

**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

**REPLY COMMENTS OF THE LARGE-SCALE SOLAR ASSOCIATION (“LSA”) ON
THE ENERGY DIVISION STRAW PROPOSAL ON
STANDARDIZED PLANNING STANDARDS**

Linda Agerter
51 Parkside Drive
Berkeley, CA 94705
Phone: (510) 684-3093
Fax: (510) 658-0254
Email: agerterlinda@gmail.com

*Attorney for the
Large-scale Solar Association*

Shannon Eddy, Executive Director
Kristin Burford, Policy Director
Large-scale Solar Association
2501 Portola Way
Sacramento, CA 95818
Phone: (916) 731-8371
Fax: (916) 307-5146
Email: eddyconsulting@gmail.com

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I. INTRODUCTION

The Large-scale Solar Association’s (“LSA”) reply comments are filed in accordance with the Commission’s Rules of Practice and Procedure and the Scoping Memo and Ruling of Assigned Commissioner issued in this proceeding on May 17, 2012, which requires reply comments on the Straw Proposal to be filed by June 11, 2012.

LSA’s reply comments address the Net Qualifying Capacity (“NQC”) assumptions that should be used for generation resources and the Comments of the City and County of San Francisco (“CCSF”) regarding the transmission, deliverability and renewable resource assumptions proposed in the Energy Division “Straw Proposal” for standardized planning assumptions.¹ LSA opposes recalculating NQC values in this proceeding and urges that the transmission, deliverability and expected renewable supply assumptions be based on the California Independent System Operator Corporation’s (“CAISO”) completed planning efforts and committed procurement decisions.

¹ LSA’s reply comments identify the relevant sections of the comment template that Energy Division distributed electronically to the service list on May 23, 2012.

II. DISCUSSION

A. NQC Values Are Already Set For Review in the RA Proceeding (Template Question 12)

Pacific Gas and Electric Company (“PG&E”) recommended that the NQC of renewable resources be calculated using an Effective Load Carrying Capacity (“ELCC”) approach.² The Commission has already identified the “[p]reparation and review of new studies of the effective load carrying capacity of wind and solar resources on *(sic)* California” for consideration in Phase II of the current resource adequacy proceeding.³ It makes no sense to undertake that effort in this proceeding as well, or add another complicated and potentially contentious issue to a schedule that is already crowded.

B. Transmission Capacity and Deliverability Assumptions Should Reflect Completed CAISO Planning and Sunk Procurement Decisions. (Template Questions 14, 16)

LSA’s comments on the Straw Proposal strongly endorsed the guiding principles for developing standardized planning assumptions that seek to represent real-world possibilities and build upon the “sunk” decisions and the completed planning efforts by this Commission and other state authorities. Based on these principles, LSA recommended that the standardized transmission assumptions used in this proceeding be based on the 2011/2012 Transmission Plan that the CAISO Board of Governors adopted on March 23, 2012. LSA urged that the transmission projects included in the plan and expected to be online within the planning period should be assumed irrespective of the status of CPUC approval.⁴ In our view, these principles also direct that the standardized deliverability assumption for renewable resources be consistent with the terms of existing, CPUC-approved agreements as well as with the CAISO’s adopted transmission plan. LSA accordingly recommended that deliverability be determined based on the CAISO’s adopted transmission plan and be assumed for the expected renewable resource supply.

² Comments of Pacific Gas and Electric Company (U 38-9 E) on the May 10, 2012, Energy Division Standardized Planning Assumptions Proposal dated May 31, 2012 (“PG&E Comments”), Appendix A, p. 7.

³ R.11-10-023, Phase 1 Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge, p. 7 (December 27, 2011), *available at* <http://docs.cpuc.ca.gov/efile/RULC/156371.pdf>.

⁴ Comments of the Large-scale Solar Association (“LSA”) on the Energy Division Straw Proposal on Standardized Planning Standards dated May 31, 2012 (“LSA Comments”), Attachment 1, p. 1.

