

**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)

**THE VOTE SOLAR INITIATIVE REPLY TO THE
APRIL 11, 2012 COMMENTS**

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Pursuant to the March 3, 2012 *Administrative law Judge's Ruling Seeking Comment*, The Vote Solar Initiative (Vote Solar) submits the following reply to the Comments filed April 11, 2012. Due to a family medical emergency, Vote Solar unfortunately did not attend the March 30, 2012 workshop and did not file comments on April 11, 2012. Nevertheless, Vote Solar is appreciative of the opportunity to submit this reply.

I. INTRODUCTION

Some years ago, a bumper sticker emerged with the following slogan: *Wouldn't it be great if schools had all the money they need and the military had to hold a bake sale?* In attempting to sort out the enormity of renewable integration tasks facing the Commission, the above recited bumper sticker slogan inspired this Vote Solar notion: *wouldn't it be great if the Preferred Loading Order¹ is the central, driving focus of all future Commission policy making and incompatible legacy regulations are discarded?*

¹ Adopted in the 2003 Energy Action Plan, the Preferred Loading Order starts with decreasing electricity demand by increasing energy efficiency and demand response, followed by meeting new generation needs first with renewable and distributed generation resources, and second with clean fossil-fueled generation.

Tongue-in-cheek aside, what this reduced-to-a-bumper-sticker notion tries to convey is the critical importance of beginning to lay the groundwork for transitioning to a “Preferred Loading Order-centric electric system” (New Grid) from a “command and control, conventional electric grid” (Old Grid). Moreover, this Old Grid to New Grid transition is at the heart of effectively addressing the variable² renewable energy (VER) integration (I-VER) challenges facing the Commission.

The New Grid is flexible and adaptive, capable of harnessing large amounts of VER with the smallest physical and environmental footprint possible, and at minimum cost to Rate Payers. The Old Grid is, well, for the most part, what we have today. Evolving from the Old Grid to the New Grid will invariably require movement, sometimes considerable, away from legacy policies and regulations, and simultaneous development of super smart, forward thinking new policies and regulations. In short – some serious redesign.

Vote Solar believes that of the many open Commission proceedings, this Resource Adequacy (RA) and the Long Term Procurement Planning (LTPP)³ proceeding hold the greatest promise for pushing forward to a New Grid and thus successfully achieving cost effective and efficient I-VER. As described below, Vote Solar presents proposals for capturing this potential.

II. PARTY POSITIONS ON MAXIMUM CUMMULATIVE CAPACITY BUCKETS

With a handful of exceptions, most parties appear to agree that RA needs to move from a peak planning to an operational flexibility orientation, as evidenced by support for the general motivations behind the Energy Division’s proposed redefinition of the Maximum Cumulative Capacity (MCC) buckets and the CAISO’s Flexible Capacity Procurement Requirement proposal^{4, 5} (FCPR). Likewise, nearly all of these parties appear to agree that neither proposal has yet been vetted, validated or developed sufficiently, and that an additional phase, track or proceeding is needed. A subset of

² i.e. wind and solar.

³ R.12-03-014.

⁴ References to parties, unless otherwise specified, are to comments filed in the proceeding on April 11, 2012.

⁵ Brookfield, DRA, CAISO, Calpine, Shell, TURN, SDG&E, CLECA, CEERT, AREM, SCE, PG&E.

these parties advocate for the additional phase, track or proceeding to include development of multi-year RA policies,⁶ and call for close coordination with the LTPP.⁷ SDG&E advocates for a broader, comprehensive RA re-design, to be held in a separate proceeding.

Vote Solar agrees with all of these points, including SDG&E's call for a comprehensive RA re-design. Specifically, *Vote Solar further recommends the consolidation of RA I-VER related issues into a segregated LTPP I-VER track.* The RA and LTPP issues that:

- 1) require immediate attention, whether legal or actual;
- 2) are not essential, or not closely related, to I-VER; or
- 3) are resolvable in the near term with results that can be fed into the LTPP I-VER track,

should remain as scoped in their respective proceedings. A detailed breakdown of issue assignments is presented in Section IV, *below*.

