

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Integrate
and Refine Procurement Policies and
Consider Long-Term Procurement Plans.

Rulemaking 12-03-014

**COMMENTS OF THE LARGE-SCALE SOLAR ASSOCIATION (LSA) ON
THE PRELIMINARY SCOPING MEMO**

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I. INTRODUCTION

The Large-scale Solar Association (LSA) respectfully submits these comments on the preliminary scope of Rulemaking (R) 12-03-014 as set forth in the Order Instituting Rulemaking (OIR) issued on March 22, 2012. The comments are filed and served in accordance with the Commission's Rules of Practice and Procedure and the schedule contained in the OIR.

LSA is a trade association representing thirteen of the nation's largest developers and providers of utility-scale solar generation resources. Collectively, LSA's members have contracted to provide over 7 gigawatts of clean, sustainable solar power to California's load-serving entities. LSA members develop, own and operate utility-scale solar technologies, including photovoltaic and solar thermal system designs. LSA actively participates in a number of Commission proceedings that affect the development of renewable energy, the products renewable generators could provide, and the development of the transmission system to serve renewable areas.

LSA's comments request that the scoping memo provide greater definition of the long-term renewable planning issues that this proceeding will address, the relationship between this proceeding and the Commission's Resource Adequacy (RA) and Renewables Standard Portfolio (RPS) proceedings (including the proposed changes to renewable valuation in the 2012 RPS

Procurement Plans) and the California Independent System Operator Corporation's (CAISO) transmission planning, wholesale market product review, and cost allocation policy initiatives. LSA believes that this proceeding should aim at completing renewables integration studies capable of supporting not only the determination of whether new system resources are needed, but also the development of integration values as part of the "least cost, best fit" analysis in the RPS proceeding. The proceeding should also consider how renewable technologies that can mitigate integration requirements, such as concentrating solar power with thermal storage, are considered under these rules. LSA also recommends that the Commission use this proceeding to develop a plan together with the CAISO for addressing integration cost responsibilities comprehensively in order to avoid problems such as conflicting market incentives and double-counting of costs which will almost certainly arise if the current piecemeal approach continues. Finally, LSA recommends that the Commission establish a process ensuring that in the future stakeholders will have a formal opportunity to vet the Commission's recommended renewable portfolios for use in the CAISO's transmission planning before the Commission transmits its final recommendations to the CAISO.

LSA's comments also address the preliminary schedule presented in the OIR and its suitability for resolving the issues identified in the OIR which relate to integration of renewable resources and long-term renewable procurement policy choices. The proposed schedule targeting a December 2012 decision is appropriate for resolving the Once-Through Cooling (OTC) and local area capacity needs. However, LSA believes that schedule to resolve issues regarding long-term renewable planning and need for system resources to meet renewable integration requirements should be decoupled from the schedule to resolve local area and OTC issues. System issues beyond local area and OTC replacement needs should be decided in 2013 as required to provide adequate opportunity for testing the renewable planning assumptions and scenarios, considering alternatives, completing the CAISO integration studies, and incorporating the results of the OTC and local RA decision. In particular, parties need a full opportunity to vet the renewable portfolios, which have been used as the foundational assumptions for not just the Commission's LTPP modeling efforts, but also the CAISO's Transmission Planning Process. Based on the 2010 LTPP timing, if the system resource plans are resolved by June 2013, it should be still be possible to reflect the results in the utilities' bundled resource plans and approve them the end of 2013, as the preliminary schedule targets.

II. DISCUSSION

A. Scope

The OIR states that it will look at “issues related to long-term renewable resource development” and that “the long-term planning studies conducted in this proceeding will affect utilities’ future procurement activities.” (OIR, pp. 7, 8) LSA is pleased that the Commission intends to examine the role of renewable resources in achieving the state’s greenhouse gas (GHG) goals as part of this long-term planning effort and expansion of the planning horizon to twenty years. However, LSA has recommendations for additional issues to be addressed in the final scoping memo.

i. The LTPP scoping memo should address relationships between the LTPP, RA, and RPS proceedings, in addition to the relationships of the Commission proceedings with the CAISO’s related initiatives and planning efforts.

