CALCCA
ADVANCING LOCAL ENERGY CHOICE

December 6, 2021

VIA ELECTRONIC MAIL

Mr. Edward Randolph
Deputy Executive Director, Energy and Climate Policy
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Re: California Community Choice Association Comments on Draft Resolution E-5183

Dear Mr. Randolph:

Pursuant to Rule 14.5 of the California Public Utilities Commission (Commission) Rules of Practice and Procedure and the E-5183 Comment Letter (SCE 4617-E) accompanying Draft Resolution E-5183 (Draft Resolution), both served on November 12, 2021, the California Community Choice Association[1] (CalCCA) provides these opening comments on the Draft Resolution.

SUMMARY

CalCCA does not object to the Findings or the Order of the Draft Resolution but seeks clarification on how the Commission intends to oversee the operation of utility-owned storage (UOS). Specifically, the Commission should clarify:

- How and where least cost dispatch will be evaluated including whether restrictions to charge or discharge based upon the distribution system were appropriate;
- How Southern California Edision Company (SCE), without the benefit of bidding to the California Independent System Operator (CAISO) market, will assess the impacts of congestion that may impact the CAISO market; and

[1] California Community Choice Association represents the interests of 23 community choice electricity providers in California: Apple Valley Choice Energy, Baldwin Park Resident Owned Utility District, Central Coast Community Energy, Clean Energy Alliance, Clean Power Alliance, CleanPowerSF, Desert Community Energy, East Bay Community Energy, Lancaster Choice Energy, Marin Clean Energy, Peninsula Clean Energy, Pico Rivera Innovative Municipal Energy, Pioneer Community Energy, Pomona Choice Energy, Rancho Mirage Energy Authority, Redwood Coast Energy Authority, San Diego Community Power, San Jacinto Power, San José Clean Energy, Santa Barbara Clean Energy, Silicon Valley Clean Energy, Sonoma Clean Power, and Valley Clean Energy.

- The specific method for evaluating the reduction and increase in load costs that SCE will use to determine the net credit for energy from the resources while they are not in the CAISO market.

These issues can be addressed before the resources meet commercial operation and should be expeditiously addressed to ensure that all customers responsible for the costs of these resources receive the appropriate value for them.

BACKGROUND

On October 21, 2021, SCE submitted Advice Letter 4617-E (AL 4617-E) for an Emergency Reliability Engineering, Procurement, Construction, and Maintenance Contract for Utility-Owned Storage (Contract). The resources in the Contract were to meet needs identified by the Commission in Decisions (D.) 21-02-028 and D.21-03-056.

The comments submitted here do not object to the approval of the Contract but rather request clarification of several unknowns in the operation and cost recovery of a resource that will initially not be dispatched within the CAISO market.

> SCE has proposed approximating revenues from the resource to credit against the costs that are paid by all benefitting customers: During the period when the costs of the energy storage resources are recovered through distribution charges, SCE will credit energy benefits against such costs. The energy benefits are reflected in reductions to the load procurement charges that apply to bundled services customers via generation rate levels and that record to the Energy Resource Recovery Account ("ERRA") Balancing Account ("ERRA BA"). To ensure that all benefitting customers receive these benefits, SCE intends to debit the ERRA BA for the actual energy benefits received and credit the distribution subaccount of the Base Revenue Requirement Balancing Account ("BRRBA-D").[2]

While such a mechanism appears appropriate, both AL 4617-E and the Draft Resolution refer to the resources as "distribution assets."[3] Historically, the review of generating resources has been within the Commission's ERRA review proceeding. While these resources will provide generation and the methods suggested for crediting revenues to all benefitting customers are meant to emulate typical Cost Allocation Mechanism (CAM) methods, the reference to the resources as "distribution assets" creates confusion that should be clarified.

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[2] AL 4617-E at 27.

[3] AL 4617-E at 9 and the Draft Resolution at 3.

COMMENTS

1. Clarify Where and How Least Cost Dispatch Will be Evaluated

In D.05-01-054, the Commission set forth a standard to evaluate the dispatch of resources under investor-owned utilities' control. In doing so, the Commission stated:

> In carrying out the mandate of AB57, SOC 4 [Standard of Conduct 4] does not allow the Commission to conduct after-the-fact review of the terms or prices of the utilities' procurement contracts. Rather, SOC 4 establishes a standard for dispatching energy. This standard is not tied to specific generation contracts themselves; rather it applies to all generation resources.
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> Furthermore, least-cost dispatch is an up-front standard that is included in SCE's procurement plan. Any subsequent review of dispatch in SCE's ERRA filings merely ensures that SCE has complied with the approved procurement plan.[4]

The Draft Resolution notes that during the period that the resource is not interconnected to the CAISO, it will be operated as a "distribution asset."[5] At the same time, SCE proposes to allocate the costs to all customers, with those costs offset by the reduction in load costs to SCE during the period of battery discharge.[6] Indeed, the review of generating assets and the application of least cost dispatch has been administered in the ERRA review proceeding and an ERRA Balancing Account is where SCE proposes to record the energy benefits from dispatch of the UOS.

