

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)

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

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The Interstate Renewable Energy Council, Inc. (IREC)¹ respectfully submits these comments pursuant to the March 23, 2012 Administrative Law Judge's (ALJ's) Ruling Seeking Comment on the Energy Division Report (Staff Report) regarding the January 26-27, 2012 Resource Adequacy (RA) Workshop (Workshop). The Staff Report summarizes comments that were made at the Workshop regarding RA for Distributed Generation (DG) but does not include the comments made by IREC. As has been recognized in recent statements by the Commission² and the California Independent System Operator (CAISO),³ the current process for assigning Full Capacity Deliverability Status (FCDS) is currently too costly, cumbersome and time

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.

² 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 (FiT PD), March 20, 2011 at 51.

³ CAISO, Resource Adequacy Deliverability for Distributed Generation Draft Final Proposal, March 29, 2012, at 5, ("For purposes of achieving the state's goals for expansion of DG resources, however, the GIP and WDAT processes may be too lengthy and too cumbersome for the sheer number of small-scale projects that will need to be connected to meet the goals.").

consuming for DG projects. IREC agrees and believes that CAISO's recent RA Deliverability for Distributed Generation Draft Final Proposal (CAISO Proposal) has the potential to help alleviate some of these concerns in the near-term if implemented properly.⁴ However, IREC also believes the CASIO Proposal only further highlights the need for broader consideration of how RA is studied and assigned as California begins to rely on a significant number of DG projects to meet its energy needs. IREC's comments identify some of these concerns for consideration in the OIR and request that the scope of the Commission's discussion extend beyond simply considering the CAISO Proposal.

I. THE CAISO PROPOSAL MAY IMPROVE THE DELIVERABILITY OPTIONS FOR DG PROJECTS BUT DOES NOT ADDRESS THE BROADER EFFICIENCY ISSUES ASSOCIATED WITH THE CURRENT RA PROCESS.

A. The Deliverability Assessment Process May Result in Unnecessary Deliverability Upgrades by Failing to Account for Resources that can Serve Load Most Efficiently.

One of the goals behind the Commission's recent support for DG procurement programs is recognition that when deployed appropriately, DG may help to maximize the use of existing electrical grid infrastructure.⁵ IREC believes this attribute is also important in meeting California's RA needs.

Currently, the process at CAISO for determining deliverability is done on a case-by-case basis. CAISO studies projects that request a Deliverability Assessment each year and determines whether a project, when considered in conjunction with other proposed and existing projects and the relevant load profile, is deliverable to load during peak periods and, if not, what upgrades are

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Id.

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Renewable Auction Mechanism Decision, D.10-12-048, Dec. 16, 2010, at 2, 10-11; *see also* Cal. Senate Bill 32, Section 1.

necessary.⁶ This process is not designed to determine the most efficient way of ensuring the state’s peak load is always met; it is designed to ensure that projects that request FCDS can obtain it. By considering projects on a first-come, first-served basis, the process may result in ratepayers paying to ensure deliverability of a distant generator when that load may be reliably served by new or existing DG resources located closer to load.⁷ This issue is particularly problematic since the Deliverability Assessment process is inaccessible to many DG resources due to time or cost. Since DG projects may not seek FCDS due to these inefficiencies, they are considered Energy Only and not included in the Deliverability Assessment. Thus, capacity that is located next to load may not be evaluated in the annual Deliverability Assessment despite being potentially deliverable and able to serve load during the peak periods.

There is currently no process for obtaining FCDS under Rule 21, and the process for obtaining a Deliverability Assessment under the Wholesale Distribution Access Tariffs is limited for Fast Track or Independent Study Projects.⁸ The CAISO Proposal may help alleviate some of these issues by reducing the need for DG projects to individually go through Deliverability Assessments.⁹ However, as currently conceived, the CAISO Proposal will not assist in evaluating the least cost manner to achieve deliverability. Rather, all projects that are currently in the queue, regardless of their overall value to ratepayers, system type, or location on the

⁶ See CAISO Tariff, Appendix Y, at 6.5.2.1 (“The On-Peak Deliverability Assessment shall determine the Interconnection Customer’s Generating Facility’s ability to deliver its Energy to the CAISO Controlled Grid under peak load conditions, and identify preliminary Delivery Network Upgrades required to provide the Generating Facility with Full Capacity Deliverability Status.”)

⁷ 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.”).

⁸ See CAISO Proposal at 5, 11.

⁹ See CAISO Proposal at 6.

electrical grid, that request a Deliverability Assessment will be considered first.¹⁰ This may mean that a hypothetical central-station generator, renewable or otherwise, will pay for deliverability network upgrades to obtain FCDS even if there is a DG resource, or many DG resources, that already serve nearby load and would prevent costly upgrades.