LSA requests that the final scoping memo clarify the relationship between this proceeding and other proceedings addressing renewable development and procurement, particularly the Commission’s RA (R. 11-10-023) and RPS (R.11-05-005) proceedings as well as the CAISO’s transmission planning process and initiatives involving allocation of integration costs. LSA believes that it is important for the Commission to inform the parties up front whether (and if so, how) the renewable scenarios and integration analyses developed in this proceeding are intended to be used in these other proceedings. Specifically,

- How does the Commission intend to use any integration values calculated in the LTPP integration studies, which are scenario-based, in for the “least cost, best fit” analysis in the RPS proceeding, which will be applied on a project basis?
- Will this LTPP define desired RA attributes to inform the RA proceeding?
- How will this LTPP’s consideration of “multi-year flexible capacity rules” (OIR, p. 9) affect existing RA rules and the RA proceeding?
- How will the renewable scenarios be used in other proceedings and planning efforts, including the CAISO’s transmission planning process?

- What process will be used to revise and update the scenarios for use in other proceedings?

Depending on the Commission's goals, the scenarios and analysis can be tailored specifically to meet them and parties can focus their comments accordingly. Better knowledge of how the proceeding's work product will be put to use in other proceedings will also help parties focus their attention to the appropriate proceedings.

Given the LTPP's role of developing a "comprehensive set of procurement policies, practices and procedures" that will "ensure a reliable and cost-effective electricity supply" (OIR, p. 1), LSA believes that the LTPP proceeding is the appropriate place to ensure that issue-specific proceedings, planning efforts, and initiatives are sending coordinated signals. LSA is concerned that a number of these efforts have been moving ahead independently, losing sight of the significant connections between the individual efforts. This lack of coordination could lead to conflicting signals to the energy market, resulting in higher costs and inefficiencies. To achieve a least cost, low emissions energy future, these individual proceedings, planning efforts, and initiatives need to be aligned. Given the myriad issues that will need to be addressed as California moves towards 2020 and 33% renewables, policy and planning efforts must be appropriately sequenced and coordinated if a cost-effective, low emission, reliable electricity supply is to be achieved.

ii. LSA requests the Commission and CAISO work together to determine the appropriate forums to address integration-related issues.

Integration, including the modeling efforts undertaken in the LTPP, is one issue area where this potential for conflicting signals is apparent. LSA believes the renewable integration analysis produced in this proceeding should be designed to provide the quality of data required for the development of integration values in the RPS proceeding for use in the resource selection process. However, LSA also believes that the design and use of integration values in the "least cost, best fit" calculation should be part of a broader examination of integration cost responsibilities beginning in this proceeding, which should also consider the CAISO's efforts to allocate costs for its market products. LSA is concerned that looking at allocation of integration

resources and costs in narrowly-focused proceedings creates repeated opportunities for conflicting market incentives, double-counting of costs and jurisdictional cross-signals.

In the 2010 LTPP, LSA recommended that the Commission undertake a comprehensive review of integration cost allocation after the integration analysis is completed, and integration requirements and options for reducing those requirements and providing the needed flexibility are better identified. As we noted then, some of these issues have already been targeted for review in other proceedings. The Commission's RPS rulemaking identified modification of the renewables bid evaluation methodology to address integration cost adders as an issue within the scope of the proceeding.¹ The Phase 1 Scoping Memo and Ruling in the RA rulemaking includes the CAISO's recommendations regarding the type of resources needed to manage the grid under a future of increased penetration of intermittent resources, and how to adapt the RA program to secure such resources.² The CAISO has been conducting a stakeholder process on flexible capacity procurement focused on the CAISO's backstop capacity procurement authority and risk of retirement issues, specifically including proposals for cost allocation.³ The CAISO is currently undertaking an effort to develop principles to allocate the costs for market products,⁴ while concurrently proposing to apply those principles in proposing a specific cost allocation mechanism for the Flexible Ramping Product (also in development).⁵

LSA recommends that the final scoping memo establish a process to inventory the issues, options and timing for addressing integration costs and create a roadmap for their resolution as part of this proceeding. This process should begin after integration requirements are better defined following the completion of the integration analysis.

¹ R. 11-05-005, Scoping Memo and Ruling of Assigned Commissioner issued July 8, 2011, p. 3 and Att. 2, p. 4.

