

Second Regular Session
Seventy-first General Assembly
STATE OF COLORADO

INTRODUCED

LLS NO. 18-0275.01 Duane Gall x4335

HOUSE BILL 18-1270

HOUSE SPONSORSHIP

Hansen and Becker J.,

SENATE SPONSORSHIP

Tate,

House Committees
Transportation & Energy

Senate Committees

A BILL FOR AN ACT

101 CONCERNING ENERGY STORAGE, AND, IN CONNECTION THEREWITH,
102 REQUIRING THE PUBLIC UTILITIES COMMISSION TO ESTABLISH
103 MECHANISMS FOR INVESTOR-OWNED ELECTRIC UTILITIES TO
104 PROCURE ENERGY STORAGE SYSTEMS IF CERTAIN CRITERIA ARE
105 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

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters or bold & italic numbers indicate new material to be added to existing statute.
Dashes through the words indicate deletions from existing statute.

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.

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

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

4 **SECTION 2.** In Colorado Revised Statutes, **add** part 2 to article
5 2 of title 40 as follows:

6 PART 2

7 ENERGY STORAGE SYSTEMS

8 **40-2-201. Legislative declaration.** (1) THE GENERAL ASSEMBLY
9 FINDS, DETERMINES, AND DECLARES THAT:

10 (a) ENERGY STORAGE SYSTEMS PROVIDE POTENTIAL
11 OPPORTUNITIES TO:

12 (I) REDUCE COSTS TO RATEPAYERS BY AVOIDING OR DEFERRING
13 THE NEED FOR NEW GENERATION RESOURCES OR FOR UPGRADES TO
14 SYSTEMS FOR THE TRANSMISSION AND DISTRIBUTION OF ENERGY;

15 (II) REDUCE COSTS INCURRED FOR ANCILLARY SERVICES;

16 (III) SUPPORT DIVERSIFICATION OF ENERGY RESOURCES; AND

17 (IV) ENHANCE GRID SAFETY AND RELIABILITY;

18 (b) FOR THESE REASONS, IT IS IN THE PUBLIC INTEREST TO EXPLORE
19 THE USE OF ENERGY STORAGE SYSTEMS IN COLORADO AND TO INTEGRATE
20 INTO THE PLANNING PROCESS MECHANISMS FOR THE PROCUREMENT OF
21 ENERGY STORAGE SYSTEMS BY COLORADO'S ELECTRIC UTILITIES THROUGH
22 EVALUATION AND PROCUREMENT METHODOLOGIES.

23 **40-2-202. Definitions.** AS USED IN THIS PART 2, UNLESS THE

1 CONTEXT OTHERWISE REQUIRES:

2 (1) "ELECTRIC UTILITY" MEANS AN INVESTOR-OWNED ELECTRIC
3 UTILITY SUBJECT TO REGULATION UNDER ARTICLES 1 TO 7 OF THIS TITLE
4 40.

5 (2) "ENERGY STORAGE SYSTEM" MEANS COMMERCIALY
6 AVAILABLE TECHNOLOGY THAT IS CAPABLE OF RETAINING ENERGY,
7 STORING THE ENERGY FOR A PERIOD OF TIME, AND DELIVERING THE
8 ENERGY AFTER STORAGE BY CHEMICAL, THERMAL, MECHANICAL, OR
9 OTHER MEANS.

10 (3) "PROCURE" OR "PROCUREMENT" MEANS TO ACQUIRE BY
11 OWNERSHIP OR BY A CONTRACTUAL RIGHT TO USE THE ENERGY FROM, OR
12 THE CAPACITY OF, AN ENERGY STORAGE SYSTEM.

13 **40-2-203. Procurement mechanisms - determination by**
14 **commission - rules.** (1) ON OR BEFORE FEBRUARY 1, 2019, THE
15 COMMISSION SHALL CONSIDER WHETHER TO ESTABLISH, BY RULE, AS PART
16 OF THE PLANNING PROCESS, MECHANISMS FOR THE PROCUREMENT OF
17 ENERGY STORAGE SYSTEMS BY AN ELECTRIC UTILITY; EXCEPT THAT THESE
18 MECHANISMS MUST NOT AFFECT ANY OPEN PROCEEDINGS, ONGOING
19 RESOURCE ACQUISITIONS, OR COMPETITIVE BIDDING PROCESSES THAT
20 EXISTED ON FEBRUARY 1, 2018.

