

August 17, 2012

California Energy Commission
Docket Office, MS-4
1516 Ninth St
Sacramento, CA 95814-5512



**Re: Development of the California Energy Commission Investment Plan for the Electric Program Investment Charge Program
Docket No. 12-EPIC-01**

Comments of California Independent System Operator Corporation on Staff Workshops on the First Triennial Investment Plan for the Electric Program Investment Charge Program

Dear Commissioners:

The California Independent System Operator Corporation appreciates the opportunity to be part of, and comment on, the development of the Electric Program Investment Charge (EPIC) program. In response to the recent staff workshops held on August 2 & 3 and August 9 & 10, the ISO offers the following observations.

The total pool of EPIC funds will be applied to five distinct areas: (1) applied research; (2) technology demonstration and deployment; (3) market facilitation; (4) program administration; and (5) program oversight. The great majority of the funds the CEC will be responsible for administering fall into the first two categories – applied research and technology demonstration/deployment. Research and demonstration projects can evolve quite rapidly. If the project proponent is made to wait an extended period of time for approval, key assumptions regarding the proposal are more likely to change. For that reason, it will be important to streamline the solicitation process and disburse funds to researchers quickly if their project is approved. The ISO suggests that a reasonable solicitation life cycle – from solicitation issuance to disbursement of funds – would be 120 days. The CEC should issue a firm schedule of dates for the solicitation responses to be reviewed, awarded, and sent to Commission business meetings for final approval upon issuance of the solicitation. To allow for greater flexibility, the investment plan development should also allow for off-cycle requests that may originate within the three-year period.

One issue raised in the workshops was the composition of the solicitation approval board. The ISO believes that membership on the review board should be relatively limited, comprised of representatives of the IOUs, the ISO, and CEC staff who are familiar with the area of technology for which projects are being solicited. Such a

review board composition would also help ensure that projects are “mappable” to the utility/ISO value chain. If a project request were from an organization represented on the review board, then its representative should be recused from considering that project.

CPUC Decision 12-05-037 requires the CEC to propose metrics for measuring the benefits and success of the funded projects. The ISO suggests that the metrics conform to the utility value chain model, with heavy weight placed on how projects support and improve system reliability. On an individual project basis, each project proposal should be required to state a clear and demonstrable overall goal with interim reporting check points and predefined project milestones. At the milestones, the project owners should report directly to the original solicitation approval board. At these milestone reviews, the approval board should be granted the authority to curtail projects that clearly are not meeting the original goals stated as defined in the project plan. To promote transparency, once these interim reviews occur it would be beneficial for the CEC to report projects' status in a standardized on-line report. The US Department of Energy Advanced Research Projects Agency (ARPA-E) website provides a helpful example that the CEC could use as a model.

(<http://arpa-e.energy.gov/ProgramsProjects/Programs.aspx>)

To create accountability, the CEC should require that project sponsors provide either matching funds or in-kind services. Some entities, however, cannot provide matching funds (or accept funds). Where such parties are, however, able to provide in-kind services, the ISO believes that they should be permitted to partner with another entity (that can receive EPIC funds) to meet the requirement that the project proponents invest something of themselves in the project.

The ISO believes that it would be problematic to have a blanket rule limiting participation to California-based entities. Such a limitation could limit the value provided from EPIC-funded projects. As an example, the ISO is unaware of any major forecasting service providers in California. Additionally there are numerous out-of-state universities and national laboratories doing excellent work on grid operations. These organizations should not be precluded automatically from participation.

To help ensure coordination between the CEC plan and the IOU plans, the ISO suggests that the CEC plan not be finalized until all IOUs have published their plans. This will permit relevant parties (*e.g.*, IOUs, CEC, ARPA-E) to review and coordinate efforts with all potential funding plans and opportunities.

Finally, the CEC should anticipate that some entities seeking project approval have already performed preliminary work under a separate grant program. The CEC should thus determine whether and how such continuing development work will be treated under the EPIC program.

The ISO welcomes the chance to provide this input and looks forward to its continued participation as the EPIC program continues to develop.

Respectfully submitted,

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