

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

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

Rulemaking 19-11-009
(Filed November 7, 2019)

**REPLY COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE
ON THE ORDER INSTITUTING RULEMAKING**

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December 10, 2019

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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 to the *Order Instituting Rulemaking to Oversee the Resource Adequacy Program, Consider Program Refinements, and Establish Forward Resource Adequacy Procurement Obligations* (“OIR”), filed by President Marybel Batjer on November 7, 2019.

I. INTRODUCTION.

CESA appreciates the opportunity to collaborate with the Commission and other stakeholders to refine the Resource Adequacy (“RA”) Program and provide additional feedback on the comments filed by parties on December 10, 2019. In opening comments, CESA focused on four main issues to be included in the scope of this proceeding: (1) development of a methodology that properly values hybrid storage resources; (2) evaluation of capacity needs to inform qualifying capacity (“QC”) methodologies for energy storage assets; (3) the need to further study system-wide and local capacity needs instead of establishing a cap for use- or energy-limited resources; and (4) the unbundling of System and Flexible RA capacity products. CESA is pleased to see many parties echoed some of those concerns in their comments. Notably, there was broad

support for the development of a capacity-counting methodology for hybrid storage resources, an issue that should be seen by the Commission as a priority given the record that supports its inclusion and the need for guidance to comply with the reliability procurement directed by the Commission in Decision (“D.”) 19-11-016. Modeling results in the Integrated Resource Planning (“IRP”) proceeding (R.16-02-007) showing significant investments in solar and storage resources to meet our long-term decarbonization goals also highlight the importance of developing an appropriate and long-term capacity counting methodology for hybrid storage resources.

While some of the issues proposed by parties align with the overarching policy goals of the State, there are a handful of proposals that CESA seeks to respond to:

- **Extending multi-year requirements for System and Flexible RA:** While not completely rejecting this proposal, CESA believes it could stifle decarbonization efforts if it is implemented without regard for the directives set forth by Senate Bill (“SB”) 1136.
- **Employing the effective load carrying capacity (“ELCC”) methodology for storage currently used in the IRP proceeding:** CESA considers the development of an ELCC methodology for energy storage could be beneficial; nonetheless, CESA advises against using a methodology that focuses on a particular set of operational characteristics, such as four-hour battery storage.
- **Setting caps on energy- and/or use-limited resources:** CESA advises against the establishment of a cap for energy and/or use-limited resources, particularly in a context of major grid transformation and increased reliance on such resources.

II. PROPOSALS TO EXPAND MULTI-YEAR REQUIREMENTS FOR SYSTEM AND FLEXIBLE CAPACITY SHOULD SUPPORT PREFERRED RESOURCES WHERE ECONOMICALLY VIABLE.

In opening comments, several parties showed support for an expansion of multi-year procurement requirements that would include System and Flexible RA.¹ At the time of adoption,

¹ Parties that raised such issue include Alliance for Retail Energy Markets (“AReM”), the California Independent System Operator (“CAISO”), the Independent Energy Producers Association (“IEP”), Middle River Power (“MRP”), and Pacific Gas & Electric (“PG&E”), among others.

D.19-02-022 found expanding multi-year requirements to System and Flexible RA requires continued monitoring and evaluation,² but given the recently System RA shortfalls, CESA sees some value in exploring these proposals. However, in considering such proposals, CESA advises the Commission to consider this modification while complying with Public Utilities Code (“PUC”) Section 380, as modified by SB 1136. Section 380 directs the Commission to “ensure the reliability of electrical service in California while advancing, to the extent possible, the state's goals for clean energy, reducing air pollution, and reducing emissions of greenhouse gases.”³ Thus, if the Commission decides to include this modification in the scope of this proceeding, CESA urges the Commission to (1) identify empirical data that shows there is a need for such extension of multi-year requirements, and (2) adhere to PUC Section 380 and SB 1136 by ensuring this reform will also seek to advance the state’s decarbonization goals as set forth by SB 350 and SB 100.

