

**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 PROPOSED
DECISION ON TRACK 2 ENERGY STORAGE ISSUES**

**INDEPENDENT ENERGY PRODUCERS
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Pursuant to Rule 14.3 of the Commission's Rules of Practice and Procedure, the Independent Energy Producers Association (IEP) offers its comments on the Proposed Decision (PD) on Track 2 Energy Storage Issues mailed on February 24, 2017. IEP's comments focus on the Proposed Rules for station power.

IEP supports the PD's Proposed Rule 1 as modified from the initial Proposed Rule. Proposed Rule 1 makes clear that energy consumed for purposes unrelated to wholesale markets is retail in nature and thus considered station power. Moreover, the edits clarify that storage resources and conventional resources will be treated comparably with regard to station power, including application of the Commission's netting rules.

IEP supports the PD's Proposed Rule 2. This language makes clear that energy drawn from the grid that is essential to the operation of storage at wholesale, including associated efficiency losses, is inherently wholesale in nature.

The PD's Proposed Rule 3 clarifies that energy drawn from the grid that is essential to the operation of storage at wholesale is wholesale in nature. This includes

consumption to support the storage battery management system which, as noted by the California Energy Storage Association (CESA), is necessary to ensure accurate measurement of the storage operations (rather than, for example, relying on estimation). IEP observes, however, that the battery management systems essential to the operation of storage at wholesale ought to be sufficiently sophisticated to accurately distinguish between retail- and wholesale-related activities. Accordingly, as discussed more fully below, dual metering is essential to achieving this outcome, and the Commission should not defer a decision on dual metering.

IEP supports Proposed Rule 4. This language clarifies that behind-the-meter (BTM) storage resources participating in wholesale markets are to be treated comparably to conventional generators located in-front-of-the meter (IFOM). This language also clarifies that BTM storage resources must be sub-metered to be treated consistently and comparably to conventional generators.

However, action on Proposed Rule 4 should not be deferred, as the PD concludes, for two primary reasons. First, the PD appropriately establishes that storage resources participating in wholesale markets, both BTM and IFOM, are to be treated the same as conventional IFOM resources. Deferral is not appropriate because the Commission has required the large electric utilities to procure at least 1,825 MW of storage in the near future.¹ Moreover, as noted by CESA, multiple-use applications are already in operation. Deferring action on Proposed Rule 4 could create a situation in which up to 1,825 MW of storage resources will not have metering configurations that are able to accurately distinguish between retail consumption and energy consumption that is essential to participating in wholesale markets.

¹ Decision 13-10-040 adopted a total energy storage procurement target of 1,325 MW to be procured by 2020 for operations in 2024. AB 2868 (Gatto, 2016) requires the large electric utilities procure up to 500 MW of distributed energy storage systems in addition to the 1,325 MW adopted in Decision 13-10-040.

Second, as an alternative to imposing a clear dual-metering standard, the PD suggests that “the utilities and sellers must negotiate measurement terms and the utilities must clearly explain their approach and how it is consist [sic] with these station power rules in their requests for contract approvals.”² This approach, however, creates a potential conflict of interest, because (a) new storage is to be competitively procured and (b) the utilities have been authorized in Decision 13-10-040 to develop, own, and operate storage resources that would count against their storage procurement obligations. Thus, the utilities have market interests as both buyers and sellers of storage. Depending on the circumstances, the negotiations contemplated by the PD related to metering requirements could have the effect of distorting competitive outcomes.

Rather than defer this matter, the Commission should establish in its final decision that storage resources participating in wholesale markets must be *configured* to distinguish between retail consumption and activities that are essential to the operations of storage at wholesale. Moreover, in its final decision the Commission should establish *minimum dual-metering standards* to ensure accurate accounting of activities in each realm. Absent such standards, the Commission risks undermining retail *and* wholesale markets, double-counting resources that can participate in both the retail and wholesale arenas, and creating an inappropriate competitive advantage for market participants who may benefit from obfuscation of the extent of their participation in retail and wholesale markets.

IEP supports the PD’s Proposed Rule 5. This language clarifies the netting treatment of resources that have the dual capability of charging and discharging in wholesale markets. IEP notes, however, that this rule underscores the need for the Commission to move forward with implementing Proposed Rule 4 now, rather than deferring its application, as

² Proposed Decision, p. 55.

discussed above. Netting between discharge and charging functions requires accurate metering of the two functions.

IEP respectfully urges the Commission to consider these comments as it deliberates on the Proposed Decision.

Respectfully submitted March 16, 2017, at San Francisco, California.

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