

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

BOB BURNS, CHAIRMAN
LEA MÁRQUEZ PETERSON
BOYD W. DUNN
SANDRA D. KENNEDY
JUSTIN OLSON

**IN THE MATTER OF POSSIBLE
MODIFICATIONS TO THE ARIZONA
CORPORATION COMMISSION’S
ENERGY RULES**

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Docket No. RU-00000A-18-0284

COMMENTS OF THE U.S. ENERGY STORAGE ASSOCIATION

ESA respectfully submits these comments in response to a letter filed by Chair Bob Burns in docket number RU-00000A-18-0284 on June 7, 2019, requesting comments from interested parties on several clean energy scenarios under consideration at the Arizona Corporation Commission (“Commission”). In his above referenced letter, Chair Burns outlines several clean energy and renewable energy scenarios that have been proposed and discussed by the Commissioners and Commission Staff (“Staff”) over the past year.

ESA is generally supportive of the Commission’s objectives of setting broad clean energy goals as part of a broader revision of the state’s energy rules. ESA does not take a position on any of the specific clean energy scenarios outlined in the letter, or the renewable energy components within those clean energy goals. In our comments below, ESA reiterates our previously filed comments calling for an energy storage pillar to support the clean energy scenarios being considered and provides support for several storage proposals under consideration.

I. ABOUT THE U.S. ENERGY STORAGE ASSOCIATION

ESA is the national trade association dedicated to energy storage, working toward a more resilient, efficient, sustainable and affordable electricity grid – as is uniquely enabled by energy storage. With more than 170 members, ESA represents a diverse group of companies, including independent power producers, electric utilities, energy service companies, financiers, insurers, law firms, installers, manufacturers, component suppliers and integrators involved in deploying energy storage systems around the globe.

II. RESPONSE TO JUNE 7 LETTER FROM CHAIR BURNS

As noted in our comments filed on April 23, 2018, March 25, 2019, and May 29, 2019, ESA contends that energy storage must be an integral part of a clean energy discussion currently underway at the Commission.¹ ESA is generally supportive of a clean energy standard as has been proposed by Commissioner Boyd Dunn and former Commissioner Andy Tobin. We do not at this time provide comments on a preferred clean energy scenario. ESA respectfully recommends that *any* of the clean energy scenarios outlined by Chair Burns in his June 7, 2019, letter require complementary programs in the form of (1) an energy storage target, (2) incentives for distribution connected energy storage resources, and (3) a mechanism for reducing emissions and costs during periods of peak demand.

¹ Comments of the Energy Storage Association, Docket No. E-00000Q-160289, April 23, 2018, pgs. 5-7, available at: <https://docket.images.azcc.gov/0000187763.pdf>; comments of the Energy Storage Association, Docket No. RU-00000A-18-0284, March 25, 2019, pgs. 4-6 available at: <https://docket.images.azcc.gov/0000196891.pdf>; comments of the Energy Storage Association, Docket No. RU-00000A-18-0284, May 29, 2019, pgs. 3-5, available at: <https://docket.images.azcc.gov/0000198301.pdf>.

1. Storage Target is Needed to Support Clean Energy Goals

ESA contends that an energy storage target is needed to build the flexible grid infrastructure critical to achieving the clean energy goals, and that such a target would align with the vision articulated in the plans put forward by Chair Burns, Commissioner Dunn, Commissioner Sandra Kennedy and former Commissioner Tobin. An energy storage target could be incorporated into the Integrated Resource Planning (“IRP”) rules, providing the utility with a clear policy signal as it models scenarios and selects a preferred plan in its IRP to better align with the Commission’s policy objectives. Importantly, incorporation into the IRP process also ensures that if there is no need or if the resource is not the most competitive and best fitting to address a given need, then there is a process to request a waiver or deferral of the target so that the utility has flexibility in meeting its storage requirements. Given the benefits standalone energy storage resources can provide as a grid asset, particularly as non-wires alternatives to traditional distribution and transmission investment, it is critical that an energy storage target and other programs include standalone energy storage resources. ESA has articulated the parameters of such a target and provided redlined regulatory language for the Commissioners’ and Staff’s consideration in previous filings referenced above.

2. Support Distributed Storage Through Rebates and Other Programs

In addition to an energy storage target, incentive programs to support energy storage are also appropriate. Customer-sited energy storage offers a new way to utilize demand resources since it is highly controllable, can be dispatched in a fast and precise manner, and can be measured directly by utilities for system operations. Aggregations of customer-sited storage are already being used by utilities in some instances to meet capacity and grid reliability needs. Both proposals from Commissioner Kennedy and Commissioner Dunn rightly recognized the

importance of distributed storage assets and their potential benefits and suggested an incentive program for customer-sited resources.

ESA respectfully recommends that the most effective way to deploy distribution connected resources is to develop a rebate program. An incentive program is an effective tool to drive down soft costs for the installation of energy storage systems. ESA has recently written a guide on the development of an effective energy storage incentive program² and looks forward to engaging the Commission and other stakeholders on this topic.

Other programs are needed to support the broad deployment of customer-sited storage and to integrate energy storage assets into the grid. Creating programs that allow customer-sited storage systems to respond to requests by utilities for grid services creates additional value streams for energy storage assets and also provides optimal benefits for ratepayers by potentially deferring or reducing the need for additional investment on the distribution system. For example, programs in Vermont and New Hampshire have embarked on pilots that allow customers to provide grid services in exchange for on-bill credit. Another useful model is the National Grid and Eversource “Daily Dispatch” program in Massachusetts. Under this program, the utility commits to a five-year contract with a customer, which allows the customer to make the capital investment in energy storage in exchange for a commitment to use the storage to provide grid services for five years.

² Energy Storage Association, *Energy Storage Incentive Program Issue Brief*, February 2019, available at: <http://energystorage.org/resources/energy-storage-incentive-programs>

3. Implement Policies to Reduce Costs and Meet Peak Demand to Complement the Aggressive Clean Energy Goal

As noted in our previous comments, ESA respectfully recommends that market-based programs and incentives to reduce peak demand and emissions during peak periods are complementary to a clean energy goal.³ While an aggressive clean energy goal can provide important benefits and savings to customers, such a goal does not necessarily address the high costs of serving peak demand. ESA appreciates the proposals by Commissioner Dunn for a Peak Reduction Program Storage Extra Savings Multiplier and former Commissioner Tobin for a Clean Peak Standard. ESA respectfully recommends that the Commission's clean energy policies include programmatic elements aimed at reducing peak demand in the form of a Clean Peak Standard as well, and we have submitted redlined recommendations in previously filed comments.⁴

III. CONCLUSION

ESA appreciates the opportunity to provide these comments and recommendations on the implementation of reforms to the energy rules. We look forward to continuing to work with the Commission and other stakeholders to update the energy rules to reflect the policy positions of the Commission and State.

Respectfully submitted this 12th day of July, 2019.



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³ Comments of the Energy Storage Association, Docket No. RU-00000A-18-0284, March 25, 2019, pg. 6-7.

⁴ Comments of the Energy Storage Association, Docket No. RU-00000A-18-0284, May 29, 2019, pg.5-7.