Other parties addressing these issues made similar observations in their initial comments on the Straw Proposal. PG&E pointed out that the Straw Proposal’s approach of assuming only new transmission projects that had received both CAISO and CPUC approval would leave out “several highly likely upgrades” included in the CAISO’s 2011/2012 TPP, but not yet approved by the Commission.⁵ It also stated that “the deliverability upgrades required for projects with approved contracts should be considered “sunk” decisions even if those upgrades have not yet been approved by the Commission” and that “expectations regarding deliverability status and RA value in existing contracts should be honored for planning purposes.”⁶ San Diego Gas & Electric Company recommended that the standardized planning assumptions “should be designed to minimize gaps” between the planning assumptions used by the Commission and those used by the CAISO in its TPP.⁷ Southern California Edison Company urged that the guiding principles “should include that, to the fullest extent possible, assumptions and forecasts are based on the results of other processes and proceedings where California regulatory agencies have evaluated and vetted in a stakeholder process those assumptions and forecasts,” and opposed changing the standardized deliverability assumption as proposed in the Straw Proposal.⁸

In contrast, CCSF recommended transmission and deliverability assumptions that would enlarge the gaps between this proceeding and the CAISO’s completed planning effort as well as diverge from committed renewable procurement decisions. CCSF supported all of the Straw Proposal’s guiding principles except those that require the planning assumptions to be realistic.⁹ CCSF’s specific recommendations for transmission and deliverability assumptions reflected its lack of support for realistic assumptions. It endorsed disregarding all planned new transmission except for projects that have received both CAISO and CPUC approval, and even proposed excluding all planned “minor upgrades” except those having some undefined “*de minimis* cost impact.”¹⁰ CCSF also endorsed assuming generating resources are “energy only” if they cannot be accommodated on existing or CPUC-approved new transmission.¹¹ The Commission should

⁵ PG&E Comments, Appendix A, p. 7.

⁶ *Id.* at pp. 7, 8.

⁷ Comments of San Diego Gas & Electric Company (U 902 E) Regarding Energy Division Straw Proposal on 2012 LTPP Planning Standards dated May 31, 2012 (“SDG&E Comments”), Attachment A, p. 2.

⁸ Opening Comments of Southern California Edison Company (U 338-E) on the Standardized Planning Assumptions dated May 31, 2012, pp. 3, 8.

⁹ Comments of the City and County of San Francisco dated May 31, 2012 (“CCSF Comments”), p.1.

¹⁰ *Id.* at p. 2.

¹¹ *Id.* at p. 6.

adopt the guiding principles that the planning assumptions represent a realistic view of the future and reflect sunk decisions, and should accordingly reject CCSF's specific recommendations for transmission and deliverability assumptions.

While CCSF's comments focus largely on interconnection-driven transmission projects, the Straw Proposal does not distinguish policy and generation interconnection-driven transmission projects from reliability-driven transmission projects.¹² Setting aside the impracticability, which LSA described in its initial comments, of including in the transmission base assumptions only a subset of the projects in the CAISO-approved TPP,¹³ CCSF's recommendations could lead to consequences that LSA doubts CCSF intended. For example, CCSF's recommendations could result in the removal from the transmission base case planning assumptions of projects like the Embarcadero-Potrero 230 kV Transmission Project, which was included in the CAISO's 2011-2012 TPP¹⁴ but lacks CPUC approval. While LSA does not advocate removing this project or any other transmission project included in the CAISO's adopted plan, LSA also notes that the Straw Proposal does not present any rationale for differentiating between transmission projects based on their drivers. Further, as discussed in more detail below, the projects that the CAISO has identified as needed to meet the 33% RPS goal include both policy and interconnection-driven transmission.

LSA does agree with CCSF's recommendation for better definition of the Straw Proposal's reference to "minor upgrades" as well as its other transmission terminology. However, LSA does not understand CCSF's proposed test of "*de minimis* cost impact" for classifying upgrades as "minor." It is unclear whether CCSF's proposed yardstick would measure transmission rate base, transmission rate impact, system average rate impact, customer bill impact or some other metric. Nor is it clear what public policy would be served by CCSF's proposed test. As Pathfinder Renewable Wind Energy and Zephyr Power Transmission point out, transmission costs are a small part of a customer's bill compared to generation costs, and

¹² See Straw Proposal, p. viii.

