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06/29/26
04:59 PM
R2510003

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Oversee the Resource Adequacy Program, Consider Program Reforms and Refinements, and Establish Forward Resource Adequacy Procurement Obligations	Rulemaking 25-10-003

REPLY COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE ON THE ADMINISTRATIVE LAW JUDGE'S PROPOSED DECISION ADOPTING LOCAL CAPACITY OBLIGATIONS FOR 2027-2029, FLEXIBLE CAPACITY OBLIGATIONS FOR 2027, AND PROGRAM REFINEMENTS

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June 29, 2026

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In accordance with the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission"), the California Energy Storage Alliance ("CESA") hereby submits these Reply Comments on the Administrative Law Judge's ("ALJ") Proposed Decision Adopting Local Capacity Obligations for 2027-2029, Flexible Capacity Obligations for 2027, and Program Refinements ("Proposed Decision"), issued on June 1, 2026.

I. INTRODUCTION

CESA appreciates the opportunity to provide the following reply comments on the Opening Comments on the Proposed Decision, addressing opening comments on unforced capacity ("UCAP"), energy-only ("EO") resources used for charging sufficiency, long-duration energy storage ("LDES"), and the treatment of imbalance reserves ("IR") and reliability capacity ("RC").

II. THE COMMISSION SHOULD NOT USE EFORd TO INCORPORATE ENERGY STORAGE FOLDBACK LIMITATIONS INTO RESOURCE CAPACITY VALUES

Opening comments reflect concern that the Proposed Decision's definition of "forced outage" is overly broad. Independent Energy Producers Association ("IEPA") urges the

Commission to remove codes outside of generators' control,[1] while Vistra suggests a definition that includes only unplanned equipment failures reasonably predictive of future resource availability and not separately modeled.[2] CESA reiterates its concern that the definition as written captures non-outage unavailability and requests the Commission amend it as described in CESA's Opening Comments.[3]

Several parties' opening comments agree that the EFORd is the wrong mechanism with which to incorporate storage resources' foldback limitations into their capacity value. American Clean Power-California ("ACP-CA") and Terra-Gen agree that the master file is a better source of information on foldback limitations,[4] while Engie agrees with CESA that the probabilistic nature of EFORd adds unnecessary inaccuracy to foldback measurement.[5] The potential market distortion effects of what the Proposed Decision identifies as the "fifth-hour effect" was also cited by multiple parties, who agree with CESA that while a foldback Nature of Work code is a valuable addition to the market, it is an insufficient mechanism to correct this issue.[6] CESA urges the Commission to act to prevent this market distortion rather than simply to document it.

Multiple parties raised the issue of double-counting when foldback is incorporated into both EFORd and Qualified Capacity ("QC"), including ACP-CA, Middle River Power ("MRP"), Terra-Gen, and Alliance for Retail Energy Markets ("AReM").[7] The Proposed Decision leaves interaction between UCAP and QC undecided, and multiple parties express concern about this uncertainty.[8] Of particular note is the California Independent System Operator's ("CAISO") specific concerns about clarifying the interaction between QC and UCAP to ensure energy storage resources are appropriately shown. CESA requests that the Commission decline to incorporate foldback into EFORd until the interaction between QC and UCAP has been resolved.

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[1] IEPA Opening Comments on Proposed Decision, p. 3
[2] Vistra Opening Comments on Proposed Decision, p. 10
[3] CESA Opening Comments on Proposed Decision, p. 4
[4] ACP-CA Opening Comments on Proposed Decision, p. 7; Terra-Gen Opening Comments on Proposed Decision, p. 3
[5] Engie Opening Comments on Proposed Decision, p. 4-5
[6] Proposed Decision, Section 4.6.3, p. 77, ACP-CA, p. 6, Engie p. 6
[7] ACP-CA, p. 6-7, MRP Opening Comments on Proposed Decision, p. 10, Engie, p. 5, Terra-Gen Opening Comments on Proposed Decision, p. 2, AReM Opening Comments on Proposed Decision, p. 5
[8] Western Power Trading Forum ("WPTF") Opening Comments on Proposed Decision, p. 4, MRP, p. 3-4, Terra-Gen, p. 3, CAISO Opening Comments on Proposed Decision, p. 14, Vistra, p. 9

III. THE COMMISSION SHOULD ALLOW BROADER USE OF EO RESOURCES FOR CHARGING SUFFICIENCY

CESA reiterates its support for the comments from California Wind Energy Association ("CalWEA") examining the information already presented to the Commission, particularly with respect to transmission congestion constraint data already available from CAISO.[9] More broadly, multiple parties cite the extensive information already provided in the record to urge the Commission to evaluate it on its merits at this time rather than waiting for additional data.[10] Several parties note that the currently planned Transmission Planning Process ("TPP") assessment is not materially different from the 2025-2026 TPP evidence already before the Commission, undermining the rationale for further delay.[11]

CESA's concern that the timing of the Cluster 16 Application Window makes this issue more urgent is shared by ACP-CA, Engie, REV Renewables and CalWEA, all of which cite the negative impacts of continued uncertainty as project developer and LSEs make investment decisions.[12] CESA joins these parties in urging the Commission to act on the extensive record already available to it rather than again postponing the examination of this important issue.

