

**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 March 26, 2015)

**CLEAN COALITION REPLY COMMENTS ON TRACK 1 ISSUES**

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August 3, 2015

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**I. INTRODUCTION**

On March 26, 2015, the California Public Utilities Commission (“Commission”) filed an Order Instituting Rulemaking to address policy and implementation refinements to the energy storage program under AB 2514 and Decisions 13-10-040 and 14-10-045, which established the Energy Storage Procurement Framework Program and approved the investor-owned utilities’ (“IOUs”) applications in implementing the Program. On July 12, 2015, the assigned Commissioner and Administrative Law Judges released a ruling seeking party comment on Track 1 issues, and parties filed opening comments on July 8, 2015. The Clean Coalition appreciates this opportunity to reply to comments on the energy storage program. Below we offer input on procurement best practices in the energy-storage specific request for offer (“RFO”) process and refinements to the Consistent Evaluation Protocol (“CEP”).

The Clean Coalition is a nonprofit organization whose mission is to accelerate the transition to renewable energy and a modern grid through technical, policy, and project development expertise. The Clean Coalition drives policy innovation to remove barriers to procurement and interconnection of distributed energy resources (“DER”)—such as local renewables, advanced inverters, demand response, and energy storage—and we establish market mechanisms that realize the full potential of integrating these solutions. The Clean Coalition also collaborates with utilities and municipalities to create near-term deployment opportunities that prove the technical and financial viability of local renewables and other DER.

## II. COMMENTS

### 1. Procurement Best Practices

#### a. Transparency

Increased transparency in the RFO process will lead to lower costs for ratepayers and a more robust energy storage market. The Clean Coalition supports Environmental Defense Fund's ("EDF") request for data on the first round of energy storage-specific RFOs.<sup>1</sup> Understanding the need to keep certain information related to the RFO process confidential and comply with past Commission decisions,<sup>2</sup> the Clean Coalition respectfully urges the Commission to allow parties access to basic information on the procurement process, including:

- 1) Number of developers participating;
- 2) Size of the bids in MWs;
- 3) Services offered;
- 4) Technologies utilized; and
- 5) Limited market pricing efficiency information.

The Commission could release this basic information to parties to enable evaluation of the procurement process without allowing developers to manipulate the market. The data will help parties to determine whether the market is clustering around subgoals of the RFOs or attracting a balanced and healthy market response. For example, if only capacity and not full energy services are being offered, the parties and the Commission should have an opportunity to investigate why. It will also be valuable to compare the responses among the three utilities' RFOs to learn from them and incorporate what works best.

While the Commission and the IOUs have an interest on behalf of ratepayers in limiting the release of pricing information that would potentially drive bids toward the highest price paid, there is also value in identifying the most cost-effective procurement categories to promote adequate supply in these categories. For example, if there is a

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<sup>1</sup> Comments of Environmental Defense Fund on Track 1 Issues at 2–3 (July 7, 2015).

<sup>2</sup> See Interim Opinion Implementing Senate Bill No. 1488, Relating to Confidentiality of Electric Procurement Data Submitted to the Commission, Cal. Pub. Util. Comm'n Decision 06-06-066 (June 29, 2006); Decision Adopting Energy Storage Procurement Framework and Design Program, Cal. Pub. Util. Comm'n Decision D.13-10-040 (Oct. 17, 2013); see also Pub. Util. Code § 583.

substantial difference in the price paid for a similar product by one utility relative to another, the lower price may indicate a more efficient approach that should be replicated. Also, the higher price may indicate greater demand by that utility—a signal that should encourage more offers among bidders with a relatively competitive product.

*b. Best Practices*

The Clean Coalition supports various parties' requests for the IOUs to more fully develop the procurement process and use cases when seeking specific services in particular grid locations.<sup>3</sup> This would create a more efficient procurement process where developers simply compete on cost and can tailor bids to meet particular grid needs or goals. Pacific Gas and Electric's ("PG&E") five distribution deferral locations provide a noteworthy example of this.<sup>4</sup> The next round of RFOs should also reference maps on local capacity requirements in order to show areas that require increased capacity. Finally, the RFOs should reference transmission maps to highlight locational value and display areas with high line losses or significant congestion charges.

