

December 11, 2018

CPUC Energy Division Tariff Unit
505 Van Ness Avenue
San Francisco, California 94102
EDTariffUnit@cpuc.ca.gov

Re: Protest of the California Energy Storage Alliance to Advice Letter 3308-E of San Diego Gas and Electric Company

Dear Sir or Madam:

Pursuant to the provisions of General Order 96-B, the California Energy Storage Alliance (“CESA”)¹ hereby submits this protest to the above-referenced Advice Letter 3308-E of San Diego Gas and Electric Company (“SDG&E”), *San Diego Gas and Electric Company’s Technology Neutral Pro Forma Contract Submittal Pursuant to Decision 16-12-036* (“Advice Letter”), submitted on November 21, 2018.

¹ 174 Power Global, 8minutenergy Renewables, Able Grid Energy Solutions, Advanced Microgrid Solutions, AltaGas Services, Amber Kinetics, American Honda Motor Company, Inc., Avangrid Renewables, Axiom Exergy, Boston Energy Trading & Marketing, Brenmiller Energy, Bright Energy Storage Technologies, Brookfield Renewables, Carbon Solutions Group, Centrica Business Solutions, Clean Energy Associates, Consolidated Edison Development, Inc., Customized Energy Solutions, Dimension Renewable Energy, Doosan GridTech, Eagle Crest Energy Company, East Penn Manufacturing Company, Ecoult, EDF Renewable Energy, ElectriQ Power, eMotorWerks, Inc., Enel X North America, Energport, ENGIE, E.ON Climate & Renewables North America, esVolta, Fluence, Form Energy, GAF, General Electric Company, Greensmith Energy, Ingersoll Rand, Innovation Core SEI, Inc. (A Sumitomo Electric Company), Iteros, Johnson Controls, KeraCel, Lendlease Energy Development, LG Chem Power, Inc., Lockheed Martin Advanced Energy Storage LLC, LS Power Development, LLC, Magnum CAES, Mercedes-Benz Energy, NantEnergy, National Grid, NEC Energy Solutions, Inc., NextEra Energy Resources, NEXTracker, NGK Insulators, Ltd., NRG Energy, Inc., Parker Hannifin Corporation, Pintail Power, Primus Power, Quidnet Energy, Range Energy Storage Systems, Recurrent Energy, Renewable Energy Systems (RES), Sempra Renewables, Sharp Electronics Corporation, SNC Lavalin, Southwest Generation, Sovereign Energy, Stem, STOREME, Inc., Sunrun, Swell Energy, Tenaska, Inc., True North Venture Partners, Viridity Energy, VRB Energy, WattTime, Wellhead Electric, and Younicos. The views expressed in this Response are those of CESA, and do not necessarily reflect the views of all of the individual CESA member companies.

December 11, 2018

Page 2 of 9

I. BACKGROUND AND INTRODUCTION.

In the Integrated Distributed Energy Resources (“IDER”) proceeding (R.14-10-003), Decision (“D.”) 16-12-036 was issued on December 22, 2016 that directed each of the investor-owned utilities (“IOUs”) to reconvene the Competitive Solicitation Framework Working Group (“CSFWG”) after the pilot solicitations to develop a technology neutral *pro forma* (“TNPF”) contract, with the guidance of the California Public Utilities Commission (“Commission”) and oversight an independent consultant, Sedway Consulting. CESA appreciated the opportunity to participate in the CSFWG and seeks to support the IOUs and the Commission in structuring IDER Request for Offers (“RFO”) to successfully procure and contract distributed energy resource (“DER”) solutions to provide distribution services.

After reviewing SDG&E’s Advice Letter, CESA cannot support the TNPF contract submitted by SDG&E. The terms and conditions included in SDG&E’s TNPF contract are punitive when considering the details regarding certain performance requirements, such as how sellers are subject to events of default upon not delivering 100% performance or not delivering on immediate dispatch, and contracting requirements for a single counterparty. Such terms and conditions are not tenable for DER providers as it places excessive risk on the seller side and as it may not be tied to the specific distribution service being procured for, ultimately deterring DER providers from participating in SDG&E’s IDER RFO. CESA commented on these matters in providing feedback to SDG&E’s 2018 IDER Pilot Evaluation Report. Issues around incrementality also pose problems, but CESA understands that resolution of these issues may require a broader policy discussion in a separate forum, perhaps in the IDER proceeding or in another proceeding.

