



DRA Proposed Amendments SB 14 (Simitian, Kehoe, Padilla, Steinberg)

Renewable Portfolio Standard

- ◆ **Ensure Cost transparency** - DRA believes that the cost transparency and ratepayer protection goals created by SB 107 (Simitian, 2006) & SB 1036 (Perata, 2007) should be strengthened by (i) requiring the California Public Utilities Commission (CPUC) to oversee the allocation of ratepayer funds by the IOUs to pursue renewable projects (including indirect costs and transmission upgrades) and by (ii) requiring each IOU to spend up to 10% of their total annual energy procurement (as discussed below) to achieve their renewable goals. In return, this will allow the Legislature, the CPUC, and DRA to monitor total costs for meeting RPS goals and track how funds are being allocated.

DRA Recommendation – *DRA suggests, as a starting point for such discussions, that the current process that provides ratepayer funds for IOUs to procure or build renewable projects (including indirect, integration, and transmission upgrade costs) up to 10% of their total annual energy procurement costs for each utility.*

Justification

This would (i) create a clearinghouse for renewable funding, (ii) contain costs for renewable projects and (iii) create much needed accountability for the allocation of these funds.

- ◆ **Enhance Reporting Requirements** – The CPUC should be required to (i) include in their RPS Progress Report all of the direct and indirect costs associated with achieving RPS goals and (ii) prepare this report in consultation with the Air Resources Board to compare/contrast the costs of meeting AB 32 (Nunez, 2006) emission reductions goals with achieving RPS goals to ensure integration and avoid duplication where possible, (iii) report on Federal funding designated for states to achieve renewable energy goals.

SB 14, as amended on January 29, 2009

P. 30, lines 35-38 requires the PUC to "...report to the Legislature by January 1, 2012, and every two years thereafter, on the progress and status of procurement activities, the identification of barriers, and policy recommendations for achieving the goals set forth in this paragraph."

DRA Proposed Amendment

P. 30, lines 35-38 be amended as follows – "The commission, *in consultation with the Air Resources Board*, shall report to the Legislature by January 1, 2012, and every two years thereafter, on the progress and status of procurement activities, the identification of barriers,



the total costs of meeting RPS goals, and a comparison of the costs of meeting AB 32 emission reductions through the RPS compared to achieving GHG emission reductions through other strategies, Federal funding available for renewable energy, and including policy recommendations and program modifications to achieving the goals set forth in this paragraph.

Justification

- Encourages continued accountability of RPS
- Ensures integration between RPS and GHG Programs
- As the challenges and costs of achieving 33% renewable energy increase, other GHG emission reduction strategies may become more achievable and cost effective.

- ◆ **Strengthen Cost Containment Goals** – Require the CPUC to modify the current Market Price Referent (MPR) to (i) track all costs associated with RPS implementation such as transmission costs, integration costs and the market price of conventional energy that would be used in place of renewables and to (ii) utilize most current estimated prices for procuring generation for comparison purposes.

SB 14, as amended on January 29, 2009

Page 28, lines 28–32, ~~“(A) A process for determining market prices pursuant to subdivision (c) of Section 399.15. The commission shall make specific determinations of market prices after the closing date of a competitive solicitation conducted by an electrical corporation for eligible renewable energy resources.”~~

DRA Proposed Amendment

Page 28, line 28, insert:

- (A) *A process for determining prices for similar energy products pursuant to subdivision (c) of Section 399.15. The Commission shall make a specific determination of equivalent market prices after the closing date of a competitive solicitation conducted by an electrical corporation. The equivalent market price shall be determined from the market prices of generation offered during that solicitation, or the most recent all source solicitation, and shall be used as a benchmark for determining the costs for renewables purchased as a result of that solicitation.*
- (B) *The equivalent cost for renewables shall include estimates of indirect costs associated with integration of renewable generation including transmission investments, and ongoing utility expenses resulting from integrating and operating renewable energy resources.*



Justification

The current MPR is used as a benchmark to compare the cost of renewable products to the price of products with similar characteristics available in the market. By making these changes, the MPR continues to accomplish the goals below as well as reflect all of the costs associated with RPS implementation.

- Continues to price power received through small generators that sell excess power to the utilities through feed-in tariffs.
- Provides stabilizing pressure on prices so that the RPS can be achieved at the lowest possible cost to customers.
- Allows the utilities to have greater leverage in negotiating the best possible prices for new renewable resources.
- Is used by non-market participants such as DRA, to evaluate the cost effectiveness of specific contracts during Request For Offer (RFO) negotiations.

- ◆ **Promote Flexible Compliance** - DRA believes the flexible compliance provisions should be extended from 3 years to 5 years to provide more time to overcome RPS implementation barriers.

SB 14, as amended on January 29, 2009

P. 29, lines 7-13 “B) Flexible rules for compliance, including rules permitting retail sellers to apply excess procurement in one year to subsequent years or inadequate procurement in one year to no more than the following three years. The flexible rules for compliance shall apply to all years, including years before and after a retail seller procures at least 20 percent by 2010, and 33 percent by 2020, of total retail sales of electricity from eligible renewable energy resources.