² R. 11-10-023, Phase 1 Scoping Memo and Ruling of the Assigned Commissioner and Administrative Law Judge dated Dec. 12, 2011, p. 4.

³ CAISO, Flexible Capacity Procurement Straw Proposal (March 7, 2012), *available at* <http://www.caiso.com/Documents/StrawProposal-FlexibleCapacityProcurement.pdf>. Note - for risk of retirement, the CAISO's cost allocation proposal is only an interim measure, as "determining the cost causation for a Flexible Capacity Procurement Risk of Retirement designation for flexibility based need is not feasible at this time." (p. 31).

⁴ CAISO, Cost Allocation Guiding Principles Draft Final Proposal (March 15, 2012), *available at* <http://www.caiso.com/Documents/DraftFinalProposal-CostAllocationGuidingPrinciples.pdf>.

⁵ CAISO, Flexible Ramping Product Cost Allocation Straw Proposal (March 15, 2012), *available at* <http://www.caiso.com/Documents/CostAllocationStrawProposal-FlexibleRampingProduct.pdf>.

iii. LSA requests that the Commission clarify the process for stakeholder input on the renewable scenarios used in both the LTPP and CAISO Transmission Planning Process.

LSA recommends that the final scoping memo consider establishing a process that in the future will give stakeholders a formal opportunity to review and comment on the renewable portfolios that should be used in the CAISO's transmission planning before the Commission transmits its final recommendations to the CAISO. LSA is aware of the upcoming April 11-12 Energy Division Staff Workshop on Scenario Planning and believes that this workshop is an important first step.⁶ However, LSA believes that, given the high stakes outlined below, the Commission should adopt a formal process ensuring that stakeholders have adequate opportunity to review and comment on the scenarios before the Commission makes recommendations to the CAISO.

In the 2011/2012 and 2012/2013 transmission planning processes, the Commission has provided the CAISO with renewable portfolios, which were derived from the 2010 LTPP renewable scenarios, to serve as the inputs for the transmission modeling. However, stakeholders were given no opportunity to comment on the scenarios before they were transmitted to the CAISO, and the CAISO's informal process has shown substantial deference to the Commission's recommendations. From LSA's perspective, the CAISO stakeholder process for the scenarios for the 2011/2012 transmission plan was less an opportunity for stakeholder input and more simply a presentation of the scenarios, which were characterized as essentially final. At this point, it is not clear whether the 2012/2013 process will be different. Yet, inclusion of a transmission addition or upgrade in the CAISO's transmission plan has major consequences not only for the state as a whole in potentially affecting progress towards the 33% RPS goal, but also for the developer whose project depends upon a particular upgrade, since inclusion in the transmission plan can determine how the upgrade is funded, which in turn can determine the success or failure of a project.

Given the importance of ensuring appropriate, current, and accurate scenarios serve as the basis of these planning efforts, LSA recommends that the formal process adopted by the

⁶ LSA is pleased to note that the workshop agenda indicates that the discussion will address some of the concerns LSA has identified in these comments.

Commission for addressing these scenarios should not depend simply on the LTPP process, since a settlement may truncate consideration of the scenarios, as occurred in the 2010 LTPP, and the LTPP proceeding is scheduled to run for a two-year period, while the CAISO's transmission planning process occurs annually.

The recommendation for these scenarios and identification of a particular scenario as the base case for planning is a significant policy determination and should be treated as such. These scenarios serve as the foundation for the state's transmission planning efforts. To the extent they include inappropriate or incorrect assumptions, these scenarios could lead to a significant disconnect between the projected development and actual development on the ground. If these scenarios do not appropriately incorporate the generation in the contracting and permitting pipeline, California may fail to meet its energy policy goals. LSA accordingly believes this proceeding should address the process used in determining the recommended renewable scenarios for use not only in the LTPP, but also in the CAISO's transmission planning process.

iv. LSA opposes the Procurement Rulebook as a legally binding document superseding prior Commission decisions.

