

**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 Storage Roadmap.

Rulemaking 15-03-011
(Filed March 26, 2015)

**COMMENTS OF THE INDEPENDENT ENERGY
PRODUCERS ASSOCIATION ON THE JOINT
WORKSHOP REPORT AND FRAMEWORK – MULTIPLE
USE APPLICATIONS FOR ENERGY STORAGE**

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As authorized by the *Administrative Law Judge’s Ruling* issued on May 18, 2017, the Independent Energy Producers Association (IEP) offers its comments on the “Joint Workshop Report and Framework – Multiple Use Applications for Energy Storage” (Joint Staff Proposal) dated May 15, 2017. As an initial comment, IEP notes that the Ruling suggests that parties’ comments on the Joint Staff Proposal is the final opportunity for parties to weigh in on issues related to multiple-use applications.¹ After reviewing the Joint Staff Proposal and participating in the workshop on June 2, IEP concludes that the Commission would be well served if parties had an opportunity to review and comment on a revised framework reflecting staff’s review and integration as appropriate of parties’ comments on the May 15 version. This is a critical issue for the development of storage resources, and additional time and consideration is warranted.

¹ Ruling, p. 2.

Overall, IEP supports a number of key principles embedded in the framework presented by the Joint Staff Proposal, including:

- **Each use or service must be measurable and distinct.**² This principle protects against double-counting of the same service.
- **Each use or service should be compensated once.**³ This principle protects against double-compensation for the same service.

The key question remains how best to achieve these goals. The proposed framework presents a number of issues and poses a number of questions. Below, IEP comments on the general participation model, *i.e.*, should the model be represented through a set of rules governing market behaviors or, alternatively, should the model rely to the maximum extent practical on metering requirements and configuration standards to guide market performance? If the model is to be rules-based, IEP proposes standards to apply when developing those rules in order to better inform the marketplace about what will be required and by whom. IEP also comments on the domain/service matrix proposed in the Joint Staff Proposal and addresses the cost of metering as a general matter.

1. Participation Model: A choice between a rules-based framework or a metering/configuration standards framework

Because the domain of applications associated with storage resources will evolve over time, IEP is concerned that a rules-based approach to the integration of storage devices in retail and wholesale markets will lead to undue levels of litigation and will become unnecessarily out-of-date as the potential uses of storage devices evolve. On the other hand, up-front metering requirements and configuration standards send clear signals to market participants about acceptable multiple-use applications, enable accurate tracking and monitoring of multiple

² Joint Staff Proposal, p. 15.

³ Joint Staff Proposal, p. 15.

services rendered, help establish clear lines of separation between wholesale and retail markets, and provide necessary protection against double-counting and double-compensation that can arise when resources are enabled to cross-over from retail markets to wholesale markets absent clear measurement. IEP in the past has observed that accurate metering requirements and clear configuration standards, including multiple metering as needed to distinguish between retail and wholesale activities, are warranted when considering multiple-use applications for storage resources.⁴ IEP reiterates the importance of relying to the extent practical on clear metering requirements and configuration standards to guide the evolution of the storage market, rather than behavior-based rules that lead to market uncertainty and litigation and that ultimately can be a catalyst for unwanted market behavior.

2. Standards for a Rules-based Framework

While IEP believes that a rules-based approach to creating a framework for the development of storage resources is inferior to a model based on clear metering requirements and configuration standards, IEP offers some thoughts on the rules-based approach proposed in the Joint Staff Proposal.

First, if a rules-based approach is to be employed, then each rule must meet the following minimum standards:

- 1. The Intent and Purpose of the Rule Must Be Clear.** Each rule must articulate a clear goal, standard, or objective. Ultimately, ambiguity in the rules governing the development and operation of storage resources, particularly for multi-use applications, can be a barrier to investment in the storage resources in the time and at the scale sought by policymakers.
- 2. The Rule Must Identify the Enforcement Entity.** Each rule should identify the entity responsible for enforcing the rule, and the means by which that enforcement will occur. Market participants should be aware of the penalty for non-compliance with the rule.