SCE's proposal merits further clarification of how the Commission will administer its ongoing oversight for the UOS resources. The Commission should clarify that SOC 4 from D.05-01-054 will apply to the resources SCE is proposing in AL 4617-E and that the review of the dispatch of those resources will occur within the ERRA review proceeding as is currently done for all other generating resources. In addition, the Commission should provide guidance on how adherence to SOC 4 will be evaluated during the period in which the storage devices are not connected to the CAISO and do not participate in the CAISO market.

For Utility resources that participate in the market, the review standard has generally revolved around the reasonableness of resource outages and whether the resources bid into the

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4 D.05-01-054 at 8.

5 Draft Resolution at 3.

6 "During the period when the costs of the energy storage resources are recovered through distribution charges, SCE will credit energy benefits against such costs. The energy benefits are reflected in reductions to the load procurement charges that apply to bundled services customers via generation rate levels and that record to the Energy Resource Recovery Account ("ERRA") Balancing Account ("ERRA BA")." AL 4617-E at 27.

CAISO market at their marginal production cost. Since these resources will not bid into a market, their dispatch will be at the discretion of SCE. Therefore, review of SOC 4 will necessarily be different than that of a resource that is bid into the CAISO market and clears based on its bids, other bids, and congestion on the transmission system.

2. Clarify How SCE, Without the Benefit of Bidding the UOS Into the CAISO Market, Will Assess the Impacts of Congestion That May Impact the CAISO Market

A significant benefit of a resource bidding into the CAISO market is that the CAISO dispatch algorithm dispatches at least cost subject to constraints. Those constraints are primarily congestion on the transmission system where an otherwise least cost resource cannot inject any more energy as the transmission system is incapable of transmitting it to the point of withdrawal.

The Commission and SCE should clarify how grid impacts will be accounted for and if they impact the dispatch under SOC 4, and how that will be addressed in the review of such a standard. Where resources are connected to the distribution system and are not considered in the CAISO dispatch, they could change the flow of electrons on the grid and alter the congestion that otherwise would have occurred. Since SCE proposes to credit the value of foregone load upon the discharge of the battery, it is reasonable to assume that this is based upon the price known as the Default Load Aggregation Point (DLAP) by the CAISO. This point represents the price that load is charged and does not represent the price that any particular generator will be paid, nor does it represent the value of congestion between the specific generator and load. Dispatching on this basis will ignore impacts on the CAISO grid that may cause the CAISO operators to take out-of-market actions to address. Given that the resources proposed represent between 112.5 and 225 megawatts (MW) at a single point, the impacts of those quantities may be significant to the CAISO controlled grid.

Finally, SCE notes that once interconnected, the resources may be subject to charging restrictions.[7] While this statement is specific to after the resource is under a WDAT, it seems reasonable to assume that those charging restrictions may be present prior to integration in WDAT and the CAISO market. Once again, any such restrictions will impact the ability to execute SOC 4 and clarity around such measures should be provided prior to any proceeding evaluating SOC 4 so that all parties can evaluate the efficacy of SCE's dispatch.

3. Clarify the Specific Method for Evaluating the Reduction and Increase in Load Costs that SCE Will Use to Determine the Net Credit for Energy from the Resources While They are Not in the CAISO Market

As noted in the background section, SCE is proposing to reduce the cost of the UOS by the energy benefits that accrue due to serving less load when dispatching the UOS resources.

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[7] "Once a project is interconnected via a Wholesale Distribution Access Tariff ("WDAT") to SCE's distribution system, it will be subject to SCE's WDAT's Demand Charge Rate at the as-available service level and may be subject to charging restrictions." Id at 18.

While ensuring that all customers that incur the cost of utility owned storage is appropriate, it is difficult in this circumstance to understand the value of those benefits and how they will accrue to all benefitting customers. The “actual energy benefits received” are a combination of day-ahead and real-time prices from the CAISO. AL 4617-E provides no clarity on how such an “actual energy benefit” will be calculated. Indeed, the actual benefit must be calculated as it is really the foregone cost of serving load. The Commission and SCE should provide clarity on how such a benefit will be calculated as well as how that calculated benefit fits with compliance of SOC 4.

CONCLUSION

The elements described above should not delay the procurement by SCE to deliver the resources and benefit reliability. Rather they provide clarity of how the ongoing costs and benefits of such resources will be evaluated and ensured to accrue to all benefitting customers. CalCCA asks that the Commission and SCE provide more clarity on these topics before the resources reach commercial operation.

Respectfully,

CALIFORNIA COMMUNITY CHOICE ASSOCIATION

Evelyn Kahl

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