Consolidating I-VER issues into one omnibus LTPP I-VER track will, among many other benefits:

- 1) bring clarity to the substantive and procedural RA/LTPP overlap;
- 2) eliminate the extra timing and resource demands needed to address the non I-VER issues discussed in point 1 through 3, *above*;
- 3) focus attention on the legacy policies desperately in need of re-design;
- 4) identify new I-VER issues needing consideration;
- 5) enable resource constrained parties to meaningfully focus on only I-VER issues without having to cover two robust proceedings addressing a number of collateral issues; and
- 6) maximize Commission and CAISO coordination, thus increasing the possibility of working out an enduring solution.

An example of a conundrum that consolidation of all I-VER issues into the LTPP will solve involves the Energy Division MCC proposal and CAISO FCPR proposal, made here in the RA proceeding, and the CAISO I-VER modeling submitted in the LTPP. In

⁶ DRA, Calpine, CEERT, AREM, SCE, PG&E.

⁷ DRA, TURN, CEERT, SCE.

the LTPP, CAISO presents modeling results ostensibly designed to forecast how much and what kind of resources are needed to support I-VER. In this RA proceeding, Energy Division and the CAISO are attempting to characterize the operational aspects of these supportive resources through Energy Division's MCC proposal and CAISO's FCPR proposal. In the CAISO LTPP I-VER modeling, the RA proposals could be considered ex-ante as a modeling input, or ex-post as a need remedy, with potentially very different results. If these issues remain in separate proceedings, arriving at the least cost/best fit approach will be accidental at best, or impossible at worst.

Another example is the consideration of compensated VER curtailment (CVC). To Vote Solar's knowledge, this potentially game changing⁸ concept has not been addressed by the Commission. Vote Solar has been, however, flummoxed as to where and when to raise the CVC issue. Is it RA? Is it LTPP? RPS? CAISO stakeholder processes? Only in a comprehensive, consolidated, Commission based I-VER proceeding would an issue like CVC be appropriately and fully addressed.

III. PARTY POSITIONS ON RESOURCE ADEQUACY FOR DISTRIBUTED GENERATION

Vote Solar sincerely thanks Energy Division for raising Vote Solar's Distributed Generation Resource Adequacy (DG RA) concerns on page 19 of March 23, 2012 Energy Division Report (EDR). The EDR, along with the entirety of IREC's comments, precisely capture Vote Solar's position. To the contrary, CAISO's comments completely misconstrue Vote Solar's position on DG RA. Vote Solar also disagrees with SCE's DG RA comments at pages 17 and 18.

At page 30, CAISO asserts that Vote Solar stated that the CAISO DG RA proposal will trigger transmission-level delivery network upgrades. If Vote Solar expressed anything to this effect, it was completely unintended. Vote Solar does *not* contend that CAISO's DG RA proposal will trigger upgrades. However, Vote Solar

⁸ Similar to the discussion on Energy Division's MCC proposal and CAISO's FCPR proposal, if CVC is included ex-ante in the CAISO's LTPP I-VER modeling, a radically different outcome might result than if CVC is considered ex-post.

views CAISO's DG RA proposal as an Old Grid solution, fraught with the perils so eloquently enumerated in IREC's comments.⁹

CAISO makes another assertion at page 30 that "Vote Solar also seemed to suggest that the deliverability of existing grid-connected resources should be reduced in the deliverability study to accommodate more distributed generation resources." Vote Solar presumes this reference relates directly to the "once deliverable, always deliverable" (OD/AD) discussion as captured at pages 4 through 5 of IREC's comments. In any event, Vote Solar strongly believes that the viability of the OD/AD legacy policy should be addressed in the proposed omnibus LTPP I-VER proceeding. The CAISO's fear that changes to OD/AD will "degrade the effectiveness of the resource adequacy program" will only be fairly and appropriately addressed in a forum such as the omnibus LTPP I-VER.

At page 17 SCE states that resources that provide the same RA have the same value and thus deserve equal treatment. This approach might make sense with respect to the Old Grid, where RA resources are more fungible, but it ignores the Preferred Loading Order. An essential element of the New Grid is the granular understanding of what each resource, including load, positively or negatively brings to the grid and how it fulfills the mandate of the Preferred Loading Order. Without an openness to doing this time consuming and difficult analysis, the evolution of the New Grid will be stunted or thwarted altogether. The New Grid simply must be faster, smarter and more durable than the Old Grid. Fulfilling this mandate will require policy making where economic and market forces are not keeping pace.

At first glance DG RA may appear to be a simple issue that would easily lend itself to resolution in the context of the RA proceeding, but upon closer review the underlying concepts are directly tied to I-VER. Attempting to continue to resolve I-VER issues in an ad hoc, disjointed, Old Grid- entrenched manner is almost certain to backfire in the long term. Vote Solar thus urges the Commission to not adopt the CAISO's DG RA proposal at this time, and instead to address the broader DG RA issue in the context of the proposed omnibus LTPP I-VER proceeding.

⁹ For the sake of brevity, Vote Solar does not reiterate the principles contained in IREC's comments, but urges readers to thoroughly review IREC's comments for discussion of DG RA issues.

**IV. PROPOSED SCOPE OF THE MODIFIED RA AND LTPP
PROCEEDINGS**

OMNIBUS LTPP I-VER MINIMUM SCOPE

Standardized Planning Assumptions
Renewable Integration Study

RA Re-design, inclusive of issues such as:

OD/AD, Multi-year Procurement, Energy Division MCC proposal,
CAISO FCPR proposal, DG RA, Storage RA, ELCC

CVC, Storage, Load Responsiveness (i.e. Demand Response)*
Long Term LCR

* Primarily in the context of how these resources impact ex-ante vs. ex-post LTPP modeling.

EXISTING LTPP MODIFIED SCOPE

Near Term LCR**
Cost Allocation
Utility Bundled Plans
Procurement Rules

EXISTING RA MODIFIED SCOPE

Near Term LCR**
Standard Capacity Product
Coincidence Adjustments
Qualifying Capacity for Dynamic Schedules
and Psuedo-Ties
Allocation of credit to third party DR

** Based on the LTPP April 18, 2012 Pre Hearing Conference transcript, VoteSolar is not entirely clear as to how LCR straddles LTPP and RA, but in any event Vote Solar does not believe that near term LCR need be consolidated into the omnibus LTPP I-VER proceeding.

Among the assumptions underlying the *above* proposed scoping modifications are that:

- 1) The omnibus LTPP I-VER would be a separate LTPP track, beginning as soon as possible but with as long of a time horizon as permitted under Commission rules and the dictates of maintaining grid reliability.

- 2) Results of the existing RA and LTPP modified scope proceedings, as well as other proceedings such as Energy Storage (R.10-12-007) would, as appropriate feed into, or be informed by, the omnibus LTPP I-VER.
- 3) RA and LTPP, as they exist today, will likely be modified by final decisions in the omnibus LTPP I-VER.
- 4) The omnibus LTPP I-VER will likely be a recurring proceeding.

V. CONCLUSION

To evolve towards a Preferred Loading Order-centric New Grid, the Commission must identify the optimal resources for populating and operating the New Grid, and then effectuate policies that foster the emergence of those resources. Attempting to do this in the context of the Old Grid is likely to fail, thus the Commission will need to relegate many legacy policies to history. An omnibus LTPP I-VER proceeding will bring the proper focus and attention to this need, and such a proceeding should be implemented as soon as possible, consistent with existing time frames and without jeopardizing grid reliability.

WHEREFORE, Vote Solar respectfully requests the Commission consider the above stated reply.

Respectfully Submitted,

_____/s/_____

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