III. THE COMMISSION SHOULD REFRAIN FROM EMPLOYING THE SAME ELCC METHODOLOGY FOR STORAGE AS WITHIN THE IRP PROCEEDING.

CESA recommends an evaluation of capacity needs to inform energy storage QC methodologies in order to properly signal to the market the resources and attributes (*e.g.*, storage durations) needed for future procurement. In their comments, Calpine and IEP support the use of an ELCC methodology for standalone energy storage.⁴ Their proposals seem to stem from the ELCC curve currently applied to energy storage in the RESOLVE model used in the IRP proceeding. While CESA is not opposed to the development of an ELCC value for standalone

² *Decision Refining Resource Adequacy Program*, D.19-02-022, issued on March 4, 2019 in R.17-09-020, at 33-34. <http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M270/K469/270469481.PDF>

³ Public Utilities Code, Section 380, (b).

⁴ See *Comments of Calpine Corporation on Order Instituting Rulemaking*, filed in R. 19-11-009, at 4; and *Comments of the Independent Energy Producers Association on Preliminary Matters Pertaining to the Scope, Schedule, and Administration of the Proceeding*, filed in R. 19-11-009, at 5, respectively.

energy storage, CESA advises against the direct use of the IRP’s ELCC curve as it has been designed specifically to capture the eventual capacity derating of a particular technology and resource type – *i.e.*, four-hour lithium-ion battery systems. Upon evaluating capacity needs, a better approach would be for the Commission to examine whether the QC methodologies for energy storage signal to the market the capacity and performance attributes needed. If an ELCC approach is considered for storage resources, CESA would be in favor of one that accurately reflects the impacts of duration, operational characteristics, and, in the case of hybrid resources, sizing ratios.

IV. THE COMMISSION SHOULD FURTHER STUDY SYSTEM-WIDE AND LOCAL CAPACITY NEEDS INSTEAD OF ESTABLISHING A CAP FOR USE- OR ENERGY-LIMITED RESOURCES.

In their opening comments, PG&E favors the adoption of a cap on “operationally constrained capacity”.⁵ PG&E’s reasoning is that, as significant volumes of availability-constrained generation have been added to the system, a reformation of maximum cumulative capacity (“MCC”) buckets is warranted in order to maintain system reliability.⁶ CESA disagrees with this conclusion. Such a cap on energy and/or use-limited resources is neither necessary nor beneficial to the sector. While the increased penetration of use- and energy-limited resources may require a new planning paradigm and reforms to the RA construct, a hard cap would be potentially discriminatory, would not send the proper market signals for LSEs, and would prevent innovative technological and policy solutions to address capacity and other reliability planning needs.

⁵ *Comments of Pacific Gas and Electric Company (U 39 E) on the Order Instituting Rulemaking to Oversee the Resource Adequacy Program*, filed in R. 19-11-009, at 2.

⁶ *See Comments of Pacific Gas and Electric Company (U 39 E) on the Order Instituting Rulemaking to Oversee the Resource Adequacy Program*, filed in R. 19-11-009, at 1-2.

Instead of the establishment of a cap, CESA supports further examination of system and local capacity needs. CESA would like to highlight a proposal made by the California Community Choice Association (“CalCCA”). In order to provide better information that can guide procurement, CalCCA proposes that the CAISO should provide more transparent resources relative to the Local Capacity Technical Studies (“LCTS”). CalCCA urges the Commission to request that CAISO provide the underlying data in spreadsheet format for stakeholders to perform a deep-dive analysis, and request that CAISO provide high-level guidance in terms of duration requirement for a local resource needed to reliably and adequately address the local requirements within each of the LCR subareas and areas.⁷ CESA supports these proposals as they would provide insight to LSEs and developers regarding how the capacity needs can be met.

VII. CONCLUSION.

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

Respectfully submitted,



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⁷ *Opening Comments of the California Community Choice Association on Order Instituting Rulemaking*, filed in R. 19-11-009, at 13.