

**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
(Filed March 22, 2012)

**OPENING COMMENTS OF THE VOTE SOLAR INITIATIVE
ON THE ADMINISTRATIVE LAW JUDGE'S RULING SEEKING
COMMENT ON WORKSHOP TOPICS**

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**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 10-05-006
(Filed May 6, 2010)

**OPENING COMMENTS OF THE VOTE SOLAR INITIATIVE
ON THE ADMINISTRATIVE LAW JUDGE'S RULING SEEKING
COMMENT ON WORKSHOP TOPICS**

Pursuant to the September 14, 2012 *Administrative Law Judge's Ruling Seeking Comment on Workshop Topics*, as subsequently amended by Judge Gamson's October 4, 2012, email ruling (Ruling), The Vote Solar Initiative (Vote Solar) submits these opening comments. Vote Solar's responses to the enumerated questions in the Ruling are limited to addressing the procurement of distributed solar generation.

Question 1 *What changes should be made to the rules governing the Investor-owned Utilities (IOUs') procurement process that would allow all resources (natural gas combined cycle, combustion turbine, storage, demand response, combined heat and power, renewable, etc.) to compete fairly in meeting identified needs? Please provide specific proposals for structuring an all-source procurement process.*

Vote Solar is not convinced that an all-source procurement process is necessarily better than the targeted procurement of either Preferred Resources or conventional resources. Particularly with respect to Southern California Edison's (SCE) Long Term Procurement Plan (LTPP) Track 1 needs related to the impact of once through cooling (OTC) plant retirements on Local Capacity Requirements (LCR), the hearing record

includes numerous references to the possible need to enter bilateral negotiations with the existing OTC plants due their formidable market power, as well as the difficulties associated with attempting to analyze Preferred Resources and conventional resources side-by-side in all source solicitations. Furthermore, without some type of aggregation process, due to their very small scale, roof top solar installations can not reasonably participate in an all source solicitation.

Nevertheless, if the Commission determines that an all-source procurement process, as opposed to targeted procurement, should be used to procure both Preferred Resources and conventional gas resources, consistent with Vote Solar's presentation made during the September 7, 2012 joint workshop held in this proceeding and the Energy Storage proceeding (R.10-12-007), Vote Solar urges the Commission to consider adopting the distributed solar generation procurement mechanisms described in that presentation. The presentation is included as Attachment A.

If, however, the Commission determines that targeted procurement may be a better option (at least for the limited purpose of the SCE LTPP Track 1 LCR procurement), Vote Solar provides an alternative proposal in response to Question 4.E.

Question 2 *What amendments, if any, would be necessary to the most recent long-term Request for Offers issued by Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric (SDG&E), and Southern California Edison (SCE) to ensure that all resources are eligible to compete in meeting future Request for Offers (RFO)? Are there any changes specific to meeting Local Capacity Requirements (LCR)?*

Vote Solar has not conducted a review of the most recent long-term Request for Offers (RFOs) issued by the California investor owned utilities, but based on a general understanding of the RFO process, the most recent utility RFOs would need considerable amending to include the procurement mechanisms described in Attachment A. Vote Solar suggests that the need to substantially change the existing RFO processes is another reason an all source RFO may not, at this time, be the optimal solution for procuring Preferred Resources.

Question 3 *What specific characteristics or attributes must any resource --*

including demand-side, energy storage, or distributed -- provide in order to meet future procurement needs? In the absence of a Net Qualifying Capacity, what methodology should be used to determine a proxy capacity value for resources lacking a Net Qualifying Capacity for use in LCR capacity accounting? How can these characteristics or criteria be turned into criteria to evaluate resources bid into a Request for Offers to meet LCR or other needs? How should those criteria be weighted?

Vote Solar does not support the California Independent System Operator's (CAISO) proposition that all new procurement needs to be as flexible as possible. With respect to LTPP Track 1, the consideration of flexibility issues remains premature until LTPP Track 2 is fully vetted. Moreover, CAISO's own modeling (referred to as the "Sensitivity" scenario), as described in the *Supplemental Testimony of Robert Sparks on behalf of the CAISO* (as entered into evidence in the LTPP Track 1 hearings, as Exh. ISO-2), demonstrates that significant incremental increases to Preferred Resources, when assessed from the demand side of the modeling and therefore without flexibility, considerably reduce supply side need, obviating the need to demonstrate Preferred Resource flexibility.