In contexts where the utilities have not presented information on what services are being sought and what grid locations are best suited to energy storage, flexibility should be a key consideration. In order to provide developers with sufficient flexibility, it is important that the IOUs allow multiple variations of a single bid. For example, PG&E accepted five variations of each offer, allowing changes in attributes such as delivery term, price, commercial operation date, duration of charge/discharge, capacity, and operational characteristics such as ramp rates.<sup>5</sup> Southern California Edison ("SCE") provided even more flexibility and accepted twenty variations of the same project, allowing changes such as flat versus escalating pricing or 10- versus 15-year project

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<sup>3</sup> See Comments of the California Energy Storage Alliance on Assigned Commissioner and Administrative Law Judge's Scoping Memo and Ruling Seeking Party Comments at 7 (July 8, 2015); Comments of SolarCity Corporation on Assigned Commissioner and Administrative Law Judges' Scoping Memo and Ruling Seeking Party Comments at 3 (July 8, 2015); NRG Energy, Inc. Responses to Scoping Memo Questions Regarding Phase 1 at 3 (July 8, 2015).

<sup>4</sup> Pac. Gas & Elec., Energy Storage Request for Offers Solicitation Protocol at 15–16 (Jan. 27, 2015).

<sup>5</sup> *Id.* at 24.

terms.<sup>6</sup> Also, allowing for flexibility in ownership structures is beneficial. PG&E's RFO allowed developers to cite projects on utility-owned land at the substation.<sup>7</sup> The Clean Coalition reiterates the proposal in our opening comments that the Commission formally require the level of flexibility provided by SCE—allowing developers the flexibility to most optimally meet the needs of the IOUs by submitting up to twenty variations on a single bid.<sup>8</sup>

Further, the Clean Coalition believes that the utilities should release separate standard offer contracts for specific products or use cases, and the Commission should provide for a period of public comment. Utilities should guarantee applicability of the standard contract, while maintaining flexibility to negotiate mutually agreeable improvements through one-off contracts. Despite utility claims to the contrary at the energy storage workshop, industry actors also support this request.<sup>9</sup> To provide for an adequate level of flexibility, the IOUs should allow developers to utilize standard offer contracts as is, alter terms in the contracts, or fully negotiate one-off contracts. The lack of market maturity is not a reason to delay this process. Eventually, the utilities will be able to refine the contracts to a sufficient degree as the market more fully develops. The process will take time, but the IOUs will provide more clarity to the market if they begin the process immediately.

While flexibility and variety in contracts are important, especially at this relatively early stage of market development for energy storage, most features of procurement contracts are in no way unique to this market. As such, it is advisable to use existing contracts previously vetted and approved by the Commission as the foundation upon which to make modifications—and to limit those modifications. While it is relatively easy to review specific changes to established contract terms, substantial delay and expense is involved for parties to fully review entirely new contract language.

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<sup>6</sup> S. Cal. Edison, Request for Offers for Energy Storage: RFO Participant Instructions at 2 (Jan. 28, 2015).

<sup>7</sup> See Pac. Gas & Elec., Energy Storage Request for Offers Solicitation Protocol at 10 (Jan. 27, 2015).

<sup>8</sup> Clean Coalition Comments on Track 1 Issues at 2–3 (July 8, 2015).

<sup>9</sup> Comments of SolarCity Corporation on Assigned Commissioner and Administrative Law Judges' Scoping Memo and Ruling Seeking Party Comments at 3 (July 8, 2015).

California has a developed record of refinement in contracts addressing issues that were discovered to be problematic in earlier iterations, and it will serve all parties to build upon this work.

Finally, regarding best practices for interconnection requirements, the Clean Coalition believes PG&E's approach is preferable and supports the Green Power Institute's opening comments.<sup>10</sup> PG&E's required only that developers have submitted an interconnection application by the date of contract execution, while SCE required full deliverability, which can add substantial costs and time. However, PG&E stated at the energy storage workshop that it was considering moving towards SCE's approach. The Clean Coalition strongly believes that it is premature to do so as the market is not yet fully developed. The goal should be to avoid requiring bidders to incur high costs prior to determination that the project has a good probability of winning a contract. This will stimulate competition and achieve the highest value for ratepayers. Proving the viability of projects early on can be done more efficiently through a series of deposits or development milestones.

