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

Order Instituting Rulemaking to Establish Policies, Processes, and Rules to Ensure Reliable Electric Service in California in the Event of an Extreme Weather Event in 2021.

Rulemaking 20-11-003

**ASSIGNED COMMISSIONER'S RULING CLARIFYING ISSUES  
REGARDING UTILITY-OWNED GENERATION AND  
STORAGE PROCUREMENT IN 2022**

Phase 2 of this proceeding is focused on ensuring reliability in California's electricity system for summer 2022 and 2023. Expanding available utility-owned generation (UOG) and storage is one approach that may help ensure grid stability in summer 2022 in the face of extreme heat episodes, historic drought and resulting low hydroelectric energy, and catastrophic wildfire.

In its Opening Testimony, Southern California Edison (SCE) asserts that if it is required to wait until November 2021 for Commission authorization to pursue utility-owned storage projects and then use a Tier 3 Advice Letter process for approval, the timing would not allow for resources to be online in time for summer 2022:

Waiting for a decision in this rulemaking in November 2021 and then for approval of a Tier 3 Advice Letter would be too late to deploy such resources for summer 2022 because batteries and contractors are in short supply and there would not be enough lead time to construct the [utility-owned

storage] resource in a timely fashion. Therefore, SCE recommends that the Commission immediately authorize and provide cost recovery for the [Investor Owned Utilities] IOUs to develop and install utility-owned storage resources and associated upgrades, facilities, or modifications to meet the summer 2022 emergency reliability needs identified in [Governor Newsom's July 30, 2021] Emergency Proclamation through a separate resolution or decision. (SCE Opening Testimony 9/1/21, at 58-59.<sup>1</sup>)

SCE repeats its request for expedited treatment in its Reply Testimony and provides further clarification regarding the various elements of its request:

In order to be operational by the summer of 2022, the utility-owned storage may be interconnected to non-CAISO-controlled facilities at or near strategic utility substations (*e.g.*, near load centers or solar generation) and operated in a manner to maximize reliability of the grid by charging during periods of excess generation and discharging during periods of need. (SCE Reply Testimony 9/10/21, at 13.)

Given the tight time constraints to bring resources online by summer of 2022, the IOUs shall not be required to demonstrate that the utility-owned storage resources are price- or cost-competitive with third-party procurement or to provide third parties the opportunity to develop such storage resources. The IOUs will be required to demonstrate that the costs to construct and interconnect the utility-owned storage resources are just and reasonable given emergency system reliability needs, the ability of such resources to meet these emergency needs, and the shortened time frame to develop the project(s). (*Id.* at 14.)

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<sup>1</sup> The Opening Testimony of Pacific Gas and Electric Company (PG&E) and San Diego Gas & Electric Company (SDG&E) contain similar references. (*See* PG&E Opening Testimony 9/1/21 at 9-10 – 9-11, SDG&E Opening Testimony 9/1/21 at 4.)

This ruling provides clarification that a separate resolution or decision is not necessary for the IOUs to pursue utility-owned storage projects that can be online by summer 2022. In Phase 1 of this proceeding, the Commission provided that UOG and storage resources for summer 2021 and 2022 may be submitted for Commission approval by a Tier 2 Advice Letter. If timing is an issue in the Tier 2 process, General Order (GO) 96-B does allow for shortening of the time for Advice Letter protests and responses upon a showing of good cause. (GO 96-B, Section 1.3.)

The first decision in Phase 1, Decision (D.) 21-02-028, allowed for utility-owned storage projects to be submitted for approval by a Tier 2 Advice Letter, stating, “Potential resources may include utility-owned generation, with Commission consideration for utility owned generation projects with a [Commercial Online Date] in 2021 through a Tier 2 advice letter.” (D.21-02-028, Section 5.1, “Procurement Type” at 11.)

The second decision in Phase 1, D.21-03-056, did not directly address utility-owned storage. However, it ordered the IOUs to continue efforts to meet supply needs for summer 2022, stating: “Continued authorizations for supply side procurement by [PG&E], [SCE], and [SDG&E] shall be instituted....” The decision explained that the IOUs were required to procure specified resource quantities, and extended those requirements - at a minimum - into 2022:

PG&E, SCE, and SDG&E are directed to continue their procurement efforts and endeavor to meet and exceed their respective incremental procurement targets to achieve [an] effective 17.5% [Planning Review Margin] for the months of concern.

Consistent with the guidance provided in D.21-02-[0]28 – and consistent with the resources that have been contracted for by IOUs in response to that decision – procured resources must be available to serve load at peak and net peak, and the IOUs should give preference to storage contracts (from new solicitations, bilateral negotiations, or offering counterparties an opportunity to refresh prior [Integrated Resource Plan] procurement bids), upgrades resulting in increased efficiency of existing generation resources, and contract terms that are shorter in duration. (D.21-03-056, Section 9, “Additional Capacity Procurement” at 46.)

We are now in Phase 2 of the proceeding but have not amended the requirements of the Phase 1 decisions. Thus, the authorization in the Phase 1 decisions for the IOUs to pursue emergency procurement, including utility-owned storage projects, that may come online for summer 2022 continues to apply.

With regard to SCE’s observation in Reply Testimony about cost competitiveness and recovery, D.21-02-028 addresses that point as well, stating: “To the extent that comparable data exist, the procurement should be cost competitive with recently procured resources.” (D.21-02-028, Section 5.2, “Procurement Process” at 11.). This statement provides sufficient guidance on how cost competitiveness is shown. The decision also allows IOUs to seek cost recovery in rates, stating “The large electric IOUs may seek approval and cost allocation mechanism (CAM)-based cost-recovery for procurement that conforms with the ... parameters [in Section 5.1 *et seq.*].” (*Id.* at 11 and ordering paragraph 1.) The Commission continues the CAM eligibility, with refinement, in D.21-03-056. (D.21-03-056, Section 9, “Additional Capacity Procurement” at 47.)

Finally, SCE asks for a memorandum account to record costs related to utility-owned storage for 2022. (SCE Reply Testimony at 15.). However, the CAM authorization described above obviates the need for a memorandum account, since cost recovery under CAM has its own parameters as set forth in the Phase 1 decisions.

**IT IS RULED** that:

1. Decision (D.) 21-02-028 and D.21-03-056, read together, allow utility-owned generation (UOG) and storage procurement for summer 2022, submitted for California Public Utilities Commission approval by a Tier 2 Advice Letter, as long as the investor-owned utilities (IOUs) remain within the parameters set forth in those decisions. No additional decision or resolution is required for the IOUs to pursue UOG and storage procurement for summer 2022.

Dated September 17, 2021, at San Francisco, California.

/s/ MARYBEL BATJER

Marybel Batjer  
Assigned Commissioner