

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF OREGON**

UM 1751

In the Matter of

PUBLIC UTILITY COMMISSION OF
OREGON,

Implementing Energy Storage Program
Guidelines pursuant to House Bill 2193.

COMMENTS OF THE INTERSTATE
RENEWABLE ENERGY COUNCIL, INC.
ON THE COMMISSION’S DRAFT
STORAGE PROJECT PROPOSAL
GUIDELINES AND COMPETITIVE
BIDDING REQUIREMENTS

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Pursuant to the Commission’s request for comments issued on August 19, 2016 in the above-captioned proceeding, the Interstate Renewable Energy Council, Inc. (“IREC”) hereby submits its comments on the Commission’s draft storage project proposal guidelines and competitive bidding requirements.

In IREC’s September 16, 2016 comments on the Commission’s proposed storage potential evaluation guidelines, IREC commended the Commission for, among other things, requiring utilities to submit draft evaluations prior to project proposals to provide for public review and comment; determining that the evaluation of energy storage opportunities should be location-specific; and recognizing that the evaluation reports must “show the utilities’ work” by including the methodology for evaluating storage potential. Similarly, with respect to (1) the broad draft project guidelines, (2) the more specific requirements for proposals under HB 2193’s (the “Act”) procurement mandate, and (3) the draft competitive bidding process set forth in the

Commission's August 19 Order, IREC believes the Commission is generally headed in the right direction in terms of implementing the Act.

Earlier in this proceeding,¹ IREC submitted comments to inform the Commission's straw proposal for these draft Guidelines, several of which the Commission has incorporated (along with other stakeholders' recommendations) into the proposed Guidelines discussed in this letter. The comments herein build on IREC's June 2016 recommendations and provide further recommendations for the Commission's storage proposal guidelines and competitive bidding requirements under the Act.

I. COMMENTS ON DRAFT PROJECT GUIDELINES

The Commission has proposed seven "Project Guidelines" to define what utilities should consider when procuring projects to submit for Commission authorization. In doing so, the Commission has made an effort to comply with the Act's requirement that the Commission "encourage electric companies to invest in different types of energy storage systems." § 3(1)(b). The Project Guidelines expressly recognize that multiple, diverse projects, varied locations for storage on the utilities' electric systems, and "stacking" of applications are all important to faithfully implementing the Act.

IREC believes the Act authorizes the Commission to do more than simply ask utilities to "consider" project diversity and location in the procurement process. Rather, the Commission should, at a minimum, require that utilities submit (1) *multiple projects* with an aggregate capacity close to the full one percent of 2014 peak load allowed by the Act; (2) a *range of projects* differentiated by use case, application or other factor; and (3) projects that are *strategically located* in order to supply services specific to those locations. It should be a given,

¹ On June 22, 2016, IREC submitted comments to inform the Commission's straw proposal of guidelines for submitting proposals for energy storage projects, as requested in the Commission's June 1, 2016 Order.

in other words, that project procurement will result in multiple, diverse, location-driven projects, consonant with the spirit of the Act as expressed in subsections 3(1)(a), requiring examination of storage's potential to provide a broad range of services, and 3(2)(c), requiring proposals to pinpoint storage locations and "types of services" they could provide. Once these basic prerequisites for storage projects have been established, the Commission should add additional criteria for the utilities' "consideration," including but not limited to the projects' ability to serve multiple applications simultaneously, and testing and/or proving new and innovative storage applications or technologies. If, after considering these and any other criteria established by the Commission, a utility is unable to procure projects that incorporate these values, the utility must explain in its project submittal the barrier or barriers to doing so.

To ensure procurement of projects representing a variety of locations and use cases, the Commission should create different procurement categories, or "buckets," based on factors such as service type, point of interconnection with the electric system, ownership model, or combination thereof. The California Public Utility Commission's ("CPUC") rulemaking implementing California's storage mandate, which requires investor owned utilities to meet an overall energy storage procurement target of 1.325 Gigawatts ("GW") by 2020, could serve as a model. In its Decision Adopting Energy Storage Procurement Framework and Design Program (Rulemaking 10-12-007, filed December 16, 2010), the CPUC established separate storage procurement subtargets, based on transmission-connected, distribution-connected, and behind-the-meter ("BTM") "grid domains," with the aim of developing market participation and a range of system ownership models while avoiding giving preference to one technology over another. *See* CPUC Decision 13-10-040, October 17, 2013, at 14-15. Rather than focusing on particular technologies (indeed the Act is neutral with regard to storage technology), this approach focuses

instead on storage functionality and diversity, and would let the market select the appropriate technologies, particularly if implemented in tandem with a Request for Information (“RFI”) process. IREC believes it is particularly important that the Commission require utilities to select both projects in-front-of and behind-the-meter in order to ensure the state can begin to understand the potential for optimizing the full range of benefits associated with customer investments in energy storage.

