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ED Tariff Unit
Energy Division
California Public Utilities Commission
505 Van Ness Avenue
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Re: Comments of San Diego Gas & Electric Company on Draft Resolution E-4546

Dear Energy Division Tariff Unit:

Pursuant to Rule 14.5 of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission"), San Diego Gas & Electric Company ("SDG&E") submits the following brief comments regarding Draft Resolution E-4546 (the "RAM DR"), which approves with modifications SDG&E's advice letter 2392-E; Pacific Gas & Electric Company's ("PG&E") advice letter 4100-E; and Southern California Edison Company's ("SCE") advice letter 2759-E and implements changes to the Renewable Auction Mechanism (RAM) for the three investor owned utilities ("IOUs"). The changes adopted by the RAM DR are scheduled to take effect prior to the commencement of the third RAM solicitation, which is scheduled to close on December 21, 2012. SDG&E generally supports the modifications proposed by the RAM DR and offers the comments below to provide necessary clarification to the RAM Program.

I. Eligibility of Existing Facilities

The RAM DR proposes to require that facilities with existing contractual arrangements cannot participate in the RAM unless their contract expires within 24 months of the date that RAM bids are due for that solicitation.¹ SDG&E agrees with this proposal and the rationale behind it. As existing agreements with Qualifying Facilities ("QFs") expire, they will look to the RAM program to secure a new off-take arrangement. Providing clarity as to whether these types of facilities are eligible for the RAM will help to provide transparency to the market.

SDG&E's comments request that the RAM DR take the additional step of clarifying the interconnection requirements that these existing facilities must meet in order to be eligible for the RAM program. Many of the QFs that have existing power purchase agreements ("PPAs") also have existing Rule 21 interconnection agreements that expire along with the associated PPA. The RAM program currently requires that bidders provide a Phase 1 study or have passed

¹ Draft Resolution E-4546, p.20.

fast track screens.² SDG&E proposes that the RAM DR clarify that this requirement applies only to new facilities or facilities that will change their operating characteristics. Existing facilities with existing interconnection agreements that will not change their operating characteristics should be eligible for the RAM, even if the existing interconnection agreement will expire along with the existing PPA. SDG&E's current practice is to allow existing facilities with existing interconnection agreements to participate in the RAM by requiring that the facility provide an affidavit stating that no changes will be made to the facility's operating characteristics. To provide certainty SDG&E requests that the Commission affirm that this approach is reasonable and acceptable. Allowing these projects to participate in the RAM furthers the RAM program goal of encouraging cost effective renewable projects that can begin deliveries quickly. Providing this additional clarity will ensure that the RAM program is equipped to handle the potential wave of bids from existing facilities that could occur as QF contracts expire.

II. Excess Deliveries

The RAM DR proposes zero payment for a RAM project's output during any settlement interval in excess of 110% the maximum possible output from the project.³ SDG&E agrees with this proposal and the rationale behind it. SDG&E's comments request that the RAM DR take the additional step of allowing a cap on production in any given Time of Delivery ("TOD") period to prevent over-building. Limiting the payment to the project capacity in any settlement interval may not sufficiently guarantee that developers will not over-build capacity to exploit TOD payment structures. If a solar project has a contract capacity, the developer can build additional capacity beyond the contract capacity specified in the PPA in order to "fill out" those hours where the project would normally provide less than the contract capacity in a given hour. Since the premiums for on-peak power are quite high during the summer on-peak period (where for example, prices can reach over \$350/MWh), this may create an incentive for gaming on the part of a developer. Accordingly, a cap on production in any given TOD period would ameliorate this incentive.

III. Changes to RAM Power Purchase Agreement

SDG&E appreciates the Commission's review and approval of the modifications to its RAM Power Purchase Agreement ("RAM PPA") that are outlined in Appendix B to the RAM DR. During the process of negotiating Power Purchase Agreements ("PPAs") from the second RAM solicitation, SDG&E has encountered additional issues that should be addressed in this final resolution. First, SDG&E's RAM PPA did not adequately address the allocation of imbalance charges from the California Independent System Operator ("CAISO"). In its current form, Buyer may be responsible for certain imbalance charges when it is the Scheduling Coordinator for the project, even when the Seller's facility is not a certified Participating Intermittent Resource. The current language leaves ratepayers unprotected during situations when the Seller's forecasted schedule differs drastically from the facility's actual output and the CAISO issues an imbalance charge. In order to better allocate this risk, SDG&E proposes to add language to its RAM PPA similar to Section 4.6 of Pacific Gas & Electric's ("PG&E's") 2012

² Resolution E-4414, OP 9, pp.45-46.

³ Draft Resolution E-4546, p. 21.

RAM PPA. This language would require the Buyer to be responsible for imbalance charges, unless such charges exceed a stated performance tolerance band.

Second, SDG&E has found the definition of Delivery Point in its RAM PPA to be confusing when contracting with facilities that interconnect at the distribution level. The Delivery Point is currently defined in Section 3.1(d) as “the point of interconnection of the Project to the CAISO Grid (and, for payment purposes, the corresponding PNode).” SDG&E proposes that for distribution level projects, the definition should be change to “the point on the CAISO Grid where the Participating Transmission Owner’s distribution system interconnects to the CAISO Grid as set forth in their Meter Services Agreement, as may be acceptable to Buyer in its reasonable discretion.” This revised language helps to clarify that SDG&E does not take title to the power until it reaches the CAISO’s grid, and is not responsible for obtaining transmission service rights over PG&E’s or Southern California Edison’s distribution systems.

Finally, SDG&E would like to correct a typo in Section 3.1(e) of its RAM PPA, which defines Guaranteed Energy Production. The language currently states that Guaranteed Energy Production means “an amount of Energy, as measured in MWh, equal to one hundred and forty percent (“140%”) of the amount that is two times the Contract Quantity.” The italicized words should be deleted so that the definition of Guaranteed Energy Production means “an amount of Energy, as measured in MWh, equal to one hundred and forty percent (“140%”) of the Contract Quantity.” This was an inadvertent error that SDG&E intends to correct in the next version of the RAM PPA.

SDG&E appreciates the opportunity to provide these comments and urges the Commission to adopt the limited clarifying changes proposed herein.

Respectfully Submitted,

Clay Faber
Director, Regulatory Affairs

cc: President Michael R. Peevey
Commissioner Mark J. Ferron
Commissioner Timothy A. Simon
Commissioner Michael P. Florio
Commissioner Catherine J.K. Sandoval
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