

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

CLEAN COALITION REPLY COMMENTS ON SECOND ASSIGNED  
COMMISSIONER'S RULING ISSUING PROCUREMENT REFORM  
PROPOSALS AND ESTABLISHING A SCHEDULE FOR COMMENTS ON  
PROPOSALS

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December 12, 2012

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PROPOSALS AND ESTABLISHING A SCHEDULE FOR COMMENTS ON  
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The Clean Coalition respectfully submits these reply comments on the SECOND ASSIGNED