

Women's Energy Matters (WEM) appreciates the opportunity to comment on Southern California Edison (SCE) Local Capacity Resource (LCR) Living Pilot (LP). LP is the long awaited opportunity to move towards a more sustainable and cost effective energy resource mix. Since this is the first opportunity for Non-Generation Resources (NGRs) such as Energy Efficiency, Demand Response, and Energy Storage to replace Traditional "spinning steel" type fossil fuel Generation, it is critically important to get the LP right.

Utilities and regulators, building off of a century of experience, know how to value and procure Traditional Generation (TG) resources. This experience suffuses the procurement process, where the lessons learned from solicitations, and operations help shape how those resources are acquired today. The LP gives an opportunity to accelerate the development of a mature market where NGRs can regularly compete with generation.

In Comments on the September SCE RFO for LCR (13-IEP-1D Electricity Infrastructure Issues), WEM commented on four structural difficulties that need to be addressed in order for NGRs to compete on an even playing field with TG: inability of NGR providers to secure long-term revenue streams via PPA or similar contractual mechanisms, the requirement for NGR bidders to already have projects in hand in order to bid, exclusionary contractual requirements for insurance that are not scaled to the size of the offer, and the apparent inability of NGRs to benefit from the locational premium that should accrue from being at the customer end of the Transmission and Distribution (T&D) grid. Whilst those concerns are yet to be addressed, WEM is confident that the Commission will address them, so in this paper we wish to look at the larger picture.

The larger picture is that NGRs will eventually need to compete to supply resources to specific markets on a cost effective basis. The LP should be focused upon

the tasks needed to clear procedural obstacles from allowing this to occur:

Technology Neutrality. The value of a resource should be independent of manufacturer or method of accomplishment, and instead be based upon delivered characteristics.

Payment Equality. NGRs delivering multiple benefits, including capacity, energy, greenhouse gas reduction or ancillary benefits should be paid equally to TG.

Neutrality of Measurement. Common methods of evaluating NGR benefits, including baseline calculation, delivered impacts, response times, or verification for settlement.

Open Access. Because different NGR vendors will have different approaches, each with a different target equipment class, all of which can be present in the same territory, multiple vendors should be able to compete in an area, even if that means more metering.

Independent Appeal Process. Not all obstacles are currently known, especially as technologies advance. A dedicated neutral arbiter, independent of both SCE and the vendors, should be appointed to make rapid, fact-based decisions on issues that arise.

Example. An RFO is issued, and multiple vendors respond with offers that are lower than those for fossil fuel alternatives. Vendor A offers 10 MW of flexible capacity from a portfolio of Evaporative Pre-Coolers to be added to existing large air-cooled HVAC equipment in the target area. The offer includes timelines for delivery, a capacity payment per KW at commissioning and annually thereafter, a certain number of “must buy” hours per year at a given rate, and standard settlement procedures, including liquidated damages for a failure to deliver. Vendor B offers a similar portfolio and terms, but their portfolio consists of TES projects for existing chill water system. Vendor C offers to run a focused EE program for permanent peak reduction. It is lower cost, but is not dispatchable for load balancing. All of these are currently available technologies, and

all go after different peak load equipment profiles that exist in the same territory: A, Boxcar HVAC; B, Chillers; C, small package units.

The LP could facilitate this transformation by helping to clear the obstacles currently impeding this approach. How are baseline values measured, is it pre/post monitoring or some other method? How are ex post performance figures from an implementer verified, particularly if there are multiple different vendors in a territory? Can verification use existing advanced metering infrastructure as a check-sum? What is the shape (amplitude and time) of the curve for dispatched curtailment of these or other technologies that come into the market later, and how is that shape determined? How is settlement for NGRs different than that for TG? How can NGR portfolio developers start to bid in to compete on a cost basis against future generation contracts or T&D upgrades? How is contract language different for NGRs than for standard generation? When there are disputes in any of the above, what non-IOU mechanism exists for rapidly giving an interim decision that allows limited but sufficient testing to move forward without necessarily setting final precedent?

In the end WEM believes that NGRs do not need a special carve out or extraordinary incentives in order to succeed, but they should not be subjected to the distorted procurement process of the current LCR RFO either. The LP is a unique chance to rapidly iterate small projects focused on completing the specific tasks needed to allow parity between NGRs and TG from offer to operation to settlement. In facilitating these tasks the LP can accelerate the market transformation needed to allow NGRs an even playing field. Michael Day, Rockwood Consulting, Michael@rockwood-consulting.com, (916) 416-2250, for WEM