BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Continue Implementation and Administration of California Renewables Portfolio Standard Program.	Rulemaking 11-05-005 (Filed May 5, 2011)

CALIFORNIA SOLAR ENERGY INDUSTRIES ASSOCIATION
INITIAL COMMENTS ON RENEWABLE FEED-IN TARIFF STAFF PROPOSAL, DATED OCTOBER 13, 2011

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Introduction

Per the Administrative Law Judge's Ruling issuing the *October 13, 2011 Renewable FIT Staff Proposal (Staff Proposal)* on pricing and related issues for implementing Senate Bill 32 and Senate Bill 2 1X amendments to § 399.20, the California Solar Energy Industries Association (CALSEIA) provides the following initial comments on this *Staff Proposal*.

Comments on Section VI. Guiding Principles and Overview of Staff Proposal, Staff Proposal High Level Overview

The staff "proposes to make the Renewable FIT a subset of [the] RAM …" CALSEIA opposes this proposed characterization. Former SB 32 created a 750 MW Renewable FIT program to overcome difficulties faced by "…(s)mall projects of less than three megawatts … in participating in competitive solicitations under the renewables portfolio standard program."[1] The RAM is an example of the competitive solicitations, which SB 32 intended developers of small-scale renewable generators to avoid. By describing the Renewable FIT as a subset of the RAM, the *Staff Proposal* implies the FIT's subordinate status. The Renewable FIT was created by state law and is a program in its own right.

The Commission's RAM Decision explained that the "…primary goal of RAM is to support the development of small generation that can interconnect quickly to the distribution system…[and to] avoid larger projects needing transmission line upgrades."[2] The current RAM program, however, no longer matches this description. For example, the minimum-size of a RAM contract is 1 MW.[3] Larger RAM facilities (up to 20 MW) may interconnect to the transmission system, and may require transmission-line upgrades.

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[1] Former SB 32 is now Chapter 328 of the Statutes of 2009. See **http://www.leginfo.ca.gov/pub/09-10/bill/sen/sb_0001-0050/sb_32_bill_20091011_chaptered.pdf**.

[2] *Decision Adopting the Renewable Auction Mechanism*, Decision 10-12-048, issued December 16, 2010, page 65, **http://docs.cpuc.ca.gov/published/Final_decision/128432.htm**

[3] Developers are allowed to bid generation from two 500 kW projects, but the contract would still be for 1 MW.

SB 32 was designed for even smaller-scale facilities than those capable of bidding into RAM. For example, Renewable FIT systems can be less than 1 MW. Theoretically, projects between 1 and 3 MW could participate in either the RAM or the Renewable FIT program, but CALSEIA doubts that projects between 1 MW and 3 MW would be successful in lowest-price-wins competitions against 20 MW projects.

CALSEIA questions how the Commission could characterize the Renewable FIT program as a "subset" of RAM, when the RAM Decision stated that the RAM "…is not a QF program."[4] The proposed Renewable FIT program would require sellers to register or self-certify as QFs with the Federal Energy Regulatory Commission.

Comments on Pricing, Determining a FIT Base Price

The *Staff Proposal* makes the Renewable FIT a QF program, so that the Commission can require utilities to purchase energy from Renewable FIT generators at administratively set prices. The *Staff Proposal* asserts that contract prices from the 2011 RAM competitive solicitation should be used to establish the first Renewable FIT contract prices, because FIT procurement enables utilities to "avoid" procuring generation from RAM-contracted facilities. CALSEIA opposes the *Staff Proposal's* use of technology-neutral, RAM-contract prices to establish the first FIT-contract prices for the following reasons.

Generation from 20 MW "peaking as-available" facilities should not be used to set prices for "peaking as-available" FIT generators below 1 MW, because of the disparity in project scale.

[4] *Decision Adopting the Renewable Auction Mechanism*, Decision 10-12-048, issued December 16, 2010, page 73, **http://docs.cpuc.ca.gov/published/Final_decision/128432.htm**

CALSEIA is concerned that this initial-price-setting approach will ultimately exclude generators between 1 MW from participating in the Renewable FIT, because the price would be set based on the cost of generation from larger (and presumably, less expensive) renewable generators. While the *Staff Proposal* includes a mechanism for adjusting FIT prices up or down in the future, based on market response, the Renewable FIT program is only a 750 MW program and CALSEIA foresees the potential for all of this 750 MW capacity taken up by larger, eligible FIT generators (for example, 3 MW) before prices could be adjusted upward to enable smaller, eligible systems to participate.

Commission staff opted out of setting technology-specific prices for the Renewable FIT program, because the RPS, itself, has no set-asides for specific technologies. CALSEIA urges the Commission to reconsider this approach.

