BEFORE THE
PUBLIC UTILITIES COMMISSION
OF THE
STATE OF CALIFORNIA

Order Instituting Rulemaking to Oversee the Resource Adequacy Program, Consider Program Refinements, and Establish Annual Local Procurement Obligations.	)))))	Rulemaking 11-10-023 (Filed October 20, 2011)

Reply Comments of the California Wind Energy Association On the Order Instituting Rulemaking And Priority Issues for This Proceeding

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On behalf of
CALIFORNIA WIND ENERGY ASSOCIATION

November 21, 2011

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In accordance with Ordering Paragraph 5 of the above-captioned order instituting rulemaking (OIR) on resource adequacy (RA) matters, the California Wind Energy Association (CalWEA) respectfully presents its reply comments on the scope of this case, the priority of the issues that this proceeding should address, and how the Commission should schedule consideration of those issues. In these reply comments, CalWEA responds to certain of the opening comments filed on November 7, 2011.

I. The Commission Should Conduct the ELCC Studies Required in P.U. Code Section 399.26(d) in an Open and Transparent Manner.

CalWEA strongly supports the opening comments of Pacific Gas & Electric (PG&E), the Utility Reform Network (TURN), the Center for Energy Efficiency and Renewable Technologies (CEERT), and the Large-scale Solar Association (LSA) that the scope of this case must include the preparation and review of new studies of the effective load carrying capacity (ELCC) of wind and solar resources in California, as mandated in P.U. Code Section 399.26(d).[1] This new law, enacted as part of the SB 1x 2 legislation establishing a 33% Renewable Portfolio standard goal by 2020, states that the Commission shall determine the ELCCs of wind and solar energy resources on the California electrical grid, and use these values in establishing the contribution of wind and solar energy resources to a utility's resource adequacy requirements. CalWEA

[1] PG&E Comments, at 3; CEERT Comments, at 4-8; TURN Comments, at 3; and LSA Comments, at 3.

welcomes this new legislation, as CalWEA believes that the existing RA counting rule for wind and solar resources, adopted in D. 09-06-028, lacks an adequate foundation in state-of-the-art ELCC studies of the contribution of intermittent renewable resources to system reliability. Indeed, like CEERT, CalWEA also has an outstanding application for rehearing of D. 09-06-028 based on the lack of a reasonable basis for the RA counting rule for wind and solar that was adopted in that order. P.U. Code Section 399.26(d) now provides the Commission with the opportunity to remedy this deficiency in its RA program, and the Commission should include this issue within the scope of this proceeding.

CalWEA notes that the parties commenting on this new code section did not discuss the crucial issue of the process that the Commission should use to develop these new ELCC studies. CalWEA believes that it is critically important for the Commission to establish an open and transparent process for the completion of these ELCC studies. CalWEA offers, as a good model, the approach that the Commission and the California Independent System Operator (CAISO) took to the development of the modeling of the integration requirements for a 33% RPS in the current Long-term Procurement Planning (LTPP) proceeding (R. 10-05-006). In the LTPP case, the Commission conducted workshops and took comments on both the major input assumptions and the methodology used in this modeling, and provided parties with interim results to review and critique, before the CAISO and other parties served testimony on their final model runs. The result of that open process was that a wide range of parties were able to agree on the conclusions to be drawn from this groundbreaking modeling and on the next steps that needed to be taken to continue to move forward on the complex and important issues associated with integrating a high penetration of renewable resources.[2] Like the integration modeling for a 33% RPS, these ELCC studies will be of substantial interest to many diverse parties, and parties' confidence in the results will be greatly enhanced if the Commission uses an open and collaborative process to their development and execution.

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[2] *See* "Motion for Expedited Suspension of Track 1 Schedule, and for Approval of Settlement Agreement between and among [23 Parties]" (filed August 3, 2011 in R. 10-05-006).

CalWEA recognizes that a reasonable amount of time will be needed to develop these new ELCC studies, particularly given the open and collaborative process that CalWEA strongly recommends. Accordingly, CalWEA does not oppose placing this issue in a distinct phase of this case that is separate from issues, such as the review and setting of annual local procurement obligations, that must be resolved by mid-2012. That said, CalWEA does agree with the opening comments of CEERT, TURN, and LSA that this phase and the development of these ELCC studies should begin as soon as possible, given that the time deadline for completion of these studies in P.U. Code Section 399.36(d) is already in the past. CalWEA suggests that the Commission set a goal of mid-2012 for completion of the new ELCC studies, with final Commission review of this work, and the adoption of a new counting rule for wind and solar resources based on this work, to be finished by the end of 2012.

