

August 1, 2012

Edward Randolph, Director
Energy Division
California Public Utilities Commission
505 Van Ness Avenue, Room 4004
San Francisco, CA 94102

**Re: Southern California Edison Company Advice 2759-E; Request for
Modifications to SCE's Renewable Auction Mechanism ("RAM") Program
Pursuant to Decision 10-12-048**

Dear Mr. Randolph:

By way of this letter, the Solar Energy Industries Association (SEIA) responds to the above referenced advice letter filing of Southern California Edison Company (SCE) seeking modifications to the implementation of, and associated power purchase agreement (PPA) for, its Renewable Auction Mechanism (RAM) procurement program. SEIA (and its predecessor organization) has been an active participant in the shaping of the RAM program and welcomes the opportunity to continue to work with all interested stakeholders to make refinements to the process which will serve to garner significant participation by commercially viable and cost effective projects. In this vein, SEIA offers the following comments on certain of the suggested modifications to SCE's RAM program and the associated power purchase agreement.

Termination Right for Network Upgrade Costs

SCE proposes to modify the RAM PPA to provide SCE a right to terminate a contract if the reimbursable network upgrade costs in an interconnection study or agreement for a project exceed a certain amount. The cap is based on the lesser of (1) \$100,000 plus estimated network upgrade costs, or (2) 125% of the estimated network upgrade costs. The revised PPA provides that the termination right and the cost threshold therein should apply only to costs identified in an interconnection study or in the project's final interconnection agreement. Once the project's final interconnection agreement has been provided by the seller to SCE, SCE will be required to exercise that right within a specified number of days or the termination right will sunset. Moreover, proposed revisions to the PPA give the sellers the right to pay the excess amount of network upgrade costs without reimbursement from SCE's customers in lieu of termination.

The idea of including a termination provision linked to increases in reimbursable network upgrade costs as part of a RAM PPA was first raised in Draft Resolution E-4489. This Draft

Resolution addressed certain proposed changes to the RAM program which were raised on Energy Division Staff's own motion. SEIA protested the then proposed termination provision noting that while the basis for the proposed change -- *i.e.*, that a project may be selected by an IOU from the RAM RFO partially on the basis of its low projected transmission upgrade costs, but that those costs could increase significantly after contract execution -- was a valid concern, the Draft Resolution presented no evidence that such was actually occurring. Ultimately the Commission determined not to authorize a unilateral termination right based on increased network upgrade costs.¹

The proposed termination provision presented by SCE in its advice filing does alleviate certain of the specific concerns previously expressed by stakeholders (*e.g.*, limits the time period in which SCE can exercise the termination right and provides the buyer the right to cure), but ultimately it must fail for the same reason that the one addressed in Commission Resolution E-4889 failed -- the lack of evidence of need. While SCE claims that the "termination right is essential because it protects SCE's customers from excessive network upgrade costs,"² it has provided no evidence that it has been presented with such excessive costs. Given the requirement in the RAM decision that "[a]ny modifications proposed should be based on evidence that the modification is *necessary* to improve the RAM program,"³ and SCE's failure to make any showing that proposed change is needed, SEIA submits that SCE has failed to meet the Decision's requirements for making a change to the program. Consistent with the RAM Decision, SEIA would request that the required showing that the "modification is necessary to improve the RAM program" be made prior to the Commission approving SCE's proposed unilateral termination right based on increased transmission upgrade costs.

Changes to SCE's Time of Delivery Factors

SCE proposes to modify the time of delivery (TOD) factors in Exhibit J in its RAM PPA from a product payment allocation factor applicable to all projects to two different sets of TOD allocation factors: Energy Only (EO) and Full Capacity Deliverability Status (FCDS). The benefit afforded SCE by virtue of a project bidding FCDS is reflected in the formula that SCE will utilize to assess projects bidding into the program -- (Price + Transmission Adder) - RA Benefits.

SEIA recognizes that in Resolution E-4489, the Commission found it would be "an improvement to the RAM program to give producers the option to bid a project as energy-only or to bid a project with FCDS."⁴ The Commission also found that it would improve the RAM to "permit the IOUs to consider the benefits of a project providing resource adequacy when it evaluates bids from a RAM auction."⁵ However, in response to concerns raised by various stakeholders, including SEIA, regarding lack of transparency as to how the IOUs value resource

¹ Resolution E-4489 (issued April 23, 2012) at p. 15

² Advice Filing at p. 3.

