HOUSE BILL 18-1270

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.

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 system costs;
(II) support diversification of energy resources; and
(III) 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 requires:

(1) "Electric utility" means an investor-owned electric utility subject to regulation under articles 1 to 7 of this title
"Energy storage system" means commercially 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.

"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.

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 grid of the electric utility;

(b) Improved reliability of the grid;

(c) A reduction in the need for the increased generation of electricity during periods of peak demand; and

(d) The avoidance, reduction, or deferral of investment
BY THE ELECTRIC UTILITY.

(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 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 SHALL INCLUDE:

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

(b) REDUCED OR ADDED GENERATION INTEGRATION COSTS;

(c) AVOIDED OR ADDED COSTS TO THE ELECTRIC UTILITY FOR THE INTEGRATION OF ENERGY STORAGE SYSTEMS;

(d) THE BENEFITS OF DIVERSIFYING THE TYPES OF RESOURCES USED FOR THE GENERATION OF ELECTRICITY;

(e) THE ADMINISTRATIVE COSTS INCURRED BY THE ELECTRIC UTILITY; AND

(f) 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 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 allowing electric utilities to provide to third parties, appropriate data and analysis of potential storage acquisitions in their planning processes, including potential 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. (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.

(2) On or before May 1, 2019, electric utilities may file applications for rate-based projects, not to exceed fifteen megawatts of capacity, for energy storage systems.
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. Act subject to petition - effective date. This act
takes effect at 12:01 a.m. on the day following the expiration of the
ninety-day period after final adjournment of the general assembly (August
8, 2018, if adjournment sine die is on May 9, 2018); except that, if a
referendum petition is filed pursuant to section 1 (3) of article V of the
state constitution against this act or an item, section, or part of this act
within such period, then the act, item, section, or part will not take effect
unless approved by the people at the general election to be held in
November 2018 and, in such case, will take effect on the date of the
official declaration of the vote thereon by the governor.