To the broader question about technology neutrality, it is difficult to assess this question given the inherent differences between DER technologies. However, some of the eligibility and service requirements have been set up to restrict participation of certain DERs, such as behind-the-meter (“BTM”) demand response (“DR”), energy storage, and solar photovoltaics (“PV”) paired energy storage. CESA has not reviewed the *pro forma* terms for all resource types, as we are focused on in-front-of-the-meter (“IFOM”) energy storage, BTM energy storage, BTM PV plus storage, and BTM DR plus storage. CESA is not in a position to comment on other resource types and thus cannot conclusively say the TNPF contracts are indeed technology neutral, but in terms of the resource types that CESA is focused on, the proposed TNPF contract lend itself to limited market participation.

CESA respectfully encourages the Commission to assess the proposed TNPF contract not strictly from the perspective of whether the contracts are indeed technology neutral but also to assess whether the TNPF contract lays out fair and reasonable terms and conditions that make it tenable for sellers while addressing the underlying identified distribution grid service. In many cases, the proposed TNPF contract does not lay out reasonable terms and conditions and places excessive risk on sellers without specifically addressing the distribution grid service need. Without changes as outlined below, CESA fears that SDG&E’s IDER RFO will not solicit a robust

December 11, 2018

Page 3 of 9

market response and will predetermine the outcome that the traditional distribution infrastructure investment will be pursued.

In addition, at the request of Energy Division staff, CESA also provides our comments on the following questions regarding the elements of the TPNF contract that can be standardized across the IOUs:

1. Are there elements in the Technology Neutral Pro Forma Contract that should be standardized across all three IOUs? If so, what are they? For each specific element, is there a version (from the three submitted) that you find the most useful as model?
2. Should the IOUs work towards developing one TNPFC for future IDER solicitations? Please explain.

CESA does not find the need to develop a single standardized TPNF contract but finds that certain elements of the TPNF contract should be standardized across the IOUs. Certain elements around how incrementality is defined and applied as well as how performance and contracting requirements reflect DER capabilities should be standardized, as CESA finds no need to differentiate them for any individual IOU. CESA elaborates further in our comments in Section III of this protest.

II. DISCUSSION.

Over the course of multiple working group meetings in the IDER proceeding as well as the Distribution Planning Advisory Group (“DPAG”), CESA has provided many specific redlines and feedback on the TPNF contract that is not found to be reflected in the TPNF contract submitted in this advice letter. CESA reiterates many of the points made as informal feedback in the working group here in the protest to the advice letter.

In addition to these points, CESA requests that the independent evaluator (“IE”) to the working group also provide its assessment and recommendations, having facilitated the working group. CESA reads the IE report included in Attachment B as being more of a summary of discussions of the working group rather than an assessment of the negotiations and feedback on the TPNF contract that eventually lead to some key takeaways, conclusions, and recommendations. With this added assessment, CESA believes that the IE report will provide actionable advice and assistance to the Commission in assessing and potentially directing modifications of the proposed TPNF contract.

A. The exceptional dispatch requirement for DERs at any time should be eliminated and day-ahead notification procedures should be adopted

SDG&E includes an exceptional immediate dispatch provision in its proposed TNPf contract,² which, based on the discussions in the DPAG, is likely tied to the back-tie service requirement that is coupled with the distribution capacity service. This provision in the TNPf contract stems from SDG&E's belief that a traditional wire infrastructure could enable unplanned overload if upgraded, and so a similar expectation should be established for non-wires DER alternatives.³

CESA disagrees and recommends that the exceptional immediate dispatch provision be eliminated, as it is very market limiting and apparently is unlinked to the identified need, unless explicitly demonstrated as such. CESA provided our comments extensively in feedback to SDG&E's IDER Pilot Evaluation Report⁴ and expressed how CESA disagrees with the premise that DERs should mimic a "wires" solution as the IDER RFO is intended to also consider the cost-effectiveness to ratepayers of deferring wires investments in favor of DER alternatives. Though SDG&E provides some narrative description of the dispatch and back-tie service requirements in Attachments F and G, more detailed justification from SDG&E is needed before requiring back-tie services from DERs that provide peak distribution capacity, which CESA expands upon in our aforementioned comments.

