

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
INTERSTATE RENEWABLE ENERGY COUNCIL, INC.
ON THE ENERGY DIVISION REPORT**

Tim Lindl
KEYES, FOX & WIEDMAN LLP
436 14th Street, Suite 1305
Oakland, CA 94612
Phone: 510.314.8385
Fax: 510.225.3848
tlindl@keyesandfox.com

Counsel to the
Interstate Renewable Energy Council, Inc.

April 20, 2012

**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
INTERSTATE RENEWABLE ENERGY COUNCIL, INC.
ON THE ENERGY DIVISION REPORT**

The Interstate Renewable Energy Council, Inc. (IREC)¹ respectfully submits these Reply Comments on the Energy Division Report (Staff Report) regarding the January 26-27, 2012 Resource Adequacy (RA) Workshop. Parties' opening comments on the Staff Report, and previous proposals in this proceeding, clearly demonstrate two things:

1. The Commission should take up consideration of the deliverability of distributed generation (DG) as soon as possible after CAISO files its Deliverability for DG Proposal (CAISO Proposal) at the Federal Energy Regulatory Commission (FERC).
2. The Commission needs to consider deliverability in a broader context than simply implementing the CAISO Proposal.

Further, Southern California Edison's (SCE's) proposal to allocate deliverability directly to load-serving entities (LSEs) should not be included in the upcoming Proposed Decision because it has not been fully vetted by parties.

¹ IREC is a U.S. Internal Revenue Code § 501(c)(3) non-profit organization that has worked for nearly three decades to expand retail electric customer access to renewable distributed generation resources. IREC achieves this goal through the development of programs and policies that reduce barriers to renewable energy deployment and increase consumer access to renewable technologies. IREC focuses on policies that directly impact customer access to renewable technologies, including net metering rules, community renewable power programs and interconnection procedures.

SCE and the California Energy Storage Association's (CESA's) comments correctly emphasize the importance of promptly considering DG deliverability.² The topic is closely tied to the success and effectiveness of the Rule 21 interconnection proceeding (R.11-09-011) and the various procurement programs that target small DG facilities, including the Renewable Market Adjusting Tariff, the Reverse Auction Mechanism, and the SCE Solar Photovoltaic Program. As the Commission has repeatedly concluded in those programs, the current CAISO deliverability assessment defeats project timelines and economics for small DG facilities.³ The CAISO Proposal may alleviate some of these burdens, and IREC agrees with SCE that it should be considered at the Commission once it is filed at FERC.

However, the Commission's consideration of DG deliverability should extend beyond the CAISO Proposal, which does not ensure that all DG projects will have a low-cost and time-effective path to deliverability. Some DG projects interconnect in the middle of load centers and are guaranteed to be deliverable to nearby load.⁴ These projects may be located near network nodes at which the CAISO has concluded no deliverability capacity exists and, despite always delivering their energy to load, will be labeled "undeliverable". If utility contracts require such projects to obtain Full Capacity Deliverability Status (FCDS), these policy-achieving facilities will be forced into the uneconomical and time-consuming CAISO cluster study and deliverability

² CESA Opening Comments at 3-4; SCE Opening Comments at 16.

³ *Proposed Decision Revising Feed-In Tariff Program, Implementing Amendments to Public Utilities Code Section 399.20 Enacted By Senate Bill 380, Senate Bill 32, and Senate Bill 2 1x and Denying Petitions for Modification of Decision 07-07-027 by Sustainable Conservation and Solutions for Utilities* at 51 (March 20, 2012); Resolutions E-4489 at 11-14 (April 19, 2012) and E-4453 at 21-23 (February 16, 2012).

⁴ If the maximum output of a proposed DG facility and all existing DG facilities on a distribution line is less than 100% of the minimum load on that line, the output from the DG facilities will always be deliverable to that line's load and will never create back flow beyond the distribution line. IREC understands that CAISO believes this measure of deliverability is insufficient to obtain Full Capacity Deliverability Status. Nonetheless, the fact remains that such facilities will always be fully deliverable to nearby load.

assessment. The few small projects that can endure the cost and timelines of that assessment may be required to invest in deliverability upgrades.