Putting the interests of individual power developers aside, the process for determining whether upgrades are required to serve peak load is inefficient for ratepayers. IREC believes that it is in the interest of the state and ratepayers to ensure that deliverability upgrades are only undertaken where needed. The OIR, therefore, should not narrowly limit discussion of the deliverability of DG to the CAISO Proposal and instead should consider whether broader changes to the manner in which RA is determined may be appropriate as California moves towards meeting its new energy goals.

B. The “Once Deliverable, Always Deliverable” Paradigm May Prevent the Allocation of Deliverability Status to Those Generators Most Efficiently Serving Load.

The Staff Report also raises a number of legitimate questions about the deliverability of DG resources. SCE raises the general question about whether site-specific or project-specific deliverability assessments continue to be the best way of assessing deliverability.¹¹ IREC agrees this is an important question connected to our comments above regarding the Deliverability Assessment process. However, we also agree with Staff that the CPUC is likely the most appropriate entity to determine how to allocate deliverability to the Load Serving Entities.

¹⁰ CAISO Proposal at 18-19, 25.

¹¹ Staff Report at 19.

The current paradigm of “once deliverable, always deliverable” determines that once a project has FCDS it should be forever considered deliverable.¹² This paradigm appears to limit the manner in which CAISO, and ultimately the state, assesses which resources are most efficiently able to serve peak load.¹³ Where an individual generator has funded upgrades to the grid to achieve deliverability, it is reasonable to ensure that it receives a return on its investment. However, as noted above, ratepayers currently refund developers for deliverability network upgrades, though developers retain full cost responsibility for deliverability upgrades to the distribution system.¹⁴ If generators were reimbursed for the costs associated with any deliverability upgrades (or if those upgrades were directly funded by the IOUs), and were provided compensation for the obligations associated with FCDS only when their energy is needed to meet RA requirements, then it would not be necessary to provide them with an indefinite right to that status. Such a modification may make it possible to ensure each year that the state’s RA needs are met most efficiently, particularly as the proportion of DG projects increases. The Commission should assess the inefficiencies and costs of the “once deliverable, always deliverable” paradigm as it relates to DG before the CPUC adopts the CAISO Proposal.

C. Implementation of the CAISO Proposal Should Be Coordinated with Procurement and Interconnection Processes.

If the Commission incorporates the CAISO Proposal into the RA program, one of the challenges associated with its implementation will be finding a way to coordinate the timing of

¹² CAISO Proposal at 22 (“Another important feature of the proposed study is the protection of the deliverability of existing deliverable resources and full or partial capacity resources that are in good standing in the ISO interconnection queue.”).

¹³ “[A]dding DG resource to a distribution system reduces the load in that distribution system which, in turn, reduces the flow from the transmission grid to that distribution system. The ISO’s proposed methodology recognizes this and attempts to determine how much DG can be added at each node. . . without degrading the deliverability of existing resources or generation projects in the . . . queues.” *Id.* at 22.

¹⁴ *See supra* note 5.

the determination of FCDS and the procurement processes for DG projects. For example, if the recent proposed modifications to the Reverse Auction Mechanism (RAM) set out in Draft Resolution E-4489 are adopted, a DG project will need to know if it has FCDS when it bids into the program.¹⁵ This may be possible for projects that are able to efficiently pursue the traditional Deliverability Assessment route, but for projects where that process is not cost- or time-efficient, the timing of the assignment of FCDS via the CAISO Proposal may need to be coordinated with the RAM auctions. Alternately, there will need to be a mechanism in place to compensate developers for providing the reporting and availability obligations associated with FCDS if it is assigned after bids are selected. It is important that the Commission thoughtfully consider the complexity of coordinating the CAISO Proposal with the CPUC's procurement and interconnection processes before adopting the proposal.

II. CONCLUSION

The process that exists today for determining whether the utilities have sufficient resources available to serve peak load at all times was largely formulated before California began its push to serve a substantial portion of the state's energy needs with renewable energy resources. The implementation of the 33% Renewable Portfolio Standard coupled with the Governor's goal of installing 12,000 MW of distributed generation by 2020 demand a reconsideration of how RA requirements can best be met. IREC urges the Commission to begin the process of considering how to integrate DG resources into the grid in a manner that is most efficient for ratepayers in this OIR rather than relying on existing notions of RA developed for central station generators. IREC supports consideration of the CAISO Proposal as an interim step but believes the Commission should also consider these broader issues. Specifically, the

¹⁵ Draft Resolution E-4489 at 11-13.

Commission should schedule workshops as part of Phase 2 to not only consider how to implement the CAISO Proposal, but also to look at whether there are more fundamental changes necessary to the concept of deliverability in California.

Respectfully submitted,

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