In addition, CESA does not find language in the TNPf contract that would require day-ahead notification for DERs to deliver their contracted distribution service. Such notifications are often key to allow for sufficient management of the resource to deliver on the contracted distribution service. Day-ahead notification does not necessarily indicate a resource is less useful. Instead, it can often be provided using weather forecasting or other planning approaches and resources can respond in timely fashion. For energy storage systems, many of which are engaged in multiple-use applications ("MUA"), day-ahead notification processes are generally strongly preferred or may even be needed to ensure sufficient state of charge. CESA requests that such language be added to the TNPf contract.

B. The 100% performance requirement is untenable and instead performance and compensation should allow for some tolerance band and use a system of incentives and penalties

² Advice Letter, p. 6 and Attachment A, p. 12.

³ Advice Letter, p. 5.

⁴ *Comments of the California Energy Storage Alliance on the Report of San Diego Gas and Electric Company Concerning Streamlined Competitive Solicitation Framework and Utility Regulatory Incentive Mechanism Pilot*, filed on November 19, 2018, pp. 5-6. See link [here](#).

The other IOUs in their proposed TPNF contracts have reasonably proposed events of default that do not create untenable risk to DER solutions while ensuring a very high degree of reliability through incentives and penalties. However, SDG&E takes an approach where anything short of 100% delivery of the contract capacity will lead to events of default,⁵ creating significant risk to developers that will deter their participation in the RFO. CESA recommends the removal of this strict provision and recommends that SDG&E mirror the requirements set by the other IOUs.⁶ Any distribution service, whether provided by wires or DER alternatives, may at times be unavailable via planned or unplanned outages. Reasonable unavailability assumptions are cost-reasonable and should be included.

Similarly, SDG&E establishes a binary ‘perform or default’ type of structure that provides no tolerance band for some reasonable level of under-performance relative to contracted capacity or incentives to perform at or above contracted capacity. This creates an untenable level of risk and punitive penalty structure that will deter DER providers from participating in its IDER RFO. By comparison, the other IOUs have structured compensation to penalize different levels of under-performance with reduced capacity payments (without automatic default upon any level of under-performance, as SDG&E has proposed) and/or have established additional payments for some level of over-performance,⁷ recognizing that over-performance from one counterparty may make up for the under-performance of another counterparty under a portfolio-based approach to meeting a distribution service need. Either of the performance and compensation structures from the other IOUs are preferable to that proposed by SDG&E. CESA thus recommends that SDG&E’s TPNF contract be modified to mirror those structures.

C. A tolerance band for performance testing should be established

SDG&E sets a high performance test requirement (100%) that does not allow for any tolerance band that may create some risk to the developer.⁸ Even as retesting processes are allowed, a small tolerance band of 1%, with some ‘ratcheting down’ of capacity payments for under-performance during tests (similar to what has been proposed

⁵ Advice Letter, p. 5 and Attachment A, p. 15.

⁶ For example, PG&E proposes events of default when performance is less than 75% contracted capacity and/or the performance test is less than 85% contracted capacity.

⁷ PG&E has structured their performance and compensation structure such that contracted DERs get 100% capacity payment with 90%-100% performance, 50% capacity payment with 80%-90% performance, 0% capacity payment with 75%-80% performance, and payment to PG&E and default if performance less than 75%. SCE has structured their performance and compensation structure such that contracted DERs get approximately 110% capacity payment with greater than 105% performance, 95%-105% capacity payment with 95%-105% performance, 75%-95% capacity payment (reduced further by 50%) with 75%-95% performance, and payment to SCE if performance less than 75%.

⁸ Advice Letter, pp. 13-14.

