

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of Southern California Edison
Company To Establish Marginal
Costs, Allocate Revenues, Design Rates, and
Implement Additional Dynamic Pricing Rates

Application 11-06-007
(Filed June 6, 2011)

RESPONSE OF THE CALIFORNIA ENERGY STORAGE ALLIANCE

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July 8, 2011

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In accordance with Rule 2.6 of the Rules of Practice and Procedure of the Public Utilities Commission of the State of California (“Commission”), the California Energy Storage Alliance (“CESA”)¹ hereby files this Response to Southern California Edison’s (“SCE’s”) application to establish marginal costs, allocate revenues, and design rates for service provided to its customers (“Application”). SCE’s Application is related to SCE’s Application (A.)10-11-015, SCE’s request to increase its Commission-authorized revenues for service in 2012 and which is commonly referred to as “Phase 1 of SCE’s 2012 General Rate Case.”

I. INTRODUCTION.

CESA is an *ad-hoc* advocacy group made up of energy storage and renewable energy system integrators, consultants and energy storage system manufacturers. CESA’s mission is to expand the role of energy storage to promote faster adoption of renewable energy and a more stable and secure electricity grid in California. CESA does not protest or comment on the merits of the authority sought in the Application. Rather, CESA wholeheartedly agrees with the statement in SCE’s filed testimony that “SCE’s proposals are designed to promote the EAP’s [Energy Action Plan’s] objective to place energy efficiency, distributed generation, and demand response ahead of building new generation resources. SCE proposes to continue offering rates

¹ The California Energy Storage Alliance consists of A123 Systems, Altairnano, Applied Intellectual Capital/East Penn Manufacturing Co., Inc., Beacon Power Corporation, CALMAC, Chevron Energy Solutions, Debenham Energy, Deeya Energy, Enersys, EnerVault, Exide Technologies, Fluidic Energy, General Compression, Greensmith Energy Management Systems, HDR, Inc., Ice Energy, International Battery, Inc., LG Chem, LightSail Energy, Inc., MEMC/SunEdison, Powergetics, Primus Power, Prudent Energy, RedFlow, RES Americas, Saft America, Inc., Samsung SDI, SANYO, Seo, Sharp Labs of America, Silent Power, Sumitomo Electric, Suntech, SunPower, Sunverge, SustainX, Xtreme Power, and Younicos. The views expressed in this Response are those of CESA, and do not necessarily reflect the views of all of the individual CESA member companies. <http://www.storagealliance.org>.

and programs that encourage customers' use of cost-effective technologies that support these objectives. For example, *SCE proposes to continue offering optional rates that are attractive to customers who employ permanent load shift technologies*, and rates that benefit customers with solar/photovoltaic installations [Emphasis added].” (pp. 5-6).² Such encouragement requires consideration of the structure of the rates and how tariff structure can impact the economics of customer investment in distributed energy resources, including energy storage.³ Appropriate rate design will also encourage the intelligent integration of distributed generation with energy storage to deliver optimal resulting load shapes that will not only save end customers money on their electric bills, but will also improve overall system efficiency by reducing peak demand and the predictability of that demand over time.

II. THE COMMISSION SHOULD ENCOURAGE SCE TO EXPAND ITS EFFORTS TO COMBINE THE BENEFITS OF PERMANENT LOAD SHIFTING WITH RATE DESIGN IN THIS PROCEEDING.

CESA agrees with SCE that: “Dynamic rates should complement the existing successful load control programs rather than compete with them. In other words, usage reductions in response to dynamic pricing should work in conjunction with future and existing load control programs to decrease overall usage during peak demand periods.” (p. 6).⁴ A key focus of SCE’s dynamic rates should be on ensuring a financeable differential between peak and off-peak rates for 10-15 years, or even longer. Technologies that enable end use customers to permanently shift load are capital intensive and the primary source of cash flows that will justify the capital investment stems from the differential between peak and off-peak rates and the reduction of demand charges. This means that *consistency in the structure of any dynamic tariff* is critical to greater deployment of permanent load shifting technologies.⁵

² Phase 2 of 2012 General Rate Case Policy, filed June 6, 2011.

³ CESA also agrees with SCE that: “Rate structures should remain reasonably stable over time so that customers who make investments in facilities, equipment, and practices in response to price signals are not unduly impacted as these signals change.” (p. 5).

⁴ Of course, SCE also goes on to note: “This issue is currently being examined in the Demand Response Cost-Effectiveness Rulemaking, R.07-01-041. (p. 6).

⁵ See, *Reply Comments of the California Energy Storage Alliance on Permanent Load Shifting Study*, filed March 18, 2011, at pp. 5-6.

This is not to imply that dynamic pricing tariffs should not be dynamic *per se*. The overall levels should be allowed to vary by day, season and year as required by variances in underlying cost factors such as natural gas. However, what is of paramount importance to encouraging permanent load shifting is to ensure that the differentials between peak and off-peak and the relationship between energy and demand charges remains consistent for at least 10 -15 years, or even longer. Such a time horizon is required as energy storage assets are capital intensive and long lived. Many technologies have a life cycle comparable to solar PV, as long as 20-25 years with proper maintenance.

Consistent tariff rate structures will not only help incentivize development of distributed energy resources by reducing overall tariff risk and increasing the certainty of future cash flows, they are also potentially a ratepayer neutral way of stimulating end use customer investment in highly valuable flexible energy storage assets that will be used to proactively manage and reduce peak demand in a way that is entirely performance based. Deployment of distributed energy storage throughout California's electric power system will be thus be a valuable future option for managing increases in peak load, and also dealing with the variability in peak load that will be created by the changing nature of demand due to increasing usage of electric vehicles.

III. PROPOSED CATEGORY.

CESA agrees with SCE that the Application should be designated as a "ratesetting" proceeding.

IV. NEED FOR HEARING.

At this time, CESA does not have sufficient information to know whether hearings may or may not be required.

V. ISSUES TO BE CONSIDERED.

For the reasons stated in this Response, the Commission should consider directing SCE to expand on the general comments in its Policy Testimony, and propose specific rate design concepts such as fixing dynamic pricing tariff rates for certain categories of customers such as those who employ permanent load shifting, and the use of customer sited energy storage and energy storage coupled with distributed generation.

VI. PROPOSED SCHEDULE.

At this time, CESA does not sufficient information to comment on SCE's proposed schedule.

VII. CONCLUSION.

CESA urges the Commission to consider dynamic pricing tariff structures for the purposes of encouraging permanent load shifting and the deployment of flexible distributed energy storage assets throughout California's electric power system going forward.

Respectfully submitted,



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