II. COMMENTS ON DRAFT PROPOSAL GUIDELINES

The Commission has proposed 15 “Proposal Guidelines” setting forth the required components of utilities’ project submittals. The first three Proposal Guidelines track the language of subsection 3(2)(c) of the Act, while the remaining 12 “are additional specifications to be adopted by the Commission.” IREC commends the Commission on using its authority to require more from utility proposals than just the minimum set forth in the Act. For instance, the proposed guidelines would require an explanation of the utilities’ “reasoning” and “analysis” behind their storage project submittals; an assessment of projects’ qualitative and quantitative benefits; and a description of the utilities’ methodology (including inputs and assumptions) for assessing project benefits. We appreciate the Commission’s incorporation of IREC’s and other stakeholders’ earlier comments on these issues, and believe these additional requirements will result in a more informative outcome that will help guide further investments in energy storage going forward.

IREC views the energy storage investments mandated by HB 2193 as a starting point and opportunity to learn about the full range of uses and benefits that energy storage can offer to Oregon energy consumers. To further this goal, IREC encourages the Commission to add an explicit requirement that utilities assess proposed projects’ benefits and services provided directly to the customer, behind-the-meter. It is critical for utilities’ project proposals not only to

assess benefits to the distribution grid and ratepayers as a whole, including services such as frequency and voltage regulation, peak demand reduction, and renewable energy variability management, but also projects' customer-specific benefits, such as energy arbitrage, customer energy management, and increased reliability or back-up of electric service. While IREC appreciates that these benefits may not fit into the utility determinations of which projects to select as the most "cost-effective" for their procurement decisions,² these services are important to the "stacking" equation and should be included in the interest of helping the state develop a more robust understanding of the full potential and benefits of storage. It is important for the state to understand how to best enable customers to utilize their energy storage systems in ways that benefit both the system overall and their individual needs, and thus it is valuable to quantify and evaluate the customer-specific benefits as well as those offered to the grid as a whole.

From IREC's perspective, one of energy storage's highest-value services derives from its ability to integrate customer-sited renewables, like residential and commercial solar PV systems, with the electric distribution grid. For example, customer-sited storage can help smooth over fluctuations or interruptions in generation from distributed renewables, like solar PV and wind, and it can help increase the capacity for the system to host additional renewable generation without requiring significant distribution upgrades. And because customer-sited storage enables consumers to rely more on localized electricity generation, it gives them greater ability to control electricity costs, enhance the reliability and quality of their electric service, and reduce their energy demand. Under the right conditions, customer-sited storage can provide all the same user benefits that utility-scale storage resources can, including grid congestion relief and deferral or avoidance of grid upgrades. And because it is sited further downstream from bulk storage,

² As discussed below, IREC believes that actual "cost-effectiveness" from the utility's perspective should not be a prerequisite for project eligibility.

customer-sited storage can provide additional benefits, including serving as a source of residential or commercial backup power, and increasing use of self-generated electricity in a manner that has the potential to reduce overall costs of maintaining the electric system.

For these reasons, the Commission should also require that utilities' description of the methodology for assessing project benefits include the method for assessing "on site," behind-the-meter benefits to the customer, as well as broader societal benefits—for instance, reduced reliance on peaker plants and increased electricity diversification with clean, renewable distributed energy resources ("DER"). While IREC supports a requirement that proposals include assessment of the cost-effectiveness of storage projects, actual "cost-effectiveness," particularly from the utility's perspective, should not be a prerequisite for project eligibility. Proposals should, moreover, analyze projects' cost-effectiveness to customers, not just the utility.

Finally, the Commission should require proposals to identify any benefits and services that proposed projects could deliver in the future if regulatory, market or other barriers were removed. Currently the lack of appropriate rate structures, markets, and other regulatory frameworks may prevent utilities or customers from being able to fully utilize a storage system's full range of services. For example, if there is no mechanism to compensate energy storage systems for offering voltage support, or no rules in place allowing for the use of smart inverter functionality, then that service will likely go unutilized. Thus, for the purposes of this exercise, if there are potential services that could be offered by a project if one or more of those barriers was removed, they should be identified in order to help the state understand what additional steps it may want to consider taking to expand both the opportunities and benefits of energy storage.