⁴ IEP Comments on the California Independent System Operator's Energy Storage and Distributed Energy Resources Stakeholder Initiative Phase 2, Third Revised Straw Proposal, submitted May 18, 2017.

Some of the proposed rules for multiple-use applications⁵ fall short of these standards. They are vague or unclear about how enforcement will occur. For example, IEP notes the following proposed rules:

“A storage device providing a reliability service may not perform *any* activities that would prevent its performance of the reliability service when needed.” (Rule 7, emphasis added).

“A storage device providing resource adequacy capacity should not perform *any* activities that could prevent an actual dispatch of that capacity when needed.” (Rule 13, emphasis added).

Rule 7 and Rule 13 as drafted would prohibit *any* activities that prevent the storage resource from performing a reliability service when needed. Rule 7 and Rule 13 could be read to find non-compliance with the rule if a resource was in the midst of a scheduled maintenance outage when a reliability service is needed. This potential interpretation illustrates the need for clarity in the rules that will govern market behavior and investment. To the extent that the final multi-use storage framework will be a rules-based approach, each proposed rule must be rigorously reviewed to ensure that the rule is clearly stated, to determine that the rule is enforceable, to identify the enforcement entity, and to clearly identify the consequences and penalties for non-compliance.

3. Comments on Domain/Service Matrix

Service domains need to be internally consistent without overlap. The Joint Staff Proposal presents a matrix with five Service Domains: Customer, Distribution, Transmission, Wholesale Market, and Resource Adequacy. These five domains do not appear to have a common element and the matrix appears incomplete or inconsistent. The Customer, Distribution, and Transmission domains cover the services based on interconnection characteristics. On the other hand, the Wholesale Market and Resource Adequacy domains

⁵ Joint Staff Proposal, pp. 17-18.

appear to be based on market activities. Moreover, from IEP’s perspective, Resource Adequacy products are related, at least in part, to wholesale activities,⁶ so there appears to be some overlap between the domains.

An appropriate classification of some domains and services could be based on the physical point or characteristic of the interconnection. The other axis of the matrix could reflect the markets in which the services might be used, *e.g.*, Retail and Wholesale. Under this modified matrix structure, as presented in Table A below, specific rules would apply within each cell of the matrix.

Table A

	Retail Activity	Wholesale Activity
Customer Domain	[List of services]	[List of services]
Distribution Domain	[List of services]	[List of services]
Transmission Domain	[List of services]	[List of services]

When the matrix is presented in this format, the horizontal and vertical axis combine to reflect two separate analytic approaches. This organization removes the potential for redundancy across any one axis while ensuring coverage of the entire range of issues across an axis. While the effect of this organization is to eliminate Resource Adequacy as a domain, this approach does not eliminate Resource Adequacy activities but rather puts them into their proper sphere within the broader market context, *e.g.* retail or wholesale but not both. Moreover, this

⁶ Resource Adequacy has a mix of retail and wholesale characteristics. Resource Adequacy is a construct created by the Commission, whose jurisdiction extends over retail activities, including procurement by its regulated utilities. Yet the Resource Adequacy product is incorporated in the California Independent System Operator’s tariffs, which are approved under the wholesale market jurisdiction of the Federal Energy Regulatory Commission.

matrix helps explain the importance of accurate measurement of retail and wholesale products, as IEP recommends.

4. Comments on Metering Costs

The Joint Staff Proposal seeks comment on the cost associated with separately metering storage facilities' multiple uses, *e.g.*, retail and wholesale activities. At the June 2 workshop, one party indicated that, while the cost was unknown, the expectation was that metering costs would not exceed 1% of total project costs. If this estimate is a relatively close approximation of actual costs, the cost of separately metering storage devices to accurately apportion services into the retail and wholesale domain, for example, appears *de minimis* for resources expected to be operational for 10-20 years. The modest cost increases associated with specific metering standards, including dual metering where appropriate, are far surpassed by the benefits associated with accurately measurement of various market activities and protecting against double-counting or double-compensation in those markets.

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