December 11, 2018

Page 6 of 9

by PG&E),⁹ should be allowed to not trigger an event of default, mitigating some of the undue risk to DER providers. Given the nature of DERs, a small tolerance band for the performance test seems reasonable in establishing the contracted capacity.

D. The single counterparty requirement is not necessary and should be eliminated

One of the reasons why the more flexible performance and compensation structures (as recommended in Section II.B) are not possible is the single counterparty requirement in SDG&E's proposed TNPf contract. CESA understands the increased level of complexity of contracting from multiple DER providers and understands that this is a procurement preference of SDG&E,¹⁰ but such a portfolio approach with multiple DER providers invite greater market participation, could potentially mitigate some counterparty risks for SDG&E by having multiple DER providers instead of contracting with a single one, and allow for more flexible performance and compensation structures mirroring that of the other IOUs while still addressing the underlying distribution grid service need. CESA elaborates on our views on the single counterparty requirement in our aforementioned comments to SDG&E's IDER Pilot Evaluation Report.¹¹

E. Minimal thermal loading during Restricted Periods should be allowed unless demonstrated otherwise

CESA understands that there may be certain times during which thermal loading on an already overloaded circuit or line may create distribution grid problems. Thus, SDG&E includes a provision for no thermal loading during Restricted Periods in their proposed TNPf contract.¹² Load increase restrictions may be appropriate if demonstrated that load increase at a given location would present grid problems, but these Restricted Periods should be justified and set reasonably to accommodate DERs, such as energy storage, that have minimal charging to account for idling losses that is being done to ensure full capacity to service the identified distribution need. If such minimal charging would not prevent major grid issues, this should be allowed; otherwise, storage developers would be incentivized to oversize their capacity. A 'tolerance band' for some minimal load increase in Restricted Periods is reasonable if it allows for minimal charging to maintain state of charge at needed capacity for when dispatch is later required for the distribution capacity service.

⁹ PG&E requires one test per year, with full capacity payment if testing is at 99%+, reduced capacity payment if testing is at 85%-99%, and default if testing is less than 85%.

¹⁰ Advice Letter, pp. 4-5.

¹¹ *Comments of the California Energy Storage Alliance on the Report of San Diego Gas and Electric Company Concerning Streamlined Competitive Solicitation Framework and Utility Regulatory Incentive Mechanism Pilot*, filed on November 19, 2018, p. 8. See link [here](#).

¹² Advice Letter, p. 6 and Attachment A, p. 11.

December 11, 2018

Page 7 of 9

F. Information sharing provisions should clarify that metered data is only required for the distribution service

To be able to plan and operate the distribution system, SDG&E likely needs visibility into the DERs connected to its grid to provide distribution grid services, leading to information sharing provisions to be included in its proposed TNPF contract to require the sharing of metered data as necessary. While not clear in the TNPF contract, CESA believes that the information sharing should be limited to what is necessary for the distribution grid services and such metered data requests should not be required for DERs such as energy storage engaging in activities outside of the distribution function (e.g., in MUAs), per MUA Rule 9.¹³ Information for other grid or customer services provided by DERs would be above and beyond that requirement. CESA supports reasonable sharing of data to ensure performance measurement.

G. The project development security should be denominated in \$/MW

SDG&E includes a placeholder for an absolute dollar amount for the project development security.¹⁴ CESA recommends that this security be denominated in \$/MW, as securities should be proportional to the capacity being proposed by the developer. This will ensure, for example, a smaller need does not require a disproportionate security.

H. NEM and SGIP-funded systems should be deemed eligible

SDG&E defers documentation on incrementality to the IDER RFO solicitation documents to be issued later but also discusses how it will not view Net Energy Metering (“NEM”) resources or Self-Generation Incentive Program (“SGIP”) funded projects as being incremental and thus ineligible in the IDER RFO. CESA disagrees but has already commented extensively on this issue in the IDER proceeding and during working group sessions. Rather than repeating many of these points here, CESA points to our aforementioned comments.¹⁵ CESA does agree in some regard with SDG&E that incrementality issues may not be best addressed in the process for the approval of TNPF contracts in this Advice Letter, as it likely requires a broader proceeding to address these policy matters.

