

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1751

In the Matter of

PUBLIC UTILITY COMMISSION OF
OREGON,

Implementing Energy Storage Program
Guidelines pursuant to House Bill 2193.

Renewable Northwest’s and the NW
Energy Coalition’s Comments on Order
16-316’s Project Guidelines, Proposal
Guidelines, and Competitive Bidding
Requirements

I. Introduction

Renewable Northwest and the NW Energy Coalition appreciate this opportunity to comment on the draft Project and Proposal Guidelines, as well as on the draft Competitive Bidding Requirements that the Oregon Public Utility Commission (“Commission”) proposed in Order 16-316. We are encouraged by the process that the Commission outlined in Order 16-316 for implementation of House Bill 2193 (“HB 2193”), and recommend a few amendments and additions to the guidelines and requirement with the goal of further optimizing the benefits to be realized from Oregon’s first energy storage program.

II. Project Guidelines

Renewable Northwest and the NW Energy Coalition support the approach that the Commission outlined in its draft Project Guidelines. In particular, we commend the Commission for encouraging aggregate project submittals close to the full one percent of the utilities’ 2014 peak load allowed under HB 2193. Our recommended changes to the draft Project Guidelines focus on further strengthening the process that will lead to the utilities’ selection of projects to be included in their proposals, with the goal of helping utilities choose projects with maximum value.

First, we recommend that the Commission modify Guideline A.6 to require utilities to issue a Request for Information (“RFI”). We make this recommendation because we see RFIs as an important tool for utilities to identify qualifying vendors, establish confidentiality agreements, and identify viable storage technologies. An RFI in this energy storage program is an important opportunity for ESS vendors to inform the utilities’ project selection. Under our recommendation, Guideline A.6 would be amended

as follows: “Electric companies ~~are encouraged to~~ **will** identify qualified vendors and viable storage technologies through a Request for Information (RFI) process.”

Our second recommendation is that the Commission modifies Guideline A.7 to require that the utilities use transparent and auditable models to estimate the value of storage applications. The use of transparent and auditable models in this program is important to allow for robust stakeholder input. Under our recommendation, Guideline A.7 would be amended as follows: “Electric companies are encouraged to use established models—such as the Pacific Northwest National Laboratory’s Battery Storage Evaluation Tool or the Electric Power Research Institute’s Energy Storage Valuation Tool—to estimate the value of storage applications. **Electric companies must use models that are transparent and auditable.**”

Finally, we recommend that the Commission add to its Project Guidelines language specifying that utilities must select projects that are consistent with the results of the RFI, a comparison of the cost-effectiveness of all projects under consideration, the storage potential evaluations, and the stakeholder input on the storage potential evaluations. This additional guideline is important to ensure a transparent process for the selection and procurement of ESSs. Under our recommendation, the additional guideline could read as follows: “**Electric companies must select projects for inclusion in the proposals based on the results of the RFI, a comparison of the cost-effectiveness of all projects under consideration, the storage potential evaluations, and stakeholder input on the storage potential evaluations.**”

III. Proposal Guidelines

Renewable Northwest and the NW Energy Coalition are generally supportive of the approach that the Commission outlined in its draft Proposal Guidelines. The draft Proposal Guidelines are thorough and require important details necessary to justify the selection of specific projects.

Consistent with our comments on the draft Storage Potential Evaluation Requirements, we recommend that the Commission require that the supporting analysis to determine the cost-effectiveness of projects include a review of all of the potential benefits and costs of an ESS. Specifically, we recommend that the Commission require that such a review account for cost and benefits regardless of whether they accrue to the utility, to the customer, or to **society at large**.

We recognize that the Commission’s focus is generally on the costs and benefits that affect cost of service to customers. However, looking at a broader set of costs and benefits is sensible in the context of this energy storage program given the language in H.B. 2193. For example, Subsection (1)(a)(D) of Section 3 requires that, in developing guidelines, the Commission examine the potential value of reduced greenhouse emissions as a result of ESS procurement. Additionally, Subsection (1)(a)(G) of Section 3 directs

the Commission to consider any other value reasonably related to the application of energy storage system technology. Finally, H.B. 2193 also requires that, in evaluating proposals for approval, the Commission to consider if utility proposals are in the public interest.¹ Therefore, looking at other societal benefits outside of those that accrue to the utility and customers is appropriate in the context of this docket. We recommend that the Commission modify the draft Guidelines accordingly.

Under our recommendation, the proposal guidelines would be amended as follows:

- Guideline B.7: “Comprehensive analysis of all identified costs over the life of the project, **including costs accrued to the utility, customers, and society at large.**”
- Guideline B.9: “Comprehensive assessment of all quantitative and qualitative benefits over the life of the project, **including benefits accrued to the utility, customers, and society at large.**”
- Guideline B.11: “Cost-effectiveness of the storage system including benefit-cost ratios and net present value revenue requirements over the storage system lifetime, ~~and~~ all underlying inputs and assumptions used in the calculation, **and a comparison of the cost-effectiveness of this project and that of other projects that the utility considered.**”

IV. Competitive Bidding Requirements

In our June 22, 2016 comments in this docket, we advocated for a process that 1) identifies qualified ESS vendors through an RFI, 2) allows utilities to identify the storage needs on their system and release the necessary utility data to the qualified vendors; and, 3) allows ESS vendors to propose (through a competitive RFP process) their best storage projects capable of meeting the needs identified by the utility. We made that recommendation because procuring ESSs is a new endeavor in Oregon, which should benefit from the experience ESS developers have identifying and building storage projects around the world. We still believe this would be the ideal structure for future storage procurement efforts. However, recognizing the timing and other requirements established in H.B. 2193,² our September 16 comments focused on expanding the draft Storage Potential Evaluations phase and comment period to allow vendors to provide meaningful and confidential input that could inform project selection.

If the Commission’s final Storage Potential Evaluation Requirements expand the scope of the evaluation comment phase to allow for meaningful ESS vendor input, our only recommendation to the competitive bidding requirements is to amend requirement D.1 to include the bold language below: “An electric company may award a contract for a project without competition if it determined and presents justification, **based on the**

¹ Section 3, subsection (3)(a)(C).

² Section 3, subsection (2)(a) requires utilities to file proposals by January 1, 2018.

responses to the RFI, that only a single vendor or contractor is capable of meeting the requirements of the project.”

If, on the other hand, the evaluation phase of this storage procurement process is not amended to provide a meaningful opportunity for ESS vendors to inform the project selection and provide confidential information to the Commission, we recommend that the competitive bidding process be expanded to include the proposal of any storage project from any of the ESS vendors identified by the RFI. Allowing for the inclusion of these additional ESS proposals in the RFP at this stage in the process would help to validate that the most beneficial and cost-effective projects have indeed been selected.

V. Conclusion

Renewable Northwest and the NW Energy Coalition thank the Commission for this opportunity to comment on its draft Project and Proposal Guidelines, and on its draft Competitive Bidding Requirements. We are encouraged by the process that the Commission proposes in Order 16-316, and look forward to continue engaging to help ensure that this energy storage program gives Oregon utilities and the state of Oregon meaningful experience with the benefits of energy storage.

RESPECTFULLY SUBMITTED this 30th day of September, 2016.

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