Accordingly, Vote Solar suggests that the modeling of Preferred Resources as a reduction to demand, at least at this point in time, makes immeasurably more sense than attempting to evaluate Preferred Resources as a supply side solution. If the Commission adopts a demand side modeling approach for Preferred Resources, an all source RFO solution is moot (at least for now), while the unwieldy act of fitting "square - Preferred Resource - pegs" into "round - all source RFO - holes," is avoided. The same demand side modeling approach holds true for determining proxy capacity values for resources lacking a Net Qualifying Capacity (NQC). By adopting a demand side modeling approach for Preferred Resources, the Commission saves the time and resources required to undertake an NQC analysis which will invariably be extremely contested and not even likely to render deeply useful results.

Question 4 *What are the pros and cons of the following procurement methods with regard to: 1) local procurement considered in Track 1 of LTPP, and 2) operational flexibility and general system procurement considered in Track 2 of LTPP?*

A. Continuation of current practices for procurement with minor clarifications;

Should the Commission adopt Vote Solar's recommendations detailed in the response to Question 4.E, and mechanisms for procuring other incremental Preferred Resources are also in place, Vote Solar would support maintaining current conventional resource procurement practices.

B. A "portfolio approach" that allocates, based on strategic/portfolio considerations, the total quantity of new flexible resources among various eligible resources (for example, how could/should the allocations be adjusted periodically based on current or expected conditions?).

a. SCE provided two proposed alternatives to filling any LCR need at the September 7, 2012 workshop, one with flexibility for SCE in procuring resources via two separate tracks, and another approach using an all-source RFO. Is there some way to blend these approaches? If so, how, and should the Commission attempt to do so?

As stated earlier, Vote Solar is skeptical that an all source RFO will result in the best outcome for SCE's LTPP Track 1 LCR procurement. For these same reasons, Vote Solar favors granting SCE flexibility with regard to conventional resource procurement, **but only with explicit Commission directives regarding Preferred Resource procurement.**

C. Establishing a set of minimum criteria for operational flexibility characteristics for all acquired resources;

Please see the response to Question 3. For the reasons stated in that response, Vote Solar is opposed to establishing operational flexibility characteristics for all acquired resources, and, more specifically, for Preferred Resources. Vote Solar does not oppose seeking flexibility from conventional resources.

D. A “strong showing” requirement that the utility must demonstrate that its procurement process was substantially open to all resource types and appropriately considered all of the values discussed above and that the resulting portfolio of resources is an optimal solution.

Vote Solar strongly opposes this ex-post approach to determining if the Loading Order was properly followed during utility procurement. While numerous arguments weigh heavily against this approach, the most overarching argument is that by the time the utility presents the “strong showing,” it will be too late to unwind the process. Because the “strong showing” concept inherently requires a final procurement decision by the utility, even if the Commission determines that the Loading Order was not followed, particularly in the context of time sensitive procurement, the conventional resource procurement could not, realistically, be undone. Further, knowing that the utility is subject to this type of after the fact scrutiny may elevate counter party risk concerns, thereby increasing conventional resource prices.

E. Adjusting existing procurement mechanisms, such as the Renewable Auction Mechanism, to focus on the physical locations with needs that can be met by that programmatic resource.

Vote Solar is most supportive of this approach for the procurement of wholesale distributed solar generation, particularly with respect to the location sensitive needs of SCE’s LTPP Track 1 LCR procurement. By using existing mechanisms such as the Renewable Auction Mechanism (RAM) for Preferred Resource procurement, the Commission capitalizes on known and tested Preferred Resource procurement procedures and policies, while enabling conventional resource procurement to proceed in a well-established and time-tested manner. In turn, both types of resources can be procured as expeditiously as possible, and with the ex-ante assurance that the Loading Order has been observed.

For customer sided solar, Vote Solar recommends using a mechanism similar or identical (depending on what is deemed legislatively permissible) to the California Solar Initiative (CSI). Between a location specific, RAM-like targeted

procurement (LCR-RAM) and a location specific, CSI-like targeted procurement (LCR-CSI), Vote Solar believes that the Loading Order mandate for distributed generation would be fulfilled for the SCE LTPP Track 1 LCR procurement. Vote Solar is not commenting in detail on the other Preferred Resources at this time, but believes that a similar approach would also work for those resources.

If the Commission adopts an LCR-RAM and LCR-CSI approach, the Commission must also determine how many incremental MWs and/or dollars should be allocated to each of these existing (or similar to existing) programs. During Track 1 hearings, Vote Solar served testimony on this issue that was subsequently stricken from the record. The excerpted stricken testimony is found at Attachment B. *Vote Solar includes the stricken testimony for the sole purpose of illustrating the mechanics of a possible method of allocating funding to existing programs, and in no way is suggesting or requesting that the Commission adopt the described approach.*

Vote Solar does, however, recommend a somewhat similar but vastly simpler approach. Based on the CAISO Sensitivity scenario modeling discussed in response to Question 3, for distributed solar generation Vote Solar recommends an incremental MW range of 832 to 1248 MW.¹ This range represents the incremental distributed generation assumptions in the CAISO Sensitivity scenario modeling, which is the basis for Vote Solar's recommendation of SCE's LTPP Track 1 LCR need in Vote Solar's Track 1 Opening Brief.

