

October 22, 2020

***VIA ELECTRONIC FILING***

Public Utility Commission of Oregon  
Attn: Filing Center  
201 High Street SE, Suite 100  
Salem, Oregon 97301

**RE: AR 616—PacifiCorp’s Comments on Staff’s Questions on Associated Energy Storage**

PacifiCorp d/b/a Pacific Power (PacifiCorp) respectfully submits these comments and request for a technical workshop in response to the Public Utility Commission of Oregon (Commission) Staff’s proposed rule language submitted on October 8, 2020, in this proceeding.

PacifiCorp has concerns with Staff’s proposed definition of “associated energy storage.” The definition takes the narrowest possible view of whether storage is “associated,” and notably is more restrictive than almost all of the analogous authorities cited by Staff in the filing accompanying its proposed rule. The rule will likely slow deployment of both renewables and storage that have the potential to help the state meet its aggressive greenhouse gas emission reduction goals and is unnecessary to address Staff’s valid concerns regarding renewable energy certificate (REC) accounting and storage losses.

The consequences of Staff’s proposals are illogical and contrary to the intent of SB 1547. For example, if a utility connects a four-hour, 50-megawatt battery to a 100-megawatt wind facility, it would be eligible for the renewable adjustment clause (RAC). But if a utility builds an equivalent battery as part of a large renewable build on its transmission system, capable of charging from a fleet of 100 MW of wind and solar, the battery would not be eligible for the RAC – notwithstanding the fact that the battery would likely be used more, allowing for greater shaping and integration of a far greater amount of renewables. PacifiCorp agrees that without a black-and-white standard, it may be difficult to determine when storage is “associated,” but Staff’s proposal discourages efficient, effective development of storage. PacifiCorp believes parties would benefit from a technical workshop for parties to discuss a framework that supports the language of Senate Bill 1547 while ensuring the necessary flexibility is retained to meet the state’s renewable and decarbonization objectives.

*The definition of “associated energy storage” should be used solely for cost recovery*

Staff recognizes in its proposal that its associated storage definition may have implications for the [...] *eligibility of tax credits, and larger issues defining the status of energy storage technologies.* The company agrees with staff’s thoughtful acknowledgement of this potential interaction and sees the need for a careful evaluation of the contexts in which it could

be used. A definition for associated energy storage should take a forward-looking approach to ensure entities are able to meet current objectives in the state as well as transition into increasingly clean energy futures in a cost-effective manner for Oregon consumers.

*Staff's REC accounting challenges inappropriately conflate REC accounting issues with cost recovery under ORS 469A.120*

Staff identifies REC accounting challenges as a basis for adopting a narrow definition of associated energy storage. PacifiCorp agrees that additional discussion is warranted regarding whether and how associated battery storage is used to comply with the RPS, including whether and how RECs from associated energy storage are accounted for. The need for a definition of associated energy storage is directly linked to the language change to ORS 469A.120, which is concerned, not with RPS compliance, but with cost recovery via an automatic adjustment clause. REC accounting issues are irrelevant to how associated energy storage is defined for purposes of determining which energy storage resources are eligible for recovery via ORS 469A.120. Per the statute, the relevant question is whether the energy storage system is "associated with" a resource that is used for RPS compliance, not whether the energy storage system itself will generate RECs or be used for RPS compliance. Issues of whether and how energy storage systems will generate RECs or be treated for purposes of RPS compliance are separate from the definition of associated energy storage and are more appropriately determined as part of a separate proceeding. A broad definition of an associated energy system is critical to ensure that utilities do not face different cost recovery treatment for resources that are necessary to comply with the RPS; Staff is not limited from proposing a more restrictive view of how associated energy storage generate RECs, how that REC generation is calculated, or how those RECs are used to comply with the RPS.

Staff correctly notes that both electricity transmission and storage have loss factors, and that accounting for them is a policy decision. However, devaluing RECs based on storage loss factors would discourage use of storage, because one megawatt-hour of qualifying electricity delivered directly to the customer would retain the full REC, whereas a megawatt-hour of previously stored electricity would have less of a REC. It would also be extremely complicated because different storage technologies have different loss factors (just as transmission and distribution systems of different utilities do). However, Staff's recommendation to solve this problem by allowing only storage directly connected to a renewable energy source is not the only option and would likely cause a host of other problems. These issues should be discussed in a technical workshop, as recommended above.

*Staff's proposed definition could prohibit development of certain types of storage that would otherwise be eligible for recovery under ORS 469A.120*

Staff's prescriptive rules undercut the intent of the statute, which is to allow for cost recovery pursuant to ORS 469A.120 for energy storage devices that allow for more efficient integration of renewable energy sources. The industry is still learning how and where storage can most effectively be used to integrate large quantities of intermittent renewable generation.

In many cases, locating energy storage far from renewable energy sources is the most efficient way, or the only practical way to speed development and integration of renewable portfolio standard-compliant resources. A strict co-location requirement may also limit development of other evolving renewable-enabling technologies such as electrolyzers that can convert electricity generated by intermittent renewables to green hydrogen, during times when it is not needed and would otherwise be curtailed. Other emerging technologies, such as flywheels, compressed air, or pumped storage simply cannot be sited alongside renewables. In all cases, siting storage at the same location as renewable energy sources is likely to produce fewer system benefits and cost more. This puts utilities in the unenviable position of choosing between cost recovery under ORS 469A.120 for a mediocre storage resource or accepting regulatory lag on a resource that provides greater benefit to customers.

*Stakeholders would benefit from a technical workshop*

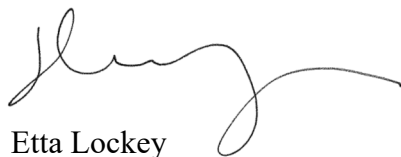
PacifiCorp recognizes that parties to this docket have taken a range of positions regarding the meaning of “associated energy storage.” However, all parties appear to share the view that associated energy storage must support integration of renewables into utilities’ resource portfolios. Accordingly, a technical workshop may be beneficial to discuss a variety of options, including:

- Support for a rebuttable presumption of association as proposed by the Alliance of Western Energy Consumers in its June 30, 2020 comments in this proceeding
- Linking storage to timing of acquisition of renewables
- Proxy methodology based on RPS percentage
- Proxy methodology based on forecast requirements for regulating reserves

Thank you for consideration of these comments and request for a technical workshop. PacifiCorp looks forward to further discussions with Staff and stakeholders on this issue.

Please contact Cathie Allen, Regulatory Affairs Manager, at (503) 813-5934 if you have any questions.

Sincerely,



Etta Lockey  
Vice President, Regulation  
PacifiCorp