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)

COMMENTS OF THE INDEPENDENT ENERGY PRODUCERS ASSOCIATION REGARDING SCE'S ADDITIONAL INFORMATION ON ITS PROPOSAL NOT TO HOLD A 2012 RPS SOLICITATION

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In keeping with the schedule established in the *Administrative Law Judge's Ruling Requesting Additional Information from Southern California Edison Company Regarding Proposal Not To Hold a 2012 RPS Solicitation,* dated August 31, 2012 (Ruling), the Independent Energy Producers Association (IEP) offers its comments on the Response of Southern California Edison Company (SCE) to the Ruling.

I. INTRODUCTION

In its updated 2012 Renewables Portfolio Standard (RPS) Procurement Plan dated August 15, 2012, SCE indicated that it would not hold an RPS solicitation in 2012. In Response to the Ruling's request for additional information, SCE indicates that it expects to resume procurement of large-scale renewable resources to meet its long-term needs in the 2014/2015 cycle. In explaining this proposal, SCE disagrees with the notion that forgoing a 2012 RPS solicitation will decrease procurement options. SCE also argues that skipping a RPS solicitation for large-scale renewable resources in 2012 is not expected to increase customer costs.

IEP offers a slightly different perspective. While IEP does not contend that SCE should conduct an RPS Request for Offers (RFO) in the absence of need, IEP observes that the Commission and the state as a whole, and perhaps also SCE, may derive significant benefits from conducting RPS RFOs on a sustained, regular schedule known in advance to market participants.

II. A SUSTAINED, REGULAR SCHEDULE FOR LARGE-SCALE RPS RFOS PROVIDES SIGNIFICANT BENEFITS

Evidence from the past few RPS RFO cycles has shown that strong interest persists in the utilities' RPS RFOs for large-scale renewable resources. IEP understands that the most recently completed RPS RFOs attracted vigorous interest; not only were there numerous projects bid, there were also many different bidders with different projects. At the same time, IEP's impression is that the participation in the RFOs is large because project developers are unsure of when the next RPS RFO will occur. In 2010, the regular RPS RFOs were skipped, and the memory of that gap persists. As a result, the lack of a set, regular schedule for RPS RFOs may be motivating developers to bid premature projects since the developers have no clear idea of when they will have another opportunity. This uncertainty about future opportunities may help explain why speculative bidders still appear to be present in these auctions.

Conducting regular, periodic (*e.g.,* annually or every 18 months) RPS RFOs, coupled with stringent application of the project viability calculator, may result in significant time and resource savings because developers and potential bidders will not feel the need to rush a premature project into an RPS solicitation when they know that another opportunity to bid a more mature project will be available in a year. If developers are not confident that another RFO will occur in the following year, then they are almost forced to bid speculative projects. Setting a schedule for the utilities to conduct periodic RPS RFOs may reduce the commercial uncertainties that exist today and result in significant savings to the utilities and the Commission over time.

III. LARGE-SCALE RFOS ARE THE MECHANISM FOR PROCURING THE LOWEST-COST RENEWABLE RESOURCES

The Commission and the Legislature have adopted a variety of programs aimed at promoting the development of small renewable facilities. The Renewable Auction Mechanism, for example, focuses on project of 20 MW or less in size, and the Re-MAT targets facilities of 3 MW or less.

Smaller projects are the targets of these programs for various public policy reasons, and they will help the utilities meet their RPS obligations. However, the competitive solicitation of large-scale renewable resources still serves as the source of the lowest-cost RPS eligible resources. Skipping the 2012 RPS solicitation means that SCE will also forgo the opportunity to procure the lowest-cost means of meeting its RPS requirements.