³ D.10-12-048, Section 12.1, page 74.

⁴ Resolution E-4489 at pp. 12-13

⁵ *Id.* at p. 13.

adequacy benefits, the Commission directed the IOUs “to include a public discussion of how to provide greater transparency to the market of its methods for valuing resource adequacy benefits on the agenda at its RAM program forum.”⁶

The TOD factors that SCE is proposing in its Advice Filing, and their use in bid evaluation, were not discussed as part of SCE’s last RAM program forum. Moreover, SEIA submits that the program forum is not the appropriate venue for the articulation of the underlying derivation of SCE’s proposed TOD factors and how they will be used in the bid evaluation. Rather such should be articulated in a Commission filing, with the receipt of Commission approval. SCE fails to provide such clarity in its Advice Filing.

SEIA reminds the Commission that fundamental principles of the RAM program are simplicity and transparency. As the program progresses, the simplicity principle appears to be giving way to complexity. While SEIA recognizes that a certain amount of complexity is a product of program maturity, transparency should not be sacrificed. Accordingly, SEIA requests that the Commission require SCE to substantiate the basis for its proposed TOD factors and provide additional clarity as to how they will be used in bid evaluation *prior* to their use in a RAM solicitation.

Addition of Two More RAM Procurements (RAM 5 and RAM 6).

In accord with the RAM Decision, SCE’s program is structured so as to conduct four auctions over a two year period. The Advice Letter provides that “The Decision does not address the possibility that an IOU’s RAM targets may not be met by the last RAM auction and is silent as to project failures that occur after the last RFO.”⁷ Accordingly, in order to address this issue, SCE has proposed to add two more RAM procurements, RAM 5 and RAM 6, to fill program capacity opened up by project failures from previous solicitations. In order to effectuate these additional solicitations, SCE proposes to hold the “RAM targets for RAM 2 to RAM 4 static and hold RAM 5 and RAM 6 with procurement targets based on contract fallouts from RAM 1 through 4 (or 1 through 5, as applicable).”⁸ Moreover, SCE states that after RAM 6, the program will sunset regardless of any future project failure.

SEIA supports SCE’s proposed extension of the RAM program, however, believes it may be deficient to entirely address the problem of capturing the MW associated with project failures occurring after the last RFO. Given the current extended process associated with obtaining a RAM contract and achieving Commission approval of that contract, project failures resulting from RAM auctions 3 and 4 will likely not be ascertained by the time RAM Auction 5 is held and clearly any project failures resulting from RAM auction 5 will not be determined by the time for RAM Auction 6. Accordingly, SEIA submits that the Commission should require SCE to hold additional auctions until its full allocation of RAM program MW have been contracted, with such contracts approved by the Commission.

⁶ *Id.* at p. 14.

⁷ Advice Filing at p. 9.

⁸ *Id.*

In this regard, two aspects of the RAM Decision bear noting. First, the Decision does, in fact, contemplate the extension of the RAM program past the initial four auctions. Thus, the Decision states:

Given two auctions per year (adopted below), the 1,000 MW cap cannot be subscribed faster than over a two-year period. It may take longer, depending upon the number of sellers and selected bids per auction.⁹

Thus, it is not clear whether SCE has the authority to sunset the RAM program after 6 auctions if their full allotment of MW are not under contract.

Moreover, in determining the number of auctions that should be held each year, the Commission reasoned that:

We expect IOUs, ED, and parties to monitor auctions and make recommendations over time if the number should be changed. We would eventually like the program to be sufficiently routine that auctions may be held even more frequently, if not continuously.¹⁰

In accord with the direction afforded by the Commission, SEIA recommends that SCE work towards establishing an on-going auction process such that it can assure its RAM program will achieve Commission approved contracts for the full complement of MW allocated to SCE by Commission Decision 10-12-048.

Very truly yours,



Jeanne B. Armstrong

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Association

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⁹ Decision 10-12-048 at p.31.

¹⁰ *Id.* at p. 33.