

**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 REPORT
AND STAFF PROPOSAL**

**INDEPENDENT ENERGY PRODUCERS
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As authorized by the *Administrative Law Judge's Ruling*, issued on January 10, 2017, the Independent Energy Producers Association (IEP) offers its comments on the Joint Report and Staff Proposal on Station Power for Storage Resources prepared by the California Independent System Operator Corporation (CAISO) and the Commission's Energy Division Staff.

IEP has long advocated for comparable treatment of supply resources competing in wholesale electricity markets. To ensure comparable treatment, IEP has advocated for reliable revenue-quality metering of supply resources participating in wholesale markets. Similarly, IEP has raised concerns about the use of estimation or sampling to measure the quantity of products bought and sold in wholesale electricity markets, because inaccurate information could undermine grid reliability and the operation of fair, transparent competitive markets.

IEP has also favored a clear and distinct boundary between wholesale and retail markets and products to help maintain a clear boundary between state and federal jurisdiction. Accurate metering is one way of respecting and enforcing that boundary.

Accordingly, IEP is encouraged that the Joint Report and Staff Proposal also is concerned about maintaining clear jurisdictional boundaries for energy storage, a technology that is capable of supplying and consuming both wholesale (federal) and retail (state) power. As the Joint Report and Staff Proposal states, “The principal issue for energy storage is distinguishing between wholesale charging energy that will be resold and ‘station power,’ which is energy consumed to operate a generator provided by load-serving entities (‘LSEs’).”¹ Similarly, the Joint Report and Staff Proposal recognizes that the definition of wholesale is a “sale for resale,” and a retail sale is a sale of electric energy to be consumed and not re-sold.²

The Proposed Rules of the Joint Report and Staff Proposal are generally designed to ensure comparable treatment of resources competing in wholesale markets and reliable measurement of that participation. Moreover, like IEP, the Commission Staff (but not the CAISO) concludes that “proper accounting requires the use of separate meters for the storage device and for the on-site retail load.”³ Without proper metering of retail (consumption) and wholesale (sale for resale) sales, energy storage creates the possibility that power from wholesale markets could be directly consumed by retail customers, without the requisite resale, blurring the jurisdictional boundary and distorting wholesale markets. Without proper metering, any netting of station service for storage resources becomes difficult, if not impossible, to police, and the principle of comparable treatment of competitive wholesale supply resources will be undermined. Separate meters are essential to ensure comparable treatment of all resources participating in wholesale markets and to maintain a clear jurisdictional divide between retail and wholesale . Estimation or sampling does not provide the precision required for clear

¹ Joint Report and Staff Proposal, p. 5.

² Joint Report and Staff Proposal, p. 20.

³ Joint Report and Staff Proposal, p. 28.

jurisdictional boundaries and does not maintain the comparable treatment that should be the hallmark of a competitive wholesale market.

IEP offers the following specific comments on the Joint Report and Staff Proposal's Proposed Rules:

Proposed Rule 1: Energy Storage, as it is being procured and used to date, is similarly situated to conventional generation. As mentioned above, IEP has long advocated for comparable treatment of all supply resources, and IEP concurs with the intent of this Proposed Rule.⁴ As a general rule, storage and *all other* supply resources should receive similar treatment, including the treatment of station power.

Proposed Rule 3: All energy drawn from the grid to charge energy storage resources, and efficiency losses, for later resale, should be subject to a wholesale tariff. IEP concurs with the intent of this Proposed Rule. IEP suggests slight edits to help clarify the intent:

All energy drawn from the grid to charge energy storage resources for later resale, ~~and~~ including energy associated with efficiency losses, ~~for later resale,~~ should be subject to a wholesale tariff.

Proposed Rule 4: For sub-metered behind-the-meter storage resources that are participating in the wholesale market and are subject to a must-offer obligation, the station power rules apply just as they would for resources located in front of the meter, meaning that charging energy and efficiency losses would be charged wholesale rates. IEP concurs with the intent of this Proposed Rule. To ensure that wholesale energy is not improperly used for consumption or to offset retail consumption, however, accurate metering is needed. For any resource participating in wholesale markets and subject to the wholesale tariff, including must-offer requirements, comparable station power rules should apply.

⁴ IEP assumes that “conventional generation” refers to non-storage generation rather than to thermal and large hydroelectric generation in distinction to renewable generation.

Proposed Rule 5: All energy that is consumed (and not resold) is station power and inherently retail. IEP concurs with the intent of this Proposed Rule but recommends the following edits for clarification:

All energy that is consumed (and not resold) is station power and inherently retail, *subject to the Commission's rules regarding netting of energy consumption.*

Proposed Rule 6: IEP has no comment on the categorization of specific uses at this time.

Proposed Rule 7: If a storage unit withdraws energy or injects energy subject to dispatch at a greater capacity than its consumption, Proposed Rule 7 states that consumption should be netted against the response to the dispatch as is the case for conventional generation. IEP concurs but reiterates that all generation should be afforded this treatment.

* * *

For the reasons stated in these comments, IEP respectfully urges the Commission to adopt rules for the treatment of station power for storage resources that:

- Reinforce the principle that all supply resources participating in wholesale electricity markets should receive comparable treatment; and
- Require reliable, revenue-qualify metering for storage resources participating in wholesale markets to ensure that a clear boundary between sales for resale (wholesale) and sales for consumption (retail) is maintained.

Respectfully submitted January 24, 2017, at San Francisco, California.

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