

**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 RESOURCE ADEQUACY TRACK 2 PROPOSALS AND WORKING GROUP
REPORTS**

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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 Resource Adequacy (“RA”) Track 2 proposals and Working Group reports, which were filed on February 21, 2020 and March 11, 2020, respectively, pursuant to the *Assigned Commissioner’s Scoping Memo and Ruling* (“Scoping Memo”) issued by Assigned Commissioner Liane M. Randolph on January 22, 2020 and to the *Administrative Law Judge’s Ruling Modifying Track 2 Schedule* (“Track 2 Schedule Ruling”), issued by Administrative Law Judge (“ALJ”) Debbie Chiv on February 28, 2020. Pursuant to *E-Mail Ruling Granting Extension to File Track 2 Reply Comments* issued by ALJ Chiv that granted an extension of time to file reply comments, CESA is timely filing these reply comments on April 2, 2020.

I. INTRODUCTION.

CESA appreciates the work done by stakeholders within the Track 2 Working Groups to improve the RA program and ensure that California’s resource fleet is positioned to maintain reliability of the grid. In the pursuit of maintaining a safe and reliable grid, the Commission must also creatively and proactively adhere to the state’s commitment to transition to a zero-carbon grid.

Through the Commission’s work in the Integrated Resource Planning (“IRP”) proceeding, the Joint Agency Report on Senate Bill (“SB”) 100, and the Renewable Portfolio Standard (“RPS”) Program, the Commission has reiterated time and again that California is moving towards a grid highly dependent on renewable generation and flexible resources such as storage that can integrate these clean resources reliably. Unfortunately, CESA believes that some of the changes proposed within this proceeding are not aligned with our shared vision for the state.

In particular, CESA is concerned with the Energy Division’s (“ED”) proposal to modify the Maximum Cumulative Capacity (“MCC”) buckets. This proposal should not be considered at this time because it will significantly hinder the deployment and RA-driven procurement of the resources needed to achieve decarbonization and may push the state down a fossil-dependent path to maintain reliability. In effect, the Commission has embarked on a quest to incrementally revise rules and regulations that were crafted for a fossil-centric one. CESA, like many stakeholders calling for substantial RA reform, believes this is a suboptimal approach. Hence, CESA is supportive of the scope of Track 3 of this proceeding, as it will allow both regulators and stakeholders to present proposals that will better align the RA Program with the Commission’s planning processes and policy priorities. Thus, we urge the Commission to recognize that discussion on how to limit renewable and energy-limited resources, which are known to be required in coming years to advance the state’s decarbonization goals, from fulfilling RA needs is not warranted at this time. Such a discussion is better suited for Track 3 of this proceeding. Finally, CESA also offers commentary on arguments made regarding the work of the Hybrid Counting Working Group.

Our reply comments can be summarized as follows:

1. Consistent terminology, definitions, and frameworks for hybrid and co-located resources should be adopted in line with the California Independent System Operator (“CAISO”) Hybrid Resources Initiative.
2. Hybrid resources without charging restrictions should be counted using an additive methodology.
3. Merits and specifics of an exceedance methodology for hybrid resources requires further discussion and should be tabled until Track 3.
4. Proposals to redefine availability should be deferred to Track 3 in order to consider broader reforms and fixes to the RA Program and to how the CAISO market can send economic signals to incentivize the desired dispatch.

II. CONSISTENT TERMINOLOGY, DEFINITIONS, AND FRAMEWORKS FOR HYBRID AND CO-LOCATED RESOURCES SHOULD BE ADOPTED IN LINE WITH THE CAISO HYBRID RESOURCES INITIATIVE.