To split the 832-1248 MW between wholesale (LCR-RAM) and behind the meter solar (LCR-CSI), Vote Solar recommends the Commission authorize the following:

1. SCE immediately holds an LCR-RAM solicitation, but only for projects in the electrically equivalent local reliability areas. Using the same parameters for selecting non-LCR RAM, SCE selects winning projects.

¹ *Supplemental Testimony of Robert Sparks on behalf of the CAISO* (as entered into evidence in the Track 1 hearings, as Exh. ISO-2), at p. 6, lines 12-20.

2. The number of MW selected in the LCR-RAM are deducted from the 832-1248 MW allocated to distributed generation. The remaining MWs are then used to add an auxiliary step to the SCE CSI EPBB, except that the new “11th” step would only apply to solar installations in the appropriate local reliability area. This LCR-CSI would be priced at the lowest SCE step, or \$0.20/watt. All other CSI rules would apply.

In Vote Solar’s Track 1 Opening Brief, Vote Solar supports a conventional resource need finding of between 800 to 1700 MW. But, as stated in the Opening Brief, Vote Solar’s position is entirely predicated on the Commission following the Loading Order by ensuring that the incremental Preferred Resources modeled on the demand side of the CAISO’s Sensitivity Scenario are realized. Under this assumption, the incremental LCR-RAM procurement and LCR-CSI procurement offsets a portion of the additional 1300 to 2200 MW² of conventional resource procurement advocated for by the CAISO via the “Trajectory” scenario. Because the incremental Preferred Resources procured under the LCR-RAM and LCR-CSI avoid the need for incremental conventional resource procurement, the LCR-RAM and LCR-CSI related procurement costs are not incremental programmatic expenses. Rather, they are costs in lieu of incremental conventional resource expenditures and are, therefore, are *per se* cost effective.

Furthermore and quite notably, in the CAISO supported and preferred Trajectory scenario, Preferred Resource procurement is merely an “admirable goal,”³ as opposed to the Sensitivity scenario, in which the Loading Order is vigorously embraced. By fully endorsing the CAISO modeling set forth in the

² This range of avoided conventional generation includes the embedded impact of the transmission upgrades and the incremental energy efficiency and combined heat and power modeled in the Sensitivity scenario. During LTPP Track 1 litigation, through data requests propounded on CAISO, Vote Solar attempted to disaggregate the incremental resource and transmission upgrade impacts, but did not receive responses with sufficient granularity to proceed with a meaningful disaggregation analysis.

³ *Supplemental Testimony of Robert Sparks on behalf of the CAISO* (as entered into evidence in the Track 1 hearings, as Exh. ISO-2), at p. 7, line 1.

Sensitivity scenario, the Commission has a strong evidentiary record upon which to authorize SCE to procure:

- 1) 800 to 1700 MW of conventional resources;
- 2) 832-1248 MW of distributed generation; and
- 3) an appropriate, to-be-determined MW amount of the other Preferred Resources in the appropriate LRAs,

to meet SCE's LTPP Track 1 LCR procurement needs. All of this procurement can occur in the near term, thereby resolving concerns about the timeliness of the procurement, and SCE can commence the procurement process with the knowledge that the Loading Order mandate has been met.

Vote Solar has no response to Questions 5 and 6

WHEREFORE, for the reasons stated herein, Vote Solar respectfully requests the Commission authorize the following with respect to the SCE Track 1 LCR procurement:

1. Fulfill the distributed generation element of the Loading Order by authorizing 832 to 1248 MW of additional LCR-RAM and then LCR-CSI procurement, as described herein, and find that such procurement is an offset to a portion of the avoided procurement of 1300 to 2200 MW of conventional resources;
2. Similar to the LCR-RAM and LCR-CSI approach, using existing Commission programs, or like-existing programs, allocate an appropriate amount of incremental MW to the procurement of the other Preferred Resources in the appropriate LRAs; and
3. Allow SCE to proceed with 800 to 1700 MW of conventional resource procurement in as flexible manner as possible, including the use of bilateral negotiations with existing OTC plants.

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Respectfully Submitted,

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Dated: October 9, 2012

(Attachments A and B are presented in separate files)