IV. THE COMMISSION SHOULD FURTHER REFINE ITS APPROACH TO LONG-DURATION ENERGY STORAGE VALUATION

CESA supports the comments from Form Energy and Fourth Power ("Form and Fourth") discussing the technical and factual issues with the Proposed Decision.[13] CESA's concerns stem from a misalignment between what is being proposed and the design and operating purpose of LDES resources, which are designed to shift energy from prior days into the worst operating day. These positions are shared by Form and Fourth as well as other parties, who urge the Commission to adopt a 50% SOC assumption until or in lieu of a record of LDES SOC is available.[14]

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[9] CalWEA Opening Comments on Proposed Decision, p. 4

[10] Engie, p. 2, REV Renewables Opening Comments on Proposed Decision, p. 10, Energie de France power services ("EDFps") Opening Comments on Proposed Decision, p. 4-6, Large-scale Solar Association and Solar Energy Industries Association ("Joint Solar Parties") Opening Comments on Proposed Decision, p. 2, Santa Clarita Valley Water Authority ("SCVWA") Opening Comments on Proposed Decision, p. 3-5, CalWEA pg. 2-5

[11] Engie, p. 4; Joint Solar Parties, p. 2

[12] ACP-CA, p. 4-5; Engie, p. 3-4; REV Renewables, p. 12; CalWEA, p. 7

[13] Form and Fourth Opening Comments on Proposed Decision

[14] Long Duration Energy Storage Council ("LDES Council") Opening Comments on Proposed Decision, p. 7; Form and Fourth, p. 7-10; Hydrostor Opening Comments on Proposed Decision, p. 12-13

Multiple parties further explain that the Proposed Decision's charging sufficiency methodology independently understates LDES value by evaluating charging sufficiency using excess energy available on the worst day. Notably, Antora Energy ("Antora") describes technical differences between its LDES resources and the Proposed Decision's assumptions,[15] while Form and Fourth describe the fundamental incompatibility of this decision with accurate LDES valuation:

> *"As load growth continues and erodes the excess energy available on the worst-day—the trajectory reflected in the Commission's own forecasts—the "proxy" value of the multiplier falls toward zero at precisely the moment when LDES carryover matters most to reliability. Put simply, under the PD's energy sufficiency framework, LDES resources would have* ***no resource adequacy value*** *once excess energy on the worst day disappears, even though there are massive amounts of energy in the days leading up to that day, when LDES would charge. LDES resources are* ***needed*** *to bring energy into that worst day yet would be completely devalued."*[16]

Hydrostor calculates the potential cost of this unnecessarily conservative LDES valuation at a minimum of $550 million per year.[17] CESA urges the Commission to adopt a valuation framework more accurate and less costly to ratepayers.

In its opening comments on the Proposed Decision, Southern California Edison ("SCE") proposes a novel method of calculating LDES value not supported by the record or considered in this proceeding.[18] CESA opposes this proposal at this time.

V. THE COMMISSION SHOULD ELIMINATE THE PROPOSED $0 BID REQUIREMENT FOR IR AND RC

The parties commenting on the treatment of IR and RC in the Proposed Decision express broad consensus in opposition to the zero-dollar bid requirement. Several parties caution that, because IR is co-optimized with energy and ancillary services, requiring IR to bid at zero rather

[15] Antora Opening Comments on Proposed Decision, p. 4-5
[16] Form and Fourth, p. 10
[17] Hydrostor. p. 11
[18] SCE Opening Comments on Proposed Decision, p. 8-9

than at its true cost will result in uneconomic dispatch, inaccurate price signals, and market distortions.[19] Of particular note are CAISO's opening comments, which explain the mechanisms whereby a zero-bid requirement for IR and RC would injure the market and market participants.[20] CESA supports CAISO's comments on the particular issues affecting storage bids, as well as similar comments from Pacific Gas and Electric ("PG&E") and California Community Choice Association ("CalCCA").[21] Multiple parties also identify the problem of subsidizing outside-of-California regions when requiring zero bids that CESA included in its Opening Comments.[22]

LSEs and resource operators alike are deeply concerned about the contractual impacts of the Proposed Decision and join with CESA in urging the Commission to leave contractual decisions to the parties involved.[23] CalCCA notes that 249 contracts comprising over 18,600 MW of NQC would be at risk of renegotiation under the Proposed Decision.[24]

VI. CONCLUSION

CESA appreciates the opportunity to submit these Reply Comments and continues to look forward to working with the Commission and parties in this proceeding.

Respectfully submitted,

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[19] WPTF, p. 6-8; ACP-CA, p. 9-10; MRP, p. 8; REV Renewables, p. 4-8; Pacific Gas and Electric ("PG&E"), p. 2; Calpine, p. 3; CAISO, p. 2-4; IEPA, p. 4; Joint Solar Parties, p. 5; CalWEA, p, 8; Vistra, p. 13; SDGE, p. 4
[20] CAISO, p. 2-7
[21] CAISO, p. 5; PG&E, p. 4-5; CalCCA, p. 6
[22] REV Renewables, p. 9; CAISO, p. 6; IEPA, p. 4; CalCCA, p. 6; SDGE, p. 5
[23] WPTF, p. 9; ACP-CA, p. 7-9; MRP p. 9; Atlantica, p. 4; PG&E, p. 3, 6-7; CAISO, p. 9-10; Joint Solar Parties, p. 7; SCE, p. 2-5; Vistra, p. 12; SDGE, p. 6-8
[24] CalCCA, p. 4-5