III. COMMENTS ON DRAFT COMPETITIVE BIDDING REQUIREMENTS

As authorized under subsection 3(4) of the Act, the Commission has proposed "limited" competitive bidding requirements to structure the storage project procurement process. IREC

recognizes that, pursuant to its August 19 Order, the Commission is proposing not to adopt new, storage-specific competitive bidding guidelines in the context of HB 2193, and instead proposes the aforementioned “limited” requirements while market for energy storage technologies continues to grow.

IREC nonetheless believes the Commission should, either under this program or in the future, consider testing and/or establishing a rate-based or similar mechanism for procuring the services of energy storage systems that is better suited to a more diverse range of projects. Unlike a straightforward competitive solicitation framework, an appropriate rate program combined with a request for projects meeting a set of qualifying requirements could “incentivize” storage systems to offer their services at strategic locations or times. This is particularly important for smaller (usually behind-the-meter) projects, where a competitive procurement process is too time and cost intensive and where Time-of-Use (“TOU”) rates or Net Energy Metering (“NEM”) programs for small residential or commercial systems, which allow customers to get credits on their bill for discharging storage during optimal times, may be more effective. Even if the Commission does not adopt a new rate or program for this limited procurement mandate, it should recognize that a competitive solicitation framework is likely to limit the range and diversity of projects.

IREC is also concerned that, as the competitive bidding requirements are currently drafted, the utilities would be allowed to award a contract for a project without competition if it “determines and presents justification that only a single vendor or contractor is capable of meeting the requirements of the project.” To satisfy this requirement, IREC believes the utilities should be required to demonstrate that they sought information, through an RFI or other

mechanism from the industry, that demonstrated that only a single vendor was truly capable of satisfying the necessary requirements of the project.

Along these same lines, if the Commission opts to retain the current competitive bidding approach, it should at a minimum ensure the utilities' Requests for Proposals ("RFP") are not overly narrow, thereby unnecessarily limiting the range of services which project submittals could provide. In this respect, IREC commends the Commission for allowing stakeholder review and comment on utilities' RFPs. The Commission could go further in preventing overly-narrow RFPs by requiring the requests to be based on utilities' needs and/or constraints, rather than technology type. Finally, to the extent the Commission authorizes "sole source" procurement as an alternative to competitive bidding, it should only be allowed upon the utility's demonstration that a competitive process is infeasible, which demonstration should be made available to stakeholders for review and comment.

IV. INTERCONNECTION STANDARDS FOR ENERGY STORAGE

This process presents an opportunity for the Commission to address the important issue of how energy storage fits into existing rules governing interconnection of energy resources to the electric grid. In order for the projects built under this program to be successful there needs to be a clear and efficient path to interconnection and the Commission should ensure the current standards are adequate to accomplish this goal. Without such an evaluation there is a real risk that the interconnection process could be a serious hurdle to project development. Other proceedings addressing energy storage, including in California³ and Nevada⁴, have shown this

³ See CPUC Decision 16-06-052, June 23, 2016, at 20-21.

⁴ The Nevada Public Utilities Commission is conducting an investigation on energy storage issues (Docket No. 16-01013). To date, one full workshop has been devoted to interconnection of storage resources, and the Commission recently issued a request for further stakeholder comments on this topic.

issue to be uniquely complex due to energy storage’s ability to serve as both “load” and “generation,” and have raised such questions as the extent to which storage should be eligible for streamlined or other “fast track” interconnection review. The Commission should include pathways to interconnection of energy storage in subsequent discussions in this proceeding.⁵

V. CONCLUSION

In sum, IREC believes that the Commission is headed in the right direction in implementing HB 2193, yet could take additional steps to ensure optimal implementation of the Act’s procurement mandate, such as requiring (rather than simply encouraging) proposals that represent a range of storage applications and locations.

IREC appreciates the opportunity to submit these comments. We look forward to reviewing and commenting on any revisions to the Commission’s proposed guidance, and otherwise continuing our engagement in this proceeding.

DATED: September 30, 2016

Respectfully submitted,

SHUTE, MIHALY & WEINBERGER LLP

By: /s/ Sky C. Stanfield

SKY C. STANFIELD

JOSEPH D. PETTA

396 Hayes Street

San Francisco, California 94102

Telephone: (415) 552-7272

Facsimile: (415) 552-5816

stanfield@smwlaw.com

petta@smwlaw.com

Attorneys for Interstate Renewable Energy
Council, Inc.

822085.6

⁵ Interconnection issues could also be addressed, in part, in the portion of the energy storage evaluation providing for “identif[cation] of all limiting factors that affect estimates of storage potential by application.”