¹³ According to D.18-01-003, Rule 9: “In response to a utility RFO, the energy storage provider is required to list any additional services it currently provides outside of the solicitation. In the event that an energy storage resource is enlisted to provide additional services at a later date, the energy storage provider is required to provide an updated list of all services provided by that resource to the entities that receive service from that resource. The intent of this Rule is to provide transparency in the energy storage market.”

¹⁴ Advice Letter, Attachment A, p. 20.

¹⁵ *Comments of the California Energy Storage Alliance on the Report of San Diego Gas and Electric Company Concerning Streamlined Competitive Solicitation Framework and Utility Regulatory Incentive Mechanism Pilot*, filed on November 19, 2018, pp. 8-12. See link [here](#).

III. RESPONSE TO ENERGY DIVISION QUESTIONS.

Energy Division requested that parties to provide their input on the level of standardization needed across the IOUs in their respective TNPf contracts.

1. Are there elements in the Technology Neutral Pro Forma Contract that should be standardized across all three IOUs? If so, what are they? For each specific element, is there a version (from the three submitted) that you find the most useful as model?

To the degree possible, the *pro forma* contracts should be made consistent across the IOUs across certain elements. CESA highlighted some of those examples in this protest to the Advice Letter, pointing to better approaches taken by the other IOUs. CESA believes that some of these ‘best practices’ would not pose material risk to SDG&E. Thus, CESA believes that the following elements of the TNPf contract can and should be standardized:

- MUAs should be enabled and reasonably allowed so long as there is no undue or material risk to providing the distribution grid service. This fundamental principle should underpin various terms and conditions of the TNPf contract, including around notification processes, incrementality, information sharing, etc.
- Incrementality is a policy issue and determines eligibility of various DERs in the IDER RFOs. Although the specific incrementality assessment may be unique to each IOU, given how incrementality should be measured against the underlying planning assumptions, the overall incremental eligibility should be standardized across the IOUs. Blanket prohibitions of NEM and SGIP-funded systems should not be allowed, which should be a standard principle across all TNPf contracts and IDER RFO solicitation documents.
- Performance testing, actual performance, and compensation should allow for tolerance bands for a reasonable level of under-performance, and a reasonable system of penalties and incentives should be used to achieve the desired performance level. The specific structure can be determined by the IOUs depending on the distribution grid service, but such a flexible performance and compensation structure should be adopted broadly by all IOUs. Such flexibility may mean that requirements like SDG&E’s single counterparty requirement is untenable and should not be allowed.
- Project development securities should be reasonably balanced to mitigate development and deployment risk, but they should be commensurate with the need. Expecting the same security for a 1 MW need and a 20 MW need is unreasonable and places market-limiting barriers to DER providers

December 11, 2018
Page 9 of 9

targeting smaller needs. The specific security amount may vary across the IOUs, but this principle of proportionality should be standardized.

2. Should the IOUs work towards developing one TNPFC for future IDER solicitations? Please explain.

CESA agrees with the IOUs in that it is likely not worthwhile to pursue a single *pro forma* that applies for all three IOUs given the complexity of distribution service products and the different technologies that the IDER RFOs are intended to allow to participate.¹⁶ CESA also recognizes that each IOU may structure the services that they buy differently. For example, PG&E and SDG&E are soliciting and contracting for just the distribution service (*e.g.*, due to being ‘long’ on RA needs) while allowing for sellers to monetize any other revenue stream, whereas SCE is looking to contract for RA in addition to the distribution service in one package. Differences are warranted given different procurement approaches and technical grid structures and needs, but CESA believes that certain aspects of the contract should be uniform to some extent.

IV. CONCLUSION.

CESA appreciates the opportunity to submit this protest to SDG&E’s Advice Letter and hopes that our recommendations will be taken into consideration. CESA looks forward to collaborating with the Commission and SDG&E to ensure a competitive solicitation for identified distribution grid needs.

Respectfully submitted,



Alex J. Morris
Vice President, Policy & Operations
California Energy Storage Alliance

cc: Megan Caulson (mcaulson@semprautilities.com)
Service list R.14-10-003

¹⁶ Advice Letter, p. 4.