BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Continue Implementation and Administration of California Renewables Portfolio Standard Program.	Rulemaking 11-05-005 (Filed May 5, 2011)

RESPONSE OF THE CALIFORNIA WIND ENERGY ASSOCIATION TO MOTIONS TO UPDATE DRAFT 2012 RENEWABLES PORTFOLIO STANDARD PROCUREMENT PLANS

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I. INTRODUCTION

Pursuant to the California Public Utilities Commission's ("CPUC" or "Commission") Rule of Practice and Procedure 11.1 and the *Assigned Commissioner's Ruling Identifying Issues and Schedule of Review for 2012 Renewables Portfolio Standard Procurement Plans Pursuant to Public Utilities Code Sections 399.11 et seq. and Requesting Comments on New Proposals* ("ACR") issued in this proceeding on April 5, 2012, the California Wind Energy Association ("CalWEA") respectfully submits this response to the motions to update the investor-owned utilities' ("IOU") draft 2012 Renewables Portfolio Standard ("RPS") Procurement Plans (the "Amended 2012 Plans"). Of the three IOUs, only San Diego Gas & Electric Company ("SDG&E") captioned its submittal as a motion; however, the ACR permitted updates to the plans in accordance with the procedural schedule, which established a deadline for any "[m]otion to update RPS Plans".[1] Accordingly, CalWEA submits that the submission of the Southern California Edison Company ("SCE") and Pacific Gas and Electric Company ("PG&E")

[1] ACR at p. 5 and Attachment A, Row #9.

Amended 2012 Plans should also be deemed motions and that this response is appropriate pursuant to Commission Rule of Practice and Procedure 11.1.

CalWEA has reviewed the Amended 2012 Plans submitted by PG&E, SCE, and SDG&E. Significantly, the Amended 2012 Plans do not resolve the issues raised by CalWEA in its initial comments on the original 2012 RPS Procurement Plans filed in this proceeding on June 27, 2012 ("Opening Comments"). Therefore, CalWEA reiterates the requests for relief set forth in the Opening Comments in connection with the Amended 2102 Plans. In addition, based on CalWEA's review of the Amended 2012 Plans, CalWEA recommends that the Commission should:

1. Reject PG&E's proposal to absolve itself of any responsibility for economic curtailment that may occur after PG&E's initial submission of a self-schedule; and

2. Approve the Resource Adequacy ("RA") procurement proposal in SCE's original 2012 RPS Procurement Plan, as modified in accordance with CalWEA's Opening Comments, and direct the other IOUs to adopt the modified proposal.

Each of these recommendations is addressed in greater detail below.

II. ARGUMENT

A. The Commission Should Reject PG&E's Proposal To Absolve Itself Of Any Responsibility For Economic Curtailment That May Occur After PG&E's Initial Submission Of A Self-Schedule

In its Amended 2012 Plan, PG&E proposes to modify the definition of "Buyer Bid Curtailment" in its draft 2012 *pro forma* power purchase agreement ("PPA") to provide that "if Buyer or Buyer's SC submitted a Self-Schedule for the full amount of Energy forecasted to be produced from the Project for any time period, any notice from the CAISO having the effect of requiring a reduction during the same time period is a Curtailment Order, not a Buyer Bid

Curtailment."[2] In other words, if PG&E submits a Self-Schedule for the forecasted output, then any subsequent curtailment is automatically deemed uncompensated curtailment regardless of the reason for the curtailment. The Commission should reject this revision because it is susceptible to an interpretation that would absolve PG&E of any responsibility for economic curtailment that may occur after PG&E's initial submission of a Self-Schedule.

The Commission previously addressed economic curtailment in Decision 11-04-030, where the Commission concluded that "it is reasonable for the *pro forma* contract of each IOU to include provisions for economic curtailment."[3] However, the Commission also drew a distinction between economic curtailment, which must "reasonably bound the developer risk, such as by a maximum number of curtailment hours or other device," and "non-economic curtailment (e.g., for system reliability, safety, stability)."[4] The Commission further directed PG&E to modify its *pro forma* PPA to ensure that sellers would be compensated for economic curtailment, "even when that economic curtailment is initiated by an entity other than PG&E (such as the CAISO)."[5]

Here, PG&E's proposal to automatically categorize any curtailment that occurs after PG&E's initial submission of a Self-Schedule as uncompensated curtailment fails to comply with the Commission's prior direction that sellers should be compensated for economic curtailment because PG&E, as the generating facility's scheduling coordinator, can still cause the project to be economically curtailed. For example, PG&E could submit a Self-Schedule for the forecasted output in the day-ahead market and then subsequently submit an economic bid that could result in the CAISO directing the generating facility to reduce its output. In such a case, the generating

[2] PG&E Amended 2012 Plan, Appendix 7A, § 1.18.
[3] D. 11-04-030 at 17.
[4] *Id.* at n. 22, 24.
[5] *Id.* at 19-20.

facility would be subject to economic curtailment based on the price specified in PG&E's bid notwithstanding the prior submission of a Self-Schedule. In accordance with the Commission's direction in Decision 11-04-030, the seller should be compensated in this circumstance. Accordingly, the Commission should reject PG&E's proposal to modify the definition of "Buyer Bid Curtailment" in its draft 2012 *pro forma* PPA.