LSA was dismayed to see the reemergence of the Procurement Rulebook as a topic for this proceeding, particularly since the OIR indicates that it may be implemented as a General Order. LSA continues to believe that the effort to make the Rulebook into a stand-alone statement of Commission procurement requirements having force and effect of law would divert considerable attention from much more important proceeding objectives, risk unintended changes and confusion, and require additional notice and an opportunity to be heard under Public Utilities Code § 708 to parties involved in the proceedings which originated the various rules and requirements. LSA shares the view expressed by multiple parties in the 2010 LTPP that while the Rulebook could serve as a useful compendium to energy procurement rules, it should not be made into a legally binding document superseding prior Commission procurement decisions.

v. LSA requests that the 2010 LTPP record be formally incorporated into this proceeding.

LSA requests that the final scoping memo formally incorporate the record of the 2010 LTPP as part of the record of this proceeding. The CAISO's integration studies as well as many of the issues identified in the OIR build on the work of the 2010 LTPP. Incorporating the 2010 LTPP record in this proceeding will ensure that work is not lost.

B. Schedule.

The schedule in the preliminary scoping memo calls for a final decision on system resource plans in December 2012. The system plans are then to be used as the basis for considering updates to the utilities' bundled procurement plans in 2013. (OIR pp. 2, 15). In light of the potential time urgency for local area capacity needs identified by the CAISO, LSA believes it is appropriate to target a December 2012 decision for the issues regarding local resource adequacy and need for replacement resources to eliminate reliance on power plants using OTC. But, LSA does not believe that other system resource plan issues, particularly those related to renewable integration needs and long-term planning, can or should be decided on the same expedited schedule, for the following reasons.

First, LSA is concerned that the proposed schedule for a 2012 year end decision does not provide sufficient time to develop alternative planning assumptions and renewable portfolio scenarios and incorporate them into the CAISO's integration analysis. The 2010 LTPP adopted a less ambitious schedule for the System Track I issues than what the OIR proposes for adoption of system resource plans, and yet it still failed to consider all the mandatory scenarios required under the 2010 LTPP scoping memo, let alone alternatives proposed by parties (other than the utilities) as was originally planned.⁷ Moreover, the 2010 LTPP schedule rushed initial party

⁷ See R.10-05-006, Assigned Commissioner and Administrative Law Judge's Joint Scoping Memo and Ruling dated Dec. 3, 2010, p. 24 (7 required scenarios); p. 37 (party-proposed alternative scenarios); Administrative Law Judge's Ruling Modifying System Track I Schedule and Setting Prehearing Conference dated Feb. 10, 2011, p. 4 ("Parties who want other scenarios to be modeled shall present their recommended scenarios in comments, to be filed on April 29, 2011"); Prehearing Conference Statement of the California Independent System Operator Corporation dated Feb. 23, 2011 (expressing concerns with modeling additional renewable scenarios); Administrative Law Judge's Ruling Revising System

review and comment of the proposed planning standards and scenarios, resulting in flaws in the mandatory scenarios which the parties never had a meaningful chance to correct before they were incorporated into the CAISO's integration analysis.⁸

Second, LSA agrees with the views expressed by the California Wind Energy Association (CalWEA) in its opening comments dated March 12, 2012, on the Proposed Decision of ALJ Allen on Tracks I and III in the 2010 LTPP, that it makes sense to review system need and renewables integration issues in light of the local capacity need determination. As CalWEA pointed out, new local capacity resources (LCR) will contribute to the integration of renewable generation and impact system needs. Moreover, examining the need for integration resources has less urgency than what has been expressed for LCR, since the CAISO's 20% RPS studies indicate that California's existing generator fleet has sufficient residual capability to integrate renewable generation expected online in the next 1 to 3 years.⁹ It would therefore be appropriate to sequence the local area and system need determinations by completing the first before turning to the latter. In addition, focusing specifically on resolving OTC and LCR resource need in 2012 will increase the likelihood of reaching a final decision on those issues by year end.

Finally, LSA questions whether the CAISO can complete all of the necessary integration analysis in time to inform a 2012 year-end decision on system resource needs. LSA was not a party to the Settlement Agreement addressing the 2010 LTPP System Track 1 issues. Instead, LSA submitted testimony that presented its specific recommendations for what must be done to complete the CAISO's renewables integration analysis prior to approving procurement of any new resources to meet flexibility requirements associated with renewable generation.¹⁰ The

Track I Schedule dated March 10, 2011, p. 4 (adopting revised schedule that "eliminates the additional modeling runs that were included in the previous schedule").