FERC regulations allow the Commission to set technology-specific avoided costs. Specifically, "…Avoided cost rates may also "differentiate among qualifying facilities using various technologies on the basis of the supply characteristics of the different technologies."[5]

CALSEIA is concerned that RAM solicitations may not receive enough bids from solar photovoltaic generators 1 to 3 MW under the "peaking as available" bid option to set an appropriate price for this type of generation technology under the Renewable FIT program.

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[5] Order Granting Rehearing and Clarification, FERC Docket No. EL 10-64-001 and EL 10-66-001, issued October 21, 2010, p. 11, and referring to 18 C.F.R. § 292.304(c)(3)(ii) (2010).

Furthermore, the results of RAM solicitations should not be used to set prices for FIT generators below 1 MW, since these generators are not part of the RAM-solicitation process. CALSEIA recommends that “avoided cost” information be determined for solar PV projects below 1 MW by using from the California Solar Initiative (CSI) database. For example, the Commission staff could use installed-cost-per Watt data for systems installed in 2011 that are receiving performance-based incentives. An excerpt from the CSI database below shows that 14 systems between 30 kW and 1 MW have been installed since the start of 2011.

Project Size (kW)	Average Installed Cost per Watt ($)	Number of Installations by Project Size
30	7.66	4
40	4.81	1
65	5.46	1
70	6.43	2
90	6.51	1
250	4.57	2
350	9.87	1
450	8.21	1
1000	5.2	1

Source: Statewide Inventory of Installations in 2011, downloaded on November 2, 2011, **http://www.californiasolarstatistics.org/reports/cost_vs_system_size/**

The price-per-Watt ranged from $4.75 (for two, 250 kW systems) to $9.87 per Watt (for one, 350 kW system). The 1 MW system’s installed cost per Watt was $5.20. CALSEIA requests the Commission staff’s assistance in converting these installed-capacity prices into a weighted-average levelized cost of energy for solar PV generation under 10, 15, and 20-year FIT contracts.

Comments on Pricing, Locational Adder

CALSEIA supports the *Staff Proposal's* recommendation to include a "locational adder" to the price paid to FIT generators located in utility-identified "hot spots."

Comments on Pricing, Price Adjustment

CALSEIA wishes to lower its originally proposed price-adjustment percentage from 10% to 5%.

Comments on Program Cap, Calculating the IOU Share of the Program Cap

The *Staff Proposal* identified a process for determining the Program Cap (that is, "working with the CEC"), rather than simply setting the Program Cap at this time. CALSEIA recommends that the Commission staff eliminate this key uncertainty in the FIT program's design, because it affects the definition of other caps as well, including the seller-concentration cap. If the Energy Commission staff is unavailable to "work" with the Commission staff on this effort, then the Commission staff should proceed on its own, using published demand data.

Comments on Program Cap, Program Cap Limit

CALSEIA opposes the *Staff Proposal's* recommendation to include "existing contracts" among those eligible to count toward each utility's share of SB 32's 750 MW program. Accepting "existing contracts" reduces the size of the FIT market that SB 32 was enacted to create.

Comment on Contract Terms and Conditions, Development Deposit

CALSEIA supports the *Staff Proposal's* suggestions to set the development-deposit amount for projects less than 1 MW at $20/kW.

Comment on Project Viability and Queue Management, Seller Concentration

CALSEIA commends the Commission staff for including a "seller-concentration cap" in the *Staff Proposal*. This cap should help a greater number of renewable energy project developers participate in the Renewable FIT program before the 750 MW "total capacity cap" is reached. The Commission staff proposes to set the seller-concentration cap at 25% of each utility's share of the "total capacity cap." Expressing the seller concentration cap as a percentage rather than as capacity limit (such as 10 MW) creates uncertainty, because the "total capacity cap" has yet to determined and the Commission may decide to allow "existing contracts" to count toward the "total capacity cap as well." CALSEIA urges the Commission to use the 10 MW-per-seller number that was suggested by CALSEIA and PG&E in previous filings.

Comments on Other Issues, Inspections

CALSEIA was unable to participate with parties in creating a uniform reporting format. If an opportunity still exists to participate in this effort, CALSEIA is available to contribute. In addition, CALSEIA would seek participation from the North American Board of Certified

Energy Practitioners, which has conducted detailed maintenance and inspection task lists as part of its testing and certification program.[6]

Signed by:

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[6] These task lists are posted at **http://www.nabcep.org/**.

VERIFICATION

I, Mignon Marks, represent the California Solar Energy Industries, and am authorized to make this verification on the behalf of the association. The statements in the foregoing documents are true to the best of my knowledge, except for those matters that are stated on information and belief, and to those matters, I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Dated November 2, 2011, at Rancho Cordova, California.

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