This investment in upgrades should worry the Commission and California’s ratepayers, who reimburse developers for network-level deliverability upgrades.⁵ As IREC explains in its comments on the CAISO Proposal, the only purpose of network upgrades for DG is to ensure that distant generators can continue to serve load located on the same line as the DG facility.⁶ Moreover, when assessing deliverability at peak periods, CAISO assumes that all energy-only DG resources, including distributed solar resources, are not producing any output.⁷ This assumption is questionable given that IREC is unaware of any peak load event in California that did not take place on a sunny day. Requiring network upgrades from DG resources, which will almost certainly be producing at peak periods, so that more distant generators can continue to “serve” nearby load is an inefficient and wasteful reliability strategy. It is important that the Commission’s consideration of deliverability go beyond simply implementing the CAISO Proposal to include a broad assessment of these issues.

SCE’s comments mischaracterize this position as requesting special treatment for DG resources in assessing deliverability. IREC is not requesting special treatment for DG resources

⁵ Ratepayers refund projects for any network upgrades undertaken to achieve deliverability. California Independent System Operator Tariff, Appendix Y § 12.3.2 (providing repayment over a five year period for Network Upgrades) and CAISO Tariff, Appendix A (defining Network Upgrades as “Delivery Network Upgrades and Reliability Network Upgrades.”).

⁶ IREC’s Comments on the CAISO Revised Straw Proposal can be found here: <http://www.caiso.com/Documents/IREC-Comments-DeliverabilityDistributedGeneration.pdf>. IREC’s Comments on the CAISO Draft Final Proposal can be found here: <http://www.caiso.com/Documents/IREC-CommentsDeliverabilityDistributedGeneration-DraftFinalProposal.pdf>.

⁷ See *CAISO Generator Deliverability Assessment Methodology – On-Peak Deliverability Assessment Methodology*, pp. 1 and 5 (April 10, 2009) (available here: <http://www.caiso.com/Documents/On-PeakDeliverabilityAssessmentMethodology.pdf>).

but asking the Commission to reconsider the notion of deliverability for *all resources* in the context of a future with a 33% Renewable Portfolio Standard and 12,000 MW of DG online. The current practice results in ratepayers funding deliverability network upgrades that may not be necessary; if the state continues to invest in growing amounts of DG, then the Commission should ensure ratepayers receive the full value of their RA investment.

Finally, IREC takes no position on SCE's proposal to allocate deliverability to LSEs instead of Local Regulatory Authorities.⁸ However, the proposal should not be included in the upcoming Proposed Decision but presented in a workshop as a formal proposal so it can be fully vetted before parties and the Commission. GenOn also indicates in its comments its support for a proposal of CalWEA that would allow for the packaging and sale of deliverable capacity from existing facilities to new projects.⁹ CalWEA was not given sufficient time to give this proposal, and parties were not given sufficient notice that CalWEA would discuss this proposal, at the January 27-28, 2012 workshops. Both the SCE and CalWEA proposals should be included in the workshops on DG deliverability that IREC has proposed.

IREC supports consideration of the CAISO Proposal as a step towards deliverability for a limited number of DG facilities. However, the Commission should also consider the broader issue of integrating DG resources in the most efficient manner for ratepayers rather than relying on existing notions of RA developed for central station generators. Specifically, that broader

/

/

/

/

⁸ SCE Opening Comments at 16.

⁹ GenOn Opening Comments at 5.

consideration should include a request for proposals from parties, at least one workshop to consider those proposals, and a Commission decision on deliverability for DG and other resources as soon as possible.

Respectfully submitted,



Tim Lindl
KEYES, FOX & WIEDMAN LLP
436 14th Street, Suite 1305
Oakland, CA 94612
Phone: 510.314.8385
Fax: 510.225.3848
tlindl@keyesandfox.com

Counsel to the
Interstate Renewable Energy Council, Inc.

April 20, 2012