B. The Commission Should Approve The RA Procurement Proposal In SCE's Original 2012 RPS Procurement Plan, As Modified In Accordance With CalWEA's Opening Comments, And Direct The Other IOUs To Adopt The Modified Proposal

SCE's Amended 2012 Plan states that "SCE has determined that, given the State's focus on procurement from smaller-scale renewable facilities, SCE will not hold an RPS solicitation in this solicitation cycle" and that SCE will instead "focus on meeting its need through its procurement programs for smaller renewable resources."[6] Accordingly, SCE has also removed its Procurement Protocol, *pro forma* PPA, and all related discussion.[7] Significantly, these revisions remove SCE's progressive proposal to improve the RA capacity procurement process by allowing sellers to commit to provide specific quantities of RA capacity and allowing such capacity to be provided by sources other than the generating facility identified in the PPA. However, SCE's proposal presents an important policy issue that should be resolved by the Commission. Accordingly, notwithstanding SCE's withdrawal of its proposal, CalWEA requests that the Commission approve the RA capacity procurement proposal in SCE's original 2012 RPS Procurement Plan, as modified in accordance with CalWEA's Opening Comments, and direct all of the IOUs to adopt the modified proposal.

[6] SCE First Amended 2012 Written Plan at 2.
[7] *Id.*

As described above, SCE's Amended 2012 Plan removes a critical component of SCE's original 2012 RPS Procurement Plan relating to procurement of RA capacity from renewable projects. Specifically, SCE's original 2012 RPS Procurement Plan proposed that bidders would be able to bid projects as either Energy-Only ("EO") interconnections or Full Capacity Deliverability Status ("FCDS") interconnections (including specification of the date by which FCDS will be obtained), and, separately, bidders would also have the ability to designate the specific amount of RA capacity that the seller will provide for each month during the contract term, not to exceed the expected Net Qualifying Capacity that would be associated with the project if it were to obtain a FCDS interconnection.[8] In addition, the seller could provide this RA capacity from sources other than the project.[9] To the extent that the seller failed to provide the fixed RA capacity, it would either have to provide replacement RA capacity to SCE, or pay liquidated damages to SCE, with the specific option documented in the PPA.[10]

The RA capacity procurement provisions of SCE's original 2012 RPS Procurement Plan represent an evolutionary leap in the approach to procuring RA capacity within the RPS program and have the potential to resolve the policy issue described as the "problematic" Delivery Network Upgrades ("DNU") in the ACR. As CalWEA has previously explained in this proceeding and in the Commission's RA proceeding, Rulemaking 11-10-023, a rigid approach to procuring RA that requires all resource to obtain FCDS interconnection prior to COD can lead to inefficient expansion of the transmission system and inefficient procurement of RA capacity.[11] In contrast, a structure in which RA capacity can be provided by a third party in lieu of requiring the seller to obtain FCDS can avoid the "problematic" DNUs described in the ACR while

[8] SCE 2012 Written Plan at 28.
[9] *Id.*
[10] SCE original draft 2012 *pro forma* PPA § 3.02.
[11] *See e.g., Motion of the California Wind Energy Association Regarding 2012 Renewables Portfolio Standard Procurement Plans* (December 8, 2011), R. 11-05-005.

enhancing rational procurement of RA capacity. However, to capture the benefits of this structure, it is imperative that the LCBF valuation of transmission network upgrade costs and RA capacity be transparent to the marketplace, so that bidders are able to determine whether the ability to provide RA capacity will create enough value to compensate for the increased cost of a FCDS interconnection.

As CalWEA explained in its Opening Comments, SCE's proposal should be further clarified to maximize the benefits it provides.[12] First, the Commission should require SCE to clarify that projects bid with FCDS interconnection and committing all of their capacity to SCE are not required to provide fixed amounts of RA and be subject to replacement obligations or liquidated damages. Instead, these projects, which conform to SCE's preferred approach, should continue to be subject to the current RA provisions, which require that the seller provide SCE with all RA capacity that is available from the project, whatever that may be and as it may change throughout the term of the PPA. This would preserve existing practice for projects with FCDS, where the buyer receives all RA capacity associated with the project, whether it increases or decreases over time.

Second, the Commission should require SCE to clarify that the replacement obligation and liquidated damages provisions are not mutually exclusive for projects that commit to a fixed quantity of RA capacity. Instead, these projects should have the right to provide replacement RA capacity for any shortfall. Then, to the extent that the seller fails to provide the required replacement RA capacity, the seller would be subject to liquidated damages for such shortfall. Both the replacement RA capacity obligation and the liquidated damages are intended to compensate SCE for a shortfall relative to the guaranteed RA capacity. Thus, the seller should have the ability to cure a shortfall through either option.

[12] CalWEA Opening Comments at 20-22.

As noted above, allowing RA capacity to be provided by a third party in lieu of requiring the seller to obtain FCDS can avoid the "problematic" DNUs described in the ACR while enhancing rational procurement of RA capacity. Thus, SCE's RA capacity procurement proposal presents broad and important policy issues that extend beyond consideration of SCE's plan alone. Accordingly, the Commission should direct PG&E, SCE (notwithstanding its withdrawal of the proposal), and SDG&E to adopt the RA capacity procurement proposal presented in SCE's original 2012 RPS Procurement Plan, as modified in accordance with CalWEA's recommendations above.

III. CONCLUSION

For the foregoing reasons, the Commission should adopt the recommendations set forth in these comments.

Respectfully submitted,

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August 30, 2012

VERIFICATION

I, Nancy Rader, am the Executive Director of the California Wind Energy Association. I am authorized to make this Verification on its behalf. I declare under penalty of perjury that the statements in the foregoing copy of *Response of the California Wind Energy Association to Motions to Update Draft 2012 Renewables Portfolio Standard Procurement Plans* are true of my own knowledge, except as to the matters which are therein stated on information and belief, and as to those matters I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on August 30, 2012 at Berkeley, California.

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Nancy Rader

Executive Director, California Wind Energy Association