IV. EXPIRATION OR EXTENSION OF THE PRODUCTION TAX CREDIT AND INVESTMENT TAX CREDIT

The federal Investment Tax Credit (ITC) and Production Tax Credit (PTC) have reduced the effective cost of initial capital investments in generating facilities over the last few years. California should not miss the opportunity to take advantage of this federal funding to the extent the funding remains available. Furthermore, the Commission should provide the utilities with enough procurement flexibility to maximize that the benefits of these federal credits, if available, for ratepayers through lower prices from projects that are able to use these credits to lower costs.[1] The Commission should ensure that utilities are authorized to accept bids from projects that propose to commence delivery to the utility sometime after the year in which they physically begin commercial operation, so projects that are in position to receive the benefits of

[1] Comments of the Large-scale Solar Association, p. 3.

the tax credits by beginning commercial operation prior to 2017, for example, can commence deliveries to the utility in the third compliance period, when the utility may have a greater need for additional delivered renewable resources.

SCE strongly disagrees with any notion that forgoing a 2012 RPS solicitation will decrease procurement options and increase customer costs in the future due to the potential reduction in the ITC. SCE argues that the forward price curves for solar photovoltaic facilities indicate a cost advantage will occur even if procurement is delayed until the ITC is no longer available.

In response, IEP notes that the ITC is not the only federal credit currently available to potential developers, depending on their circumstances. For example, the federal PTC is available to wind developers. SCE's analysis was silent about the potential cost implications to ratepayers of deferring development of RPS resources beyond a time when the other federal credits, such as the PTC, are available.

V. TIMING OF DEVELOPMENT REMAINS CRITICAL TO ENSURE ATTAINMENT OF RPS GOALS

SCE indicates that it is considering launching an RPS solicitation for large-scale renewable resources in the 2014/2015 cycle for deliveries to meet its RPS procurement needs in the third compliance period and beyond. The third compliance period runs from January 1, 2017 through December 31, 2020. Under the SCE plan, and based on historical practice, this proposal suggests the following schedule:

- Conduct RPS RFO for large-scale renewable resources — Fall 2014
- Select bidders/negotiate PPAs – 18 months — Spring 2016
- Commission approval – 6 months — Fall 2016
- Construction– 3 years — Fall 2019

IEP's impression is that this schedule is premised on an optimistic assessment of the time typically required for procurement and Commission approvals, permitting, siting, and construction. Furthermore, the schedule provides little, if any, margin for error in a state that is known for its political vagaries, its constantly changing environment for developing needed infrastructure, and its impediments to infrastructure investment and development. Relying on such a slim margin seems unnecessary and contrary to the importance of the RPS to public policy goals, greenhouse gas reduction goals, and job creation.

VI. CONCLUSION

SCE's proposal to forgo an RPS RFO for large-scale renewable resources in the 2012 cycle and instead conduct an RPS RFO in the 2014/2015 cycle appears premised on a smooth solicitation, permitting, Commission approval, and construction process, even though "smooth" is rarely an adjective used to describe project development in California. In addition, the proposal seems to risk missing an opportunity to evaluate and contract with the least-costly, viable renewable energy projects, particularly projects that may continue to benefit from federal credits such as the PTC. Constantly re-setting procurement schedules creates developer uncertainty that it invites bidding premature projects into RPS RFOs, straining both utility and Commission staff resources unnecessarily which in turn can result in further delay in project development. IEP is unconvinced that SCE's proposal to skip a 2012 RPS RFO is a better path forward.

Respectfully submitted this 10th day of September, 2012 at San Francisco, California.

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By *<u>/s/ Brian T. Cragg</u>*
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VERIFICATION

I am the attorney for the Independent Energy Producers Association in this matter. IEP is absent from the City and County of San Francisco, where my office is located, and under Rule 1.11(d) of the Commission's Rules of Practice and Procedure, I am submitting this verification on behalf of IEP for that reason. I have read the attached "Comments of the Independent Energy Producers Association Regarding SCE's Additional Information on its Proposal Not to Hold a 2012 RPS Solicitation," dated September 10, 2012. I am informed and believe, and on that ground allege, that the matters stated in this document are true.

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

Executed on this 10th day of September, 2012, at San Francisco, California.

/s/ Brian T. Cragg
Brian T. Cragg

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