⁸ See R. 10-05-006, Large-scale Solar Association Response to the Motion of the Independent Energy Producers Association for Reconsideration of the Schedule for this Proceeding, dated Feb. 10, 2011; Ex. 1800, the Prepared Direct Testimony of Timothy M. Mason on Behalf of the Large-scale Solar Association.

⁹ See R. 10-05-006, Ex. 1801, Prepared Direct Testimony of Dr. Udi Helman on Behalf of the Large-scale Solar Association, p. 4.

¹⁰ *Id.* LSA concurred with the Settlement Agreement's conclusions that the system resource plans and scenarios analyzed in the 2010 LTPP proceeding did not conclusively demonstrate the need to add new capacity to meet system needs, and that this analysis, particularly of renewable integration needs, should continue expeditiously and be completed promptly.

CAISO has made a commendable effort to complete the renewables integration analysis as set forth in the Settlement Agreement. The CAISO's approach and much of the scope and content of its analysis are also consistent with LSA's recommendations. However, we understand that the CAISO has yet to finish a critical part of work outlined in the Settlement Agreement as well as urged in LSA's testimony: completion of the CAISO's proposed Phase 2 analysis, which is to address the potential of integrating renewables with a variety of resources in addition to conventional generation, including demand response, storage and renewable technologies. (Settlement Agreement, pp. 6-7).¹¹ In particular, LSA is concerned that the studies in this phase did not achieve their stated objective to evaluate renewable technologies that can mitigate integration requirements, such as concentrating solar power with thermal storage. Since many other studies of these options are underway from credible organizations, there should be a well-defined mechanism for considering how to incorporate any such results into LTPP decision-making.

In addition to finishing these tasks, the parties will need time to understand and evaluate the added features of the CAISO's new approach to the renewables integration analysis, which was first presented at a February 10, 2012 workshop. The new approach includes testing of several new probabilistic models — including an application of models based on Loss of Load Probability, to determine the need for new capacity under a 1 day in 10 reliability standard — using the "All Gas" scenario as the base case. Renewable scenarios are to be tested against the base case to determine changes required for them to achieve the same degree of reliability as the base case. While these changes appear to be headed in the right direction, LSA questions whether the CAISO can complete the remaining work in time to give the parties adequate time to review the analysis, undertake discovery, and produce informed testimony by July 2012, as proposed schedule would require. As noted in one of the many motions to revise the System Track I schedule in the 2010 LTPP, the computer modeling effort begun in that proceeding and continuing in this one — is essentially very new, the state of the art in such modeling efforts, and is one of the most aggressive and complicated energy system modeling efforts underway in the

¹¹ *Id.*, Ex. 1801, p. 5, lines 17-18; *see also* p. 10, lines 9-10 and p. 13, lines 6-9.

United States today.¹² While LSA endorses the CAISO's cutting edge approach, its novelty and sophistication increase the odds that the CAISO's initial work product will need revisions, and the time parties will need to review it adequately.

The final scoping memo should adopt a realistic schedule for completion of the renewables integration analysis rather than one that will have to be repeatedly revised as was the 2010 LTPP schedule. We suggest that the CAISO provide a work plan for the prehearing conference which includes a schedule for completing all the integration analysis contemplated in the Settlement Agreement, including the Phase II consideration of alternatives to gas-fired generation. The CAISO should also discuss the number of scenarios and sensitivity cases it will be able to evaluate within the timeframe of this proceeding, and how far in advance the CAISO needs to receive final scenarios and assumptions in order to incorporate them in its analysis. Based on the 2010 LTPP experience, LSA believes such information would greatly assist development of a viable scope of work and schedule for this proceeding.

III. CONCLUSION

LSA appreciates the opportunity to comment on the preliminary scoping memo and looks forward to participating in this important proceeding.

Respectfully submitted,

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¹² R. 10-05-006, Motion of Pacific Gas and Electric Company, Southern California Edison Company, Sand Diego Gas & Electric Company and California Independent System Operator To Modify Track I Schedule Dated May 18, 2011, p. 2.