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California Plans to Set Energy Storage Targets

by Sylvia K. Burks and Ronald A. Fleming

On September 30, 2010, California Governor Arnold Schwarzenegger signed into law ground-breaking legislation which could result in utilities setting targets for energy storage procurement. The legislation will likely boost the adoption of battery and other energy storage technologies in California, which could enable a broader use of renewable energy.

Modernization of the grid will enable the entire electricity supply and delivery chain to operate in a more reliable, efficient, secure and affordable manner and enable a higher level of environmental protection through increased capabilities for cost-effectively integrating renewable, energy efficient, and less carbon-intensive technologies. A major obstacle to the implementation of a new “smart grid” has been the absence of cost-effective energy storage systems, which will be able to absorb energy, store it for a period of time and thereafter dispatch it. It is hoped that the availability of advanced, scalable energy storage technology may avoid the expense and the adverse environmental impacts resulting from costly fossil-fuel-based peaking power plants, and increase the use of—and integrate more smoothly—renewable power such as wind and solar.

California AB 2514 will require the California Public Utility Commission to establish by March 2012 a review process to develop energy storage targets by October 1, 2013. The first stage goal for investor-owned utilities would be December 31, 2015, and the second stage goal would be December 31, 2020. Publicly owned utilities would set their own energy storage targets by October 1, 2014, and such targets would have to be met by 2016 and 2021. Setting procurement targets for energy storage systems will require that utilities integrate energy storage systems into their electricity distribution systems.

The new legislation includes batteries within the definition of energy storage system. While there is much work being done on battery technology, there is currently no commercially available battery that can cost-effectively store the large amounts of electricity that can be produced by large-scale wind farms or solar farms. The legislation’s definition of an energy storage system accommodates a broad range of currently used processes, as well as technologies currently being developed. These include compressed air, flywheels, fuel cells, and pump storage, where water is pumped into a reservoir at night and then released through turbines during the day to produce electricity.

This legislation could add new impetus to the energy storage sector in California by creating mandates for energy storage systems. Under the new legislation, energy storage systems may be owned by investor-

owned utilities, public electric utilities, a customer of a public or investor-owned electric utility, a third party, or a joint venture among any of the foregoing. So the universe of purchasers of energy storage systems is not restricted solely to those which would be required to comply with the mandates when procurement targets are set.

It should be noted that, while most interested parties believe that the CPUC will set procurement targets, the legislation does not require that any minimum target be established. The CPUC could determine that the target be set at zero. If no significant target is set, California may not see the accelerated implementation of energy storage systems that it is hoped will result from this legislation.

If you have any questions about the content of this alert, please contact the Pillsbury attorney with whom you regularly work, or the authors of this alert.

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