CESA is appreciative of the comments provided by stakeholders on the Hybrid Counting Working Group Report, which signals a key area of consensus to expedite adoption of terminology and frameworks for hybrid and co-located resources to that used in the CAISO Hybrid Resources Initiative.¹ CESA agrees with these comments as it would minimize regulatory friction and ease current and future amendments that are necessary to ensure the successful deployment and operation of these assets. The adoption of this language will be further eased if the Commission opts to implement Southern California Edison’s (“SCE”) counting proposal as a replacement for the current interim methodology, a position supported by several parties and echoed by CESA. This is because, so far, the only material application of the Commission’s definition of hybrids lies in the interim “greater-of” counting methodology. Nevertheless, regardless of which counting

¹ See, for example, CAISO comments at 5, Alliance for Retail Energy Markets (“AReM”) comments at 18, California Community Choice Association (“CalCCA”) comments at 4-5, and Pacific Gas & Electric (“PG&E”) comments at 15.

methodology the Commission chooses to adopt, CESA believes that the clarity provided by a single set of definitions outweighs any risks surrounding terminology standardization. Hence, CESA supports the use of a common language between the Commission and the CAISO when referring to hybrid resources.

III. HYBRID RESOURCES WITHOUT CHARGING RESTRICTIONS SHOULD BE COUNTED USING AN ADDITIVE METHODOLOGY.

In opening comments, PG&E argued that, while SCE’s proposal is viable for hybrid resources charging fully from on-site generation, it is reasonable to adopt a methodology that values resources without charging restrictions differently. PG&E argues that, if the resource does not have charging restrictions, then the qualifying capacity (“QC”) should be additive, as limited by the interconnection.² CESA agrees with this proposal. Hybrid resources without charging restrictions should receive the appropriate QC methodology in order to signal their value to load-serving entities (“LSEs”). As noted in the opening comments and reflected in perspectives from some parties in the Hybrid Counting Working Group report, such hybrid resources “without charging restrictions” include those that are no longer subject to investment tax credit (“ITC”) limits in the post-five-year recapture period, and even to projects claiming the ITC that have not committed to *ex ante* charging restrictions (*e.g.*, via physical reclosers, battery controllers). Thus, we urge the Commission to consider this issue in their evaluation of a permanent capacity counting methodology for hybrids.

² See PG&E comments, at 15.

IV. MERITS AND SPECIFICS OF AN EXCEEDANCE METHODOLOGY FOR HYBRID RESOURCES REQUIRES FURTHER DISCUSSION AND SHOULD BE TABLED UNTIL TRACK 3.

In opening comments, the CAISO recommended the consideration of exceedance as it provides incentives for hybrid resources to provide bids consistent with their must-offer obligations (“MOOs”). While recognizing the potential benefits of the exceedance approach, CESA advises against its adoption at this time until the Commission and stakeholders engage in further discussion and review on its merits, limitations, and appropriateness, as well as on the transition process (*e.g.*, potential grandfathering) for moving from an additive methodology to exceedance-based methodology to set the QC of hybrid resources. There may be advantages in the exceedance methodology to recognize different hybrid resource configurations (*e.g.*, charging profiles, storage duration, storage-to-generation sizing ratio) that provides a level of accuracy and flexibility, but CESA views the reliance on historical operations and bids as a potential limitation that may not reflect forward-looking capacity contributions and value. Furthermore, additional data from operational hybrid resources would inform the determination of the appropriate assessment window for an exceedance-based RA value. Thus, while CESA is not necessarily opposed to the CAISO’s proposal, the discussion on exceedance approaches should be tabled until Track 3.

V. PROPOSALS TO REDEFINE AVAILABILITY SHOULD BE DEFERRED TO TRACK 3 AND CONSIDER BROADER REFORMS OR FIXES TO THE RA PROGRAM AND TO HOW THE CAISO MARKET CAN SEND ECONOMIC SIGNALS TO INCENTIVIZE THE DESIRED DISPATCH.

As stated in our opening comments, CESA believes that any discussion of the ED’s MCC bucket proposal is not appropriate at this time and must be deferred to Track 3 of this proceeding.

CESA is not alone in this position. CalCCA, for example, also supported deferring the consideration of this proposal to Tracks 3 or 4 of this proceeding.³

Furthermore, CESA notes this proposal is excessively restrictive and does not follow the precedent set on the definition of “availability”. During the March 5, 2020 workshop, ED staff stated that for purposes of this proposal, “availability” refers to a resources physical ability to operate, which CESA views as a stark contrast with the current and historical interpretation of availability where resources make itself available for dispatch by submitting bids in line with its MOOs. CESA considers this departure from established precedent is not backed by the public record on this matter and, moreover, will result in the retention of fossil-backed resources at a time of considerable zero-carbon resource expansion. By setting policies that essentially favor the use of gas-powered resources, the Commission would commit to a path where the RA Program is further disconnected from the procurement that has been signaled as necessary by the IRP modeling and the targets of SB 100, among other policies.

