

December 27, 2023

Energy Division Tariff Unit
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Email: EDTariffUnit@cpuc.ca.gov

Re: Comments of the Independent Energy Producers Association on Draft Resolution E-5304, Regarding Advice Letter 4293-E of San Diego Gas & Electric Company (U-902-E)

Dear Sir or Madam:

Pursuant to the provisions of General Order 96-B, the Independent Energy Producers Association (IEP) submits these comments on Draft Resolution E-5304, denying Advice Letter (AL) 4293-E filed by San Diego Gas & Electric Company (SDG&E) on September 29, 2023.

In AL 4293-E, SDG&E seeks the Commission's approval of a large battery energy storage system (BESS) project, the 119 MW Westside Canal Energy Storage Expansion Project, and the associated Build, Own, Transfer (BOT) agreement and Long-Term Services Agreement. The Project will be constructed by a third party but converted to SDG&E ownership at or near the Commercial Operation Date. SDG&E asks for authority to recover the costs of the Project and the associated agreements.

IEP protested AL 4293-E on the grounds that the relief requested in the advice letter is unjust, unreasonable, or discriminatory,¹ because SDG&E fails to demonstrate that the costs of the Project and agreements are reasonable.² In particular, IEP stated that because SDG&E compared the costs of the Westside Canal Project only to other utility-owned storage projects, the Project was not exposed to competition from independent storage projects. As a result, there is no assurance that the costs of the Project are reasonable. In addition, IEP noted that the

¹ General Order 96-B, Rule 7.4.2(6).

² IEP's review was limited to the public portion of the heavily redacted advice letter and Independent Evaluator Report. These comments likewise respond only to the public portion of the redacted Draft Resolution.

Westside Canal Project does not have Full Capacity Deliverability Status, and ratepayers would not receive the benefit of Resource Adequacy capacity from the Project. Finally, IEP pointed out that the expected Commercial Operation Date (COD) for the Project, October 31, 2024, was well beyond the specified COD of August 1, 2024.

The Draft Resolution largely agrees with IEP on these points. The Draft Resolution concludes that SDG&E did not adequately provide a showing of the cost-competitiveness of the Project, and therefore AL 4293-E failed to meet the elements required by the Commission's decisions on procurement for Mid-Range Reliability and Resource Adequacy.³ The Net Market Value analysis performed by SDG&E and the Independent Evaluator assumed that the Project would have deliverability status and Resource Adequacy capacity value. While SDG&E contends that the Project might receive Interim Deliverability Status for each year until it achieves Full Capacity Deliverability Status in 2034, the California Independent System Operator awards Interim Deliverability Status on a year-to-year basis, and little, if any, deliverability capacity is available in the Westside Canal Project's location.⁴

IEP's concerns about the Project's costs were based on SDG&E's failure to expose the Project to competition from developers of independent storage facilities. Consistent with IEP's concerns, the Public Advocates Division (Cal Advocates) in its redacted comments appears to provide additional quantitative evidence that the Project's costs are too high.⁵

Cal Advocates also notes, and the Draft Resolution agrees, that SDG&E can meet its Effective Planning Reserve Margin targets for 2024 and 2025 without the Westside Canal Project.

Thus, there at least five grounds for denying AL 4293-E:

- SDG&E failed to show the cost-competitiveness of the Project;
- The costs of the Project are not reasonable;

³ Draft Resolution, pp. 11-12.

⁴ Draft Resolution, p. 14.

⁵ Draft Resolution, pp. 7-8.

- The Project will not initially have deliverability and Resource Adequacy capacity value, and its prospects for obtaining Resource Adequacy capacity value before 2034 are highly uncertain.
- The Project will not achieve Commercial Operation until October 31, 2024, at the earliest, after the August 1, 2024 target date.⁶
- SDG&E can meet its Effective Planning Reserve Margin for 2024 and 2025 without the Westside Canal Project.

Any one of these grounds would justify the Draft Resolution's decision to deny AL 4293-E. In combination, these grounds make it clear that the Commission should deny AL 4293-E, as the Draft Resolution recommends.

Very truly yours,

By: /s/ Brian T. Cragg

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⁶ D.21-12-015 authorized procurement of resources for 2022 and 2023 with a preferred COD of June 1, 2022, but “resources with CODs by August 1, 2023 will be considered.” (D.21-12-015, p. 100.) The provisions of D.21-12-015 were extended by D.23-06-029. An October 31, 2024, COD means that the Project will not be available in August and September 2024, the months when the CAISO system typically faces its most significant challenges.