities. Other than the fact that there is an additional wholesale settlement meter, a hybrid resource would somehow not be avoiding their “fair share” of paying for facilities and services. Both resources have station loads that could be self-supplied or netted, yet the Joint Utilities apply different rules or make wildly different conclusions on their impact to fair rate recovery. Furthermore, treating station loads as planned-for retail loads like any other retail customer is inconsistent with the fact that energy storage charging and loads are not forecasted in generation, transmission, or distribution capacity planning on either a short- or long-term basis, given the assumption that energy storage will charge with as-available energy on the system. As such, there is no rate recovery that

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<sup>28</sup> Joint Utilities Opening Comments at 3.

<sup>29</sup> *Ibid* at 18.



is being obviated by the application of station power rules for either hybrid or co-located resources.

The Joint Utilities further complicate the matter by drawing a false equivalence to the NEM context, where retail customers adopting NEM-eligible generators to avoid retail charges by self-supplying some portion of their electricity usage.<sup>30</sup> There are a myriad of differences between these two contexts, namely that co-located energy storage resources are leveraging existing infrastructure and how the utilities are *not* planning for their wholesale charging or station load in generation capacity or infrastructure, unlike retail customers who are specifically embedded in load forecasts, subject to load modifiers that encompass a wide range of factors, including self-supplied generation, efficiency, and demand response. As a result, CESA does not understand how cost-shifting arguments apply to the context of this station power issue, where co-located energy storage resources do not represent loads for which the utilities may make investments to recover costs from. This is particularly true when looking at co-located resources that never charge from the grid and only utilize behind-the-meter (“BTM”) infrastructure and sub-facilities built and owned by the third-party developer.<sup>31</sup>

**B. The Commission can set station power rules, which is well within their jurisdiction, and have CAISO conform its tariff and take the appropriate implementation steps.**

Another persistent argument made by the Joint Utilities is that CESA’s proposals for co-located energy storage resources would conflict with the CAISO tariff and how netting cannot occur across distinct electrical locations.<sup>32</sup> CESA already outlined its

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<sup>30</sup> *Ibid* at 19-20.

<sup>31</sup> Workshop Report at 24.

<sup>32</sup> Joint Utilities Opening Comments at 17-18.

position that the netting proposal for co-located resources is not in conflict with the CAISO tariff.<sup>33</sup> Worse, the Commission (or the CAISO) should not be compelled by the threat that the Joint Utilities would oppose the tariff change at the Federal Energy Regulatory Commission (“FERC”).<sup>34</sup> The Joint Utilities have the right to utilize procedural and regulatory vehicles at their disposal, but the Commission is also well within their rights to set station power policy.

The Joint Utilities also point to major CAISO settlement system changes or manual workarounds to implement netting for co-located resources.<sup>35</sup> CESA acknowledges that implementation issues may need to be worked through with the CAISO to address the double compensation issue, as highlighted in an example by IEP,<sup>36</sup> but the Commission does not need to address all implementation matters to set the *policy* for station power treatment of co-located resources. Even on the implementation question, the CAISO may already have the capabilities to apply existing tools and mechanisms to net out any double compensation, as done for BTM energy storage resources that participate in both the wholesale and retail markets, where the CAISO is able to “zero out” wholesale charges to not be duplicative of any retail charges.<sup>37</sup> Something similar could be applied to ensure excess compensation is made for any energy that is self-supplied and not actually delivered to the grid. Likewise, in IEP’s example, the zeroing out would need to occur on the utility

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<sup>33</sup> Workshop Report at 20.

<sup>34</sup> Joint Utilities Opening Comments at 23.

<sup>35</sup> *Ibid* at 18.

<sup>36</sup> Workshop Report at 21.

<sup>37</sup> CAISO Tariff Section 10.1.3.4.

retail meter to account for self-supply of one co-located resource to another's station load, pointing again to how much of the issues can be addressed within the utilities' control.<sup>38</sup>

**C. Public Utilities Code Section 218 does not apply when two or more legal entities operate co-located resources.**

The Joint Utilities cast efforts to address co-located resources as a “waste of time” and how Public Utilities Code Section 218 would be implicated if two or more legal entities are involved in a co-located resource and if they would be serving each other's station loads.<sup>39</sup> As discussed in the Workshop Report, CESA would contend that station loads are distinct and different from end-use customers and how such self-supply of station loads are not “public services” that require regulation from the Commission.<sup>40</sup> If the Commission continues to have legal questions about this issue, CESA requests that the Commission establish an expedited briefing opportunity given that the workshops and these comments on the Workshop Report are ill-suited for such discussions.

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<sup>38</sup> CESA is unclear on how the Joint Utilities say such a situation would be “selling the same energy twice” – once as a wholesale sale into the CAISO market and again as a retail sale to the other Co-Located Resource. In this case, CESA would contend that a “retail sale” has not occurred and any station load served should be zeroed out of the retail meter. *See* Joint Utilities Opening Comments at 22.

<sup>39</sup> Joint Utilities Opening Comments at 24.

<sup>40</sup> Workshop Report at 24-25.

V. **CONCLUSION.**

CESA appreciates the opportunity to submit these reply comments on the Workshop Report and looks forward to working with the Commission and stakeholders and the forthcoming PD on the matter.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Jin Noh', written in a cursive style.

Jin Noh  
Policy Director  
**CALIFORNIA ENERGY STORAGE ALLIANCE**

Date: February 21, 2023