CESA is also concerned by amendments proposed in opening comments to the MCC bucket proposal by the CAISO. In opening comments, the CAISO requested that the Commission clarify the ED’s proposal to require that each eligible resource must be available, dispatchable, and able to sustain output for the duration of the category for which it has been shown.⁴ The CAISO specifically frames this revision in the context of energy storage, arguing that a storage resource that can provide 100 MW for four hours should not be counted at 100 MW in Category 2 or 3, but as 50 MW of RA if shown in Category 2.⁵ CESA finds the CAISO’s proposals as contrary to its market optimization process and inconsistent with RA needs.

³ CalCCA comments at 22.

⁴ CAISO comments at 4.

⁵ *Ibid.*

The CAISO's market optimization process is designed to award dispatch based on the economic provision of grid products and services. Apart from continuous dispatch of energy, energy storage resources are capable of providing other products such as Flexible RA, ancillary services, among others. Nevertheless, the CAISO's proposal would result in creating incentives to "lock down" energy storage assets to serve a particular need for several hours. This is contrary to the interactions between the day-ahead ("DA") and real-time ("RT") markets used in the CAISO's dispatch optimization. By using price signals, the CAISO's markets indicate to asset owners which sort of product or service presently provides the highest value to the grid. Energy storage technologies are well positioned to provide a wide array of grid services in a responsive and efficient manner. The CAISO, through its market, has the ability to use their price signals to unlock and fairly reward this potential. Instead of limiting these resources, the CAISO should focus on methods to better signal and compensate optimal participation and dispatch.

Furthermore, CESA considers these proposals are inconsistent with RA needs, as they overly focus on the continuous provision of energy instead of rewarding the flexibility associated with varying degrees of dispatch. It is worth noting this in light of the hours being assessed in the MCC bucket proposal: 4 pm to 9 pm. As the CAISO notes in their proposal, a 100 MW, four-hour storage asset could just as easily provide 400 MWh over 4 hours, 800 MWh over 2 hours, or 200 MWh over 8 hours, subject to its interconnection limits. In the context of the hours considered by the MCC proposal, it is relevant to consider the substantial flexible ramping needs associated with reliable operation of the electrical system. Thus, ignoring a resource's ability to provide adaptive output by judging its reliability value solely in terms of continuous output simplifies the complex reliability needs that the state will face and that the market identifies as being optimal or needed.

Finally, the CAISO proposed to include minimum energy requirements over three consecutive days without charging for storage assets – a proposal that is driven by the CAISO’s concern of accessing energy storage resources during multi-day weather events.⁶ CESA believes this proposal fails to understand the current state of the grid and the operation of storage assets. Firstly, the proposal is framed for a context where all or most of the energy available for charging comes from intermittent resources. This scenario is certainly not the current state of affairs and should not inform current RA structures. Even in a context where only intermittent generation is available, an alternative strategy to minimize the risk of multi-day weather events may be to overbuild generating capacity in order to increase the availability of renewable energy for storage charging, not to constrain the operation of storage assets. Secondly, this proposal fails to recognize that storage assets are not physically bound to charge solely from one type of generation. Energy storage assets, in fact, are able to charge energy from the grid, regardless of the generating source. Thus, even during multi-day weather events, storage could be able to charge from other grid power, provided the price signals are unambiguous and such action is economic. The CAISO’s concern over multi-day weather events is warranted and should be addressed in a timely manner by creating better market signals that incentivize assets to charge and discharge at times when it is most beneficial for the grid. The need for multi-day arbitrage could be better addressed by defining these needs and then directing the procurement of technologies (*e.g.*, long-duration or seasonal storage resources) that are better suited to provide said service rather than by establishing unrealistic requirements that seek to utilize assets under an exceptional dispatch scheme.

⁶ CAISO comments at 5.

VII. CONCLUSION.

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

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Alex J. Morris".

Alex J. Morris
Executive Director
CALIFORNIA ENERGY STORAGE ALLIANCE

Date: April 2, 2020