21 (2) IN MAKING THE DETERMINATION REQUIRED BY SUBSECTION (1)
22 OF THIS SECTION, THE COMMISSION SHALL CONSIDER WHETHER THE
23 PROCUREMENT OF ENERGY STORAGE SYSTEMS BY AN ELECTRIC UTILITY
24 CAN PROVIDE BENEFITS, INCLUDING:

25 (a) INCREASED INTEGRATION OF ENERGY INTO THE TRANSMISSION
26 AND DISTRIBUTION GRID OF THE ELECTRIC UTILITY;

27 (b) IMPROVED RELIABILITY OF ELECTRIC TRANSMISSION AND

1 DISTRIBUTION SYSTEMS;

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

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

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

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

12 (3) FOR THE PURPOSES OF SUBSECTION (1) OF THIS SECTION, THE
13 COMMISSION SHALL ESTABLISH, BY RULE AND PURSUANT TO SECTION
14 40-2-204, MECHANISMS FOR THE PROCUREMENT OF ENERGY STORAGE
15 SYSTEMS IF THE COMMISSION CONCLUDES THAT, IN CONSIDERATION OF ALL
16 KNOWN, EXPECTED, AND MEASURABLE BENEFITS AND COSTS, THE
17 BENEFITS TO CUSTOMERS OF THE ELECTRIC UTILITY ARE LIKELY TO EXCEED
18 THE COSTS OF THE PROCUREMENT OF ENERGY STORAGE SYSTEMS. SUCH
19 BENEFITS AND COSTS MAY INCLUDE:

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

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

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

26 (d) THE BENEFITS ARISING FROM A REDUCTION IN THE EMISSION OF
27 AIR POLLUTANTS;

- 1 (e) THE BENEFITS AND COSTS RELATED TO VOLTAGE SUPPORT AND
- 2 OTHER ENHANCEMENTS THAT ARE MEASURABLE AT A SUB-HOURLY LEVEL;
- 3 (f) THE BENEFITS OF DIVERSIFYING THE TYPES OF RESOURCES USED
- 4 FOR THE GENERATION OF ELECTRICITY;
- 5 (g) THE ADMINISTRATIVE COSTS INCURRED BY THE ELECTRIC
- 6 UTILITY;
- 7 (h) THE COST TO THE ELECTRIC UTILITY OF THE INTEGRATION OF
- 8 ENERGY STORAGE SYSTEMS INTO THE TRANSMISSION AND DISTRIBUTION
- 9 GRID; AND
- 10 (i) THE COST OF ENERGY STORAGE SYSTEMS.

11 **40-2-204. Implementation of procurement mechanisms -**
12 **inclusion in planning processes - rules.** (1) IF, PURSUANT TO SECTION
13 40-2-203, THE COMMISSION DETERMINES THAT IT IS IN THE PUBLIC
14 INTEREST TO ESTABLISH BY RULE MECHANISMS FOR THE PROCUREMENT OF
15 ENERGY STORAGE SYSTEMS BY AN ELECTRIC UTILITY, THE COMMISSION
16 SHALL ADOPT RULES:

- 17 (a) ESTABLISHING MECHANISMS FOR THE INCLUSION OF THE FULL
- 18 RANGE OF BENEFITS AND COSTS ASSOCIATED WITH ENERGY STORAGE
- 19 SYSTEMS INTO THE PLANNING CONDUCTED BY ELECTRIC UTILITIES;
- 20 (b) REQUIRING ELECTRIC UTILITIES TO PROVIDE TO THE
- 21 COMMISSION AND MAKE AVAILABLE FOR PURPOSES OF INDEPENDENT,
- 22 OBJECTIVE EVALUATION APPROPRIATE DATA AND ANALYSIS OF POTENTIAL
- 23 STORAGE ACQUISITIONS IN THEIR PLANNING PROCESSES, INCLUDING THE
- 24 SPECIFICATION OF INTERCONNECTION POINTS;
- 25 (c) ESTABLISHING THAT AN ENERGY STORAGE SYSTEM MAY BE
- 26 OWNED BY AN ELECTRIC UTILITY OR BY ANY OTHER PERSON;
- 27 (d) (I) ESTABLISHING REQUIREMENTS FOR THE FILING BY AN

1 ELECTRIC UTILITY OF ACQUISITION PLANS CONTAINING AN ANALYSIS OF
2 THE INTEGRATION AND USE OF ELECTRIC STORAGE SYSTEMS WITH
3 VARYING LEVELS OF PROCUREMENT, INCLUDING SUB-HOURLY VALUATION
4 OF STORAGE SERVICES.

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

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

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

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

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

17 **40-2-101. Creation - appointment - term - subject to**
18 **termination - repeal of part.** (3) (b) (I) This ~~article~~ PART 1 is repealed,
19 effective ~~July~~ SEPTEMBER 1, 2019.

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