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California Public Utilities Commission Requires Additional 500 MW of Energy Storage from California IOUS

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Under AB 2514, California's landmark energy storage law passed in 2013, California's three ***Investor-Owned Utilities ("IOUs")*** (Southern California Edison ("SCE"), Pacific Gas & Electric ("PG&E"), and San Diego Gas & Electric ("SDG&E")) are required to install 1,325 MW of energy storage by 2024.[1] Recent ***California Public Utilities Commission ("CPUC")*** decisionmaking under a later-passed energy storage law, however, has added an additional 500 MW to the IOUs' procurement obligations.

In 2013, the CPUC broke down AB 2514's 1,325 MW storage target into three sub-targets, where each IOU must procure a specific amount of transmission-connected, distribution-connected, and behind-the-meter storage resources in a series of biennial procurement cycles through 2020.[2] The California IOUs have collectively made considerable progress toward these respective energy storage sub-targets, and have even begun procuring energy storage projects outside of the AB 2514 procurement cycles (such as in connection with fulfilling local capacity requirements and (for SCE) in response to the Aliso Canyon gas shortage).[3]

AB 2868, signed by California Governor Jerry Brown in 2016, requires PG&E, SCE, and SDG&E to propose programs and investments for up to 500 MW of distributed energy storage systems (defined as distribution-connected or behind-the-meter energy storage resources with a useful life of at least 10 years).[4] While there is considerable overlap with the types of resources covered by AB 2514, AB 2868's 500 MW proposal excludes transmission-connected resources is not subject to the 2020 procurement or 2024 installation requirements and various other requirements of the AB 2514 program.

Emboldened by the success of AB 2514, on April 27, 2017, the CPUC ordered the IOUs to incorporate proposals for programs and investments for the full 500 MW of distributed energy storage systems (166.66 MW for each of PG&E, SCE, and SDG&E).[5] While the CPUC emphasized that the additional 500 MW does not raise AB 2514's original procurement targets, Commissioner Peterman's decision directed each IOU to incorporate the applications for AB 2868's distributed energy storage systems into AB 2514's existing process for approving the biennial utility procurement plans.[6] For practical purposes, the CPUC decision will facilitate the interconnection of an additional 500 MW of energy storage to the California grid, along the same general processes of AB 2514, although the existing limitations on large pumped-hydro, electric-vehicle charging, and gas-

to-power storage resources remain in place.[7]

Consistent with other California energy storage initiatives, this CPUC decision continues California's focus on the customer and distribution-connected opportunities for energy storage. Additionally, after a one-year hiatus, California's Self-Generation Incentive Program ("SGIP") was reauthorized recently with increased funding and an increased emphasis on distributed energy storage investments. SGIP provides funding and subsidies for a variety of behind-the-meter energy projects, mostly on commercial and industrial properties, and in the past had been dominated by fuel cell technologies. The revised SGIP program has a much bigger focus on energy storage, however, with eligible storage projects receiving 85% of the additional SGIP funds, with 90% going to (non-residential) projects larger than 10 kW (overall, 75% of all SGIP funds are dedicated to energy storage projects).[8]

With the interest generated by AB 2514's procurement targets, the new 500 MW of storage required by AB 2868, and the reauthorized SGIP program, California will likely continue to lead the nation in procured and installed energy storage capacity. The CPUC has stated that its policy goal for storage is "market transformation," which has to date favored initiatives focused on distribution-connected and behind-the-meter energy resources.[9]

PG&E, SCE, and SDG&E are required to host at least two workshops by the end of 2017 to develop consistent definitions of terms, proposals for how to evaluate projects, and their plans for incorporating the 500 MW of distributed energy storage systems into their 2018 energy storage procurement and investment plans.[10]

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[1] See Cal. Pub. Utilities Code §§ 2835 *et seq.*; Cal. Public Utilities Commission, D.13-10-040.

[2] Cal. Pub. Utilities Commission, D.13-10-040 at 11-14.

[3] Cal. Pub. Utilities Commission, D.17-04-039 at 15.

[4] Cal. Pub. Utilities Code §§ 2838.2 – 2838.3.

[5] Cal. Pub. Utilities Commission, D.17-04-039 at 20.

[6] Cal. Pub. Utilities Commission, D.17-04-039 at 15-22.

[7] Cal. Pub. Utilities Commission, D.17-04-039 at 7-13.

[8] Microgrid Knowledge, *California Doubles SGIP Benefits, Gives Big Boost to Energy Storage Funding, abailable at* https://microgridknowledge.com/energy-storage-funding-sgip/

[9] Cal. Pub. Utilities Commission, R.10-12-007, Assigned Commissioner's Ruling Proposing Storage Procurement Targets and Mechanisms and Noticing All-Party Meeting at 3, 20 (June 10, 2013).

[10] Cal. Pub. Utilities Commission, D.17-04-039 at 20-21.

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