A BILL FOR AN ACT

CONCERNING ENERGY STORAGE, AND, IN CONNECTION THEREWITH,
REQUIRING THE PUBLIC UTILITIES COMMISSION TO ESTABLISH
MECHANISMS FOR INVESTOR-OWNED ELECTRIC UTILITIES TO
PROCURE ENERGY STORAGE SYSTEMS IF CERTAIN CRITERIA ARE
SATISFIED.

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at http://leg.colorado.gov.)

The bill directs the public utilities commission to adopt rules establishing mechanisms for the procurement of energy storage systems
by investor-owned electric utilities, based on an analysis of costs and benefits as well as factors such as grid reliability and a reduction in the need for additional peak generation or transmission capacity. The information supplied by the utilities must include appropriate data and must specify interconnection points to enable independent evaluation.

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Be it enacted by the General Assembly of the State of Colorado:

SECTION 1. Short title. The short title of this act is the "Energy Storage Procurement Act".

SECTION 2. In Colorado Revised Statutes, add part 2 to article 2 of title 40 as follows:

PART 2

ENERGY STORAGE SYSTEMS

40-2-201. Legislative declaration. (1) The General Assembly finds, determines, and declares that:

(a) Energy storage systems provide potential opportunities to:

(I) reduce costs to ratepayers by avoiding or deferring the need for new generation resources or for upgrades to systems for the transmission and distribution of energy;

(II) reduce costs incurred for ancillary services;

(III) support diversification of energy resources; and

(IV) enhance grid safety and reliability;

(b) for these reasons, it is in the public interest to explore the use of energy storage systems in Colorado and to integrate into the planning process mechanisms for the procurement of energy storage systems by Colorado's electric utilities through evaluation and procurement methodologies.

40-2-202. Definitions. As used in this part 2, unless the
CONTEXT OTHERWISE REQUIRE:
(1) "ELECTRIC UTILITY" MEANS AN INVESTOR-OWNED ELECTRIC
UTILITY SUBJECT TO REGULATION UNDER ARTICLES 1 TO 7 OF THIS TITLE
40.
(2) "ENERGY STORAGE SYSTEM" MEANS COMMERCIAL
AVAILABLE TECHNOLOGY THAT IS CAPABLE OF RETAINING ENERGY,
STORING THE ENERGY FOR A PERIOD OF TIME, AND DELIVERING THE
ENERGY AFTER STORAGE BY CHEMICAL, THERMAL, MECHANICAL, OR
OTHER MEANS.
(3) "PROCURE" OR "PROCUREMENT" MEANS TO ACQUIRE BY
OWNERSHIP OR BY A CONTRACTUAL RIGHT TO USE THE ENERGY FROM, OR
THE CAPACITY OF, AN ENERGY STORAGE SYSTEM.

40-2-203. Procurement mechanisms - determination by
commission - rules. (1) On or before February 1, 2019, the
commission shall consider whether to establish, by rule, as part
of the planning process, mechanisms for the procurement of
energy storage systems by an electric utility; except that these
mechanisms must not affect any open proceedings, ongoing
resource acquisitions, or competitive bidding processes that
existed on February 1, 2018.

(2) In making the determination required by subsection (1)
of this section, the commission shall consider whether the
procurement of energy storage systems by an electric utility
can provide benefits, including:
(a) Increased integration of energy into the transmission
and distribution grid of the electric utility;
(b) Improved reliability of electric transmission and

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DISTRIBUTION SYSTEMS;

(c) A REDUCTION IN THE NEED FOR THE INCREASED GENERATION
OF ELECTRICITY DURING PERIODS OF PEAK DEMAND;

(d) THE AVOIDANCE, REDUCTION, OR DEFERRAL OF INVESTMENT
BY THE ELECTRIC UTILITY IN GENERATION, TRANSMISSION, AND
DISTRIBUTION OF ELECTRICITY;

(e) THE DELIVERY OF ANCILLARY SERVICES THROUGH THE USE OF
ENERGY STORAGE SYSTEMS; AND

(f) THE INTERCONNECTION OF ENERGY STORAGE SYSTEMS AT EACH
POINT OF THE ELECTRIC GRID, INCLUDING FOR THE TRANSMISSION AND
DISTRIBUTION OF ELECTRICITY AND AT THE CUSTOMER’S SITE.