The interconnection processes have undergone major reform in recent years to discourage speculative applications and purge the study queues of "phantom" projects impacting the study results and cost responsibility of subsequent projects that are ready to commence development. Part of that reform is a strict schedule for applicants to commit substantial funds for studies, conclude an Interconnection Agreement, and complete a series of deposits to cover the full cost of interconnection facilities and any required system upgrades. It is unreasonable to expect bidders to enter into these cost commitments prior to being offered a contract for the facility it is paying to interconnect. Rather, incremental and conditional commitments should be required of both parties, such as a good faith deposit option pending completion of the next phase of interconnection. Escalating milestones or deposits ensure that projects will either proceed on schedule or withdraw without delay. Alternatively, the application of overly aggressive interconnection requirements prior to consideration of bids will add financial risk to all bidders—risk that will be reflected in incrementally higher bids than would

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<sup>10</sup> Green Power Institute Comments in Response to Scoping Memo and Ruling Questions at 3–5 (July 8, 2015).

otherwise be realized. Where rapid deployment is desired, a project with an advanced interconnection application may be ranked higher, but many storage projects are not being procured with urgent deadlines. These latter projects may be procured more cost-effectively if not subject to unnecessary prerequisites. It is without question important for the procurement process to assess the likelihood of a project to achieve timely delivery, but the means of achieving this is equally important.

## *2. Refinement of the Consistent Evaluation Protocol*

The Clean Coalition supports various parties' comments concerning refinement of the CEP. As Sierra Club argued, the tool should provide for better evaluation of GHG reductions, renewables integration, and supply firming and peak shaving opportunities for proposed energy storage projects.<sup>11</sup> The Office of Ratepayer Advocates noted that the CEP should clearly define qualitative and quantitative requirements to ensure consistency.<sup>12</sup> As suggested by EDF, the CEP should better take into account different storage technologies' locational values—and the corresponding values when sited with different types of DER.<sup>13</sup> Finally, the California Energy Storage Alliance stated that the CEP should include consideration of the optionality value associated with energy storage.<sup>14</sup> The Clean Coalition supports each of these recommendations and notes the importance of coordinating evaluation methods consistently both within this proceeding and across associated proceedings. Parties, including the Clean Coalition, have worked actively across proceedings to both refine and advance evaluation standards and methods, and we urge the Commission to draw upon these efforts. In particular, the Valuation Working Group in the Demand Response proceeding submitted recommendations related to locational value and option value on May 1, 2015.<sup>15</sup> Parties are further pursuing these

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<sup>11</sup> Sierra Club Comments on Track 1 Issues at 3–8 (July 8, 2015).

<sup>12</sup> Opening Comments of the Office of Ratepayer Advocates to Track 1 at 4 (July 8, 2015).

<sup>13</sup> Comments of Environmental Defense Fund on Track 1 Issues at 4 (July 7, 2015).

<sup>14</sup> Comments of the California Energy Storage Alliance on Assigned Commissioner and Administrative Law Judge's Scoping Memo and Ruling Seeking Party Comments at 9 (July 8, 2015).

<sup>15</sup> Load Modifying Resource Demand Response Valuation Working Group Compliance Report, Cal. Pub. Util. Comm'n Rulemaking 13-09-011 (May 1, 2015).

goals in the Integrated Demand Side Management proceeding. The Commission should explicitly reference the results of that proceeding and the Distribution Resources Plans proceeding for future adoption in the CEP.

The Clean Coalition further respectfully urges the Commission to require the IOUs to use the CEP internally as an evaluation tool. The IOUs stated in the energy storage workshop that they would only use the CEP for benchmarking and reporting purposes for the first round of RFOs. Instead, the IOUs should apply the CEP as an evaluation tool, and each of the IOUs should maintain flexibility to alter the tool to adjust for different circumstances within their service territories. This will increase the level of consistency in future procurement processes and allow developers to better gauge the factors influencing IOU procurement decisions.

### III. CONCLUSION

The Clean Coalition appreciates this opportunity to reply to parties' opening comments on Track 1 issues of the energy storage program.

Respectfully submitted,

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Dated: August 3, 2015