II. The Commission Should Reconsider New Paradigms for Resource Adequacy Valuation.

The Large-Scale Solar Association and Brightsource Energy argue in their opening comments that the Commission should reconsider RA rules to better reflect the reliability characteristics of renewable resources. CalWEA agrees. The utilities' current approach to valuing renewable energy resources assumes that the generator will either have "energy-only" status, and not provide any RA value, or "full capacity" status, and provide RA value in accordance with the Commission's decisions relating to calculation of qualifying capacity. This unduly narrow approach has resulted in a preference among utility buyers for projects that have "full capacity" status and provide some level of RA capacity.

However, due to a broken deliverability assessment process used by the CAISO and its member Participating Transmission Owners (PTOs), a market that requires all resources to obtain "full capacity" status does not provide the most efficient approach to planning the transmission system. To obtain "full capacity" status, a project must elect such status in the CAISO interconnection process (or the PTO's equivalent distribution-

level processes) and then execute an interconnection agreement that requires additional Delivery Network Upgrades (as defined in the CAISO tariff) to be built. The CAISO currently designs Delivery Network Upgrades (DNUs) to meet extremely rare system conditions – essentially, operating conditions that might arise, literally, once every several thousand years. Thus, the typical result of the market's current de facto requirement to obtain "full capacity" status is over-designed, extremely expensive upgrades that present enormous market-entry barriers to generators. Based on the current CAISO tariff, the NU costs are initially funded by the interconnecting generator, subject to refund after achieving commercial operation, which leads to increased costs for utility customers (who ultimately fund such upgrades through the transmission component of rates). The CAISO is currently working on a tariff amendment to require the interconnecting generator to fund a portion or all the costs of such upgrades.

Requiring all resources to obtain "full capacity" status does not provide the most efficient approach to meeting RA procurement obligations either. In some cases, the cost for these upgrades is significantly higher than the cost to obtain an equivalent quantity of RA capacity in the broader RA market. To address these circumstances, the Commission should provide developers and utilities the flexibility to forego supply of RA capacity from the renewable generator (i.e., allow it to proceed with "energy-only" status), either through a bid that does not provide any RA capacity, or through a bid in which the developer has packaged RA capacity supplied by a third party with the "energy-only" renewable generator. This approach would allow utilities to meet both RPS and RA procurement obligations in a more efficient manner by substituting low-cost third party RA capacity for the high-cost transmission upgrades required to provide RA directly from the renewable generator when such upgrade costs exceed the cost of third party RA supply. To implement this flexibility, the LCBF process should be modified to value expressly and transparently the renewable energy and RA components of a bid on independent bases, including careful Commission oversight of the proposed RA-related terms of the IOUs' RPS solicitation protocols and pro forma RPS PPAs. The LCBF analysis should also factor in the cost of any expected curtailment to generators in the area. This would allow the Commission and the market to evaluate and deliver the least-

cost solution to RA and RPS procurement obligations. These changes to the LCBF process should either be addressed here in Rulemaking 11-10-023, or in the general RPS proceeding, Rulemaking 11-05-005.

Additionally, to facilitate a long-term solution to the high cost of "full capacity" status, the Commission should encourage the CAISO to revise the methodology and assumptions used in its interconnection study processes and address major transmission constraints in its annual Transmission Planning Process, where the Federal Energy Regulatory Commission has authorized the CAISO to plan for "policy-driven upgrades," to promote the achievement of state policy goals or upgrades that are designed to eliminate excessive congestion in the CAISO controlled grid. Done correctly, we would expect to see such planning produce the type of foundational upgrades that were included in the 2010 Conceptual Transmission Plan developed under the state's Renewable Energy Transmission Initiative ("RETI"). Developing and pursuing such a plan would relieve renewable generators of the financial and transmission-timeline burdens they now face, which in turn would promote greater generator competition and resolve CAISO interconnection queue bottlenecks as well as recurring dropout and re-entry of generation projects.

CalWEA appreciates the Commission's attention to these reply comments.

Respectfully submitted,

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