DRA Proposed Amendment

P. 29, lines 7-13 B) Flexible rules for compliance, including rules permitting retail sellers to apply excess procurement in one year to subsequent years or inadequate procurement in one year to no more than the following ~~three~~ **five** years. The flexible rules for compliance shall apply to all years, including years before and after a retail seller procures at least 20 percent by 2010, and 33 percent by 2020, of total retail sales of electricity from eligible renewable energy resources.

Justification

Preliminary analysis conducted on achieving 33% RPS indicates that it will be very difficult to reach 33% renewables by 2020. Increasing flexible compliance to five years will:

- Help reduce the inherent market power created as a result of the 33% RPS further constraining resource options.



- Allow more procurement of renewable resources during optimal market conditions, thereby protecting ratepayers from unnecessary costs.
- Help to mitigate the stranded investment in conventional generation caused as a result of procurement of renewable energy required to meet the RPS, which is outpacing load growth.
- Reduce regulatory pressure to approve compliance options that would reduce program benefits.

AB 1X

- ◆ **Consumer Protections Must Be Preserved** – The AB 1X rate protection provisions in SB 14 reflect most but not all of a package put forth by consumer groups and IOUs in 2008. The DRA agreed-to suggestions not included are: (i) substituting “time-variant pricing” for “dynamic pricing”, (ii) defining “time variant pricing” and (iii) the provision that would guarantee low CARE tier 3 rates for PG&E.

- ▶ **Time Variant Pricing** - Substituting “time-variant pricing” for “dynamic pricing”.

SB 14, as amended on January 29, 2009

P. 57, lines 22-36 specifies,” (a) The commission shall not require or permit an electrical corporation to employ mandatory dynamic pricing for residential customers. (b) The commission may authorize an electrical corporation to offer residential customers the option of receiving service pursuant to dynamic pricing. (c) The commission may, beginning January 1, 2016, authorize an electrical corporation to employ default dynamic pricing for residential customers, if the customer has the option of receiving service pursuant to a rate schedule that is not based upon dynamic pricing. The commission shall only approve an electrical corporation’s default use of dynamic pricing if residential customers that exercise the option to not receive service pursuant to dynamic pricing incur no additional costs as a result of the exercise of that option.

DRA Proposed Amendment

P. 57, lines 22-36 specifies, (a) The commission shall not require or permit an electrical corporation to employ mandatory ~~dynamic pricing~~ **time-variant pricing** for residential customers. (b) The commission may authorize an electrical corporation to offer residential customers the option of receiving service pursuant to ~~dynamic pricing~~ **time-variant pricing**. (c) The commission may, beginning January 1, 2016, authorize an electrical corporation to employ default ~~dynamic pricing~~ **time-variant pricing** for residential customers, if the customer has the option of receiving service pursuant to a rate schedule that is not based upon ~~dynamic pricing~~ **time-variant pricing**. The commission shall only approve an electrical



corporation's default use of ~~dynamic pricing~~ **time-variant pricing** if residential customers that exercise the option to not receive service pursuant to ~~dynamic pricing~~ **time-variant pricing** incur no additional costs as a result of the exercise of that option."

► **Time Variant Pricing** - Defining "time variant pricing".

DRA & TURN Joint Proposed Amendment

P. 57, line 37, add "time-variant pricing" includes, but is not limited to, time-of-use rates, critical peak pricing, and real-time pricing, but does not include programs such as peak time rebates, which provide customers with discounts from the standard tariff rate as an incentive to reduce consumption at certain times."

Justification

DRA's "time-variant pricing" amendments clarify existing law by defining "time-variant pricing" and lists many of the residential programs that would be prohibited.

► **Guaranteed low CARE tier 3 rates for PG&E**

SB 14, as amended on January 29, 2009

P. 56, lines 14-31 specifies "Rates charged CARE program participants shall not have more than three tiers. An electrical corporation that does not have a tier 3 CARE rate may introduce a tier 3 CARE rate that, in order to moderate the impact on program participants whose usage exceeds 130 percent of baseline quantities, shall be phased in to 80 percent of the corresponding rates charged residential customers not participating in the CARE program, excluding any Department of Water Resources bond charge imposed pursuant to Division 27 (commencing with Section 80000) of the Water Code, the CARE surcharge portion of the public goods charge, any charge imposed pursuant to the California Solar Initiative, and any other charge imposed to fund a program that exempts CARE participants from paying the charge. Any additional revenues collected by an electrical corporation resulting from the adoption of a tier 3 CARE rate shall, until the utility's next periodic general rate case review of cost allocation and rate design, be tracked and credited to reduce rates of residential ratepayers not participating in the CARE program with usage above 130 percent of baseline quantities."

DRA Proposed Amendment

P. 56, line 26, add "For electrical corporations which currently do not have a tier 3 CARE rate, the initial rate shall be no more than 150% of the CARE baseline rate and any additional revenues collected by an electrical corporation..." before "Any additional revenues..."



Justification

This amendment would protect PG&E CARE tier 3 customers from high introductory CARE tier 3 rates.

Contact Information

If you have any questions or would like to discuss DRA's SB 14 position letter or amendments further, please call Matthew Marcus our Legislative Director at (916) 327-3455.