(3) FOR THE PURPOSES OF SUBSECTION (1) OF THIS SECTION, THE
COMMISSION SHALL ESTABLISH, BY RULE AND PURSUANT TO SECTION
40-2-204, MECHANISMS FOR THE PROCUREMENT OF ENERGY STORAGE
SYSTEMS IF THE COMMISSION CONCLUDES THAT, IN CONSIDERATION OF ALL
KNOWN, EXPECTED, AND MEASURABLE BENEFITS AND COSTS, THE
BENEFITS TO CUSTOMERS OF THE ELECTRIC UTILITY ARE LIKELY TO EXCEED
THE COSTS OF THE PROCUREMENT OF ENERGY STORAGE SYSTEMS. SUCH
BENEFITS AND COSTS MAY INCLUDE:

(a) A REDUCTION IN THE NEED FOR THE ADDITIONAL GENERATION
OF ELECTRICITY DURING PERIODS OF PEAK DEMAND;

(b) MORE ECONOMICAL OR EFFICIENT DELIVERY OF ANCILLARY
SERVICES AND REDUCED GENERATION INTEGRATION COSTS;

(c) AVOIDED COSTS FOR ADDITIONAL GENERATION, TRANSMISSION,
AND DISTRIBUTION CAPACITY;

(d) THE BENEFITS ARISING FROM A REDUCTION IN THE EMISSION OF
AIR POLLUTANTS;
(e) The benefits and costs related to voltage support and
other enhancements that are measurable at a sub-hourly level;

(f) The benefits of diversifying the types of resources used
for the generation of electricity;

(g) The administrative costs incurred by the electric
utility;

(h) The cost to the electric utility of the integration of
energy storage systems into the transmission and distribution
grid; and

(i) The cost of energy storage systems.

40-2-204. Implementation of procurement mechanisms -
inclusion in planning processes - rules. (1) If, pursuant to section
40-2-203, the commission determines that it is in the public
interest to establish by rule mechanisms for the procurement of
energy storage systems by an electric utility, the commission
shall adopt rules:

(a) Establishing mechanisms for the inclusion of the full
range of benefits and costs associated with energy storage
systems into the planning conducted by electric utilities;

(b) Requiring electric utilities to provide to the
commission and make available for purposes of independent,
objective evaluation appropriate data and analysis of potential
storage acquisitions in their planning processes, including the
specification of interconnection points;

(c) Establishing that an energy storage system may be
owned by an electric utility or by any other person;

(d) (I) Establishing requirements for the filing by an
ELECTRIC UTILITY OF ACQUISITION PLANS CONTAINING AN ANALYSIS OF
THE INTEGRATION AND USE OF ELECTRIC STORAGE SYSTEMS WITH
VARYING LEVELS OF PROCUREMENT, INCLUDING SUB-HOURLY VALUATION
OF STORAGE SERVICES.

(II) THE REQUIREMENTS UNDER THIS SUBSECTION (1)(d) MUST
INCLUDE THE REQUIREMENT THAT AN ELECTRIC UTILITY PROVIDE IN ITS
ACQUISITION PLANS:

(A) MODELING ASSUMPTIONS USED TO ASSESS THE COSTS AND
BENEFITS OF ENERGY STORAGE SYSTEMS; AND

(B) MODEL CONTRACTS FOR PROCUREMENT OF ENERGY STORAGE
SYSTEMS.

(e) REQUIRING THE ELECTRIC UTILITY TO INCLUDE SUCH OTHER
INFORMATION AS THE COMMISSION MAY REQUIRE IN ITS DOCUMENTATION
RELATING TO PLANNING.

SECTION 3. In Colorado Revised Statutes, 40-2-101, amend
(3)(b)(I) as follows:

40-2-101. Creation - appointment - term - subject to
termination - repeal of part. (3) (b) (I) This article PART 1 is repealed,
effective July SEPTEMBER 1, 2019.

SECTION 4. Safety clause. The general assembly hereby finds,
determines, and declares that this act is necessary for the immediate
preservation of the public peace, health, and safety.