¹³ LSA Comments, pp. 5-6.

¹⁴ See http://www.aiso.com/Documents/Decision_2011-12TransmissionPlan-Memo-MAR2012.pdf, p. 6.

“planning to minimize transmission costs, rather than overall costs to ratepayers, runs the risk of actually increasing ratepayer costs.”¹⁵ CCSF’s test should not be adopted.

CCSF makes the West of Devers Reconductoring Project its poster child for the type of interconnection-driven projects it recommends be left out of the transmission assumptions. Yet, the CAISO has identified this project for at least for the last two years as among the transmission projects needed to achieve the 33% RPS Goal.¹⁶ The CAISO’s 2011/2012 transmission plan identifies eleven “elements” or projects as supporting California’s renewable energy goals. They consist of five projects previously approved by the CAISO and fully permitted by the CPUC for construction, one policy-driven project not yet approved by the CPUC, and five projects identified as needed in CAISO generator interconnection agreements but not yet approved by the CPUC, including the West of Devers project. Disregarding approximately half or more of these eleven projects and starting the transmission planning process anew for a significant portion of the transmission necessary for 33% RPS, as CCSF proposes, will thwart timely achievement of California’s RPS goals.

Moreover, treating interconnection-driven projects as a suspect class and dismissing them categorically from the planning assumptions used in this proceeding would not represent “a realistic view of expected resource achievements.” (Straw Proposal, Guiding Principle A). The West of Devers project and other interconnection-driven projects are governed by generator interconnection agreements subject to the jurisdiction of the Federal Energy Regulatory Commission. The CAISO responded to criticism of including interconnection-driven projects lacking CPUC approval in its 2011/2012 plan by pointing out that the CAISO has an obligation to advance such projects if the generator requiring the upgrade continues to move forward.¹⁷ Consequently, as long as the related generation projects are moving forward, removing the West of Devers project or similar projects from the transmission assumptions would not be realistic.

LSA accordingly recommends that all projects included in the CAISO’s adopted plan be used in developing the standardized transmission and deliverability assumptions for this

¹⁵ Comments of Pathfinder Renewable Wind Energy LLC and Zephyr Power Transmission LLC on 2012 Energy Division Straw Proposal on Planning Standards dated May 31, 2012 (“Pathfinder/Zephyr Comments”), p. 5.

¹⁶ See http://www.aiso.com/Documents/Decision_2011-12TransmissionPlan-Memo-MAR2012.pdf, pages 4-6.

¹⁷ *Id.* at p. 9.

proceeding. These projects should include the interconnection-driven projects for generation projects that are moving forward and are part of the expected renewable supply.

C. The Expected RPS Supply Should Be Determined In The RPS Proceeding. (Template Question 20)

Like LSA, multiple parties addressing the issue supported the concept of using the contract-based information developed in the RPS proceeding to establish the expected or “highly likely” renewable resources assumed in the scenarios created in this proceeding.¹⁸ CCSF, however, recommends continuing the 2010 LTPP approach of developing RPS portfolios using the 33% RPS calculator, but with an even more restricted definition for the “discounted core” projects assumed in all RPS portfolios.¹⁹ LSA opposes CCSF’s recommendation because, like CCSF’s recommendations for transmission and deliverability, it would result in unrealistic planning assumptions that disregard the results of “sunk” RPS procurement decisions and market commitments.

CCSF opposes the approach of using the RPS proceeding to develop the expected renewable energy supply because it is concerned the eligibility criteria for inclusion in the “highly likely” category will “significantly more relaxed.”²⁰ In LSA’s view, the Straw Proposal’s approach affords the opportunity to be more precise, not more relaxed, in choosing the resources which are most likely to become operational. It enables the selection of resources to be based on the data available from the utilities’ individual RPS procurement plans in place of the generic assumptions and projects embedded in the 33% calculator. CCSF’s concern that projects included in the resulting portfolio will lack PPAs is misplaced; use of the RPS procurement plan information should result in better representation of commercial projects and less reliance on generic projects. While projects may not have “all necessary regulatory permits”²¹ as CCSF would propose, this is not a commercially reasonable test for projects with later commercial operation dates. Many projects making reasonable progress consistent with

¹⁸ LSA Comments, Att. 1, p. 9. *See also* Comments of the Green Power Institute on the Planning Standards Straw Proposal dated May 31, 2012, p 2; SDG&E Comments, p. 12; Pathfinder/Zephyr Comments, p. 9.

¹⁹ CCSF Comments, pp. 7-8.

²⁰ CCSF Comments, p. 7.

²¹ In its comments, CCSF misstates the discounted core eligibility criteria in the 2010 LTPP to require “all necessary regulatory permits. However, to be eligible for inclusion in the discounted core in the 2010 LTPP, projects had to have signed power purchase agreements under review or approved by the CPUC as well as filed applications for major permits which had been determined to be “data adequate.” R. 10-05-006, Assigned Commissioner and Administrative Law Judge’s Joint Scoping Memo and Ruling dated Dec. 3, 2010, pp. 24, 30; Att. 2, p. 13.

their PPAs toward an on-line date in the later years of this LTPP planning cycle will not have approved major permits at this point in time, particularly as those permits typically have a limited time for development and are difficult to extend. Use of the RPS procurement plans can allow determinations of reasonable progress that have the potential to be more precise than the categorical rule that CCSF proposes.

CCSF also strongly endorsed retention of the 2010 LTPP approach of including discounted core projects automatically in the portfolios only if they do not require new transmission, or if 67% of the energy delivered on new transmission is from discounted core projects. However, this approach proved to be a self-fulfilling prophecy that favored selection of generic projects with unstudied and unknown transmission requirements over mature, commercial projects with defined transmission requirements. As the 2010 LTPP portfolios showed, this methodology will almost never include projects that require new transmission in the discounted core, particularly when coupled with the rigid permit requirements that CCSF proposes.²² As a result, actual projects with commercial sponsors, contracts and that have passed viability screening would be ignored, while the scenarios would instead include generic projects without sponsors, contracts, or known transmission needs and costs.

The Straw Proposal takes the right approach in using the RPS proceeding to develop the expected renewable resource supply without superimposing artificial transmission constraints. Contrary to CCSF's concerns, it will not create "excessive" transmission, but will instead enable analysis of the transmission requirements for a portfolio that reflects commercial projects actually being developed.

However, although LSA supports the concept of using the RPS proceeding to develop the expected renewable resource supply assumed in this proceeding, the promise of the concept will be lost if the implementation is marred. While the RPS proceeding is focused on arriving at the RPS net short amount for the utilities, this LTPP proceeding requires more granular information about the resources assumed to develop, including location. PG&E also points out potential

²² For instance, using the latest RPS Calculator, for all but the "commercial interest" portfolio, the threshold has to be lowered to 27% before the first group of new-transmission-related generation (Kramer CREZ) would be selected. This means that even for the most favorable CREZ, the percentage of projects with both an approved PPA and a final construction permit is at the most 27% of the CREZ.

issues in maintaining the confidentiality of project-specific assessments.²³ Short cuts or overly-narrow focus in the RPS proceeding will not produce the quality of information needed for this proceeding. LSA urges close coordination between the two proceedings to make sure the information needed for this proceeding is in fact created while maintaining appropriate safeguards for confidential data.

III. CONCLUSION

LSA endorses the guiding principles that the assumptions should take a realistic view of expected resource achievements, and reflect real-world possibilities, including the intentions of market participants, particularly as expressed through market transactions and committed investments. Consequently, LSA urged that this proceeding use the results of the CAISO's most recently completed planning process and develop the expected renewable supply based on contract-specific data in the RPS proceeding in order to send clear and consistent signals to the renewables market and promote the timely achievement of the state's RPS objectives.

Respectfully submitted,

By: /s/ Linda Agerter

Linda Agerter
51 Parkside Drive
Berkeley CA 94705

Phone: (510) 684-3093
Email: agerterlinda@gmail.com

Attorney for the Large-scale Solar Association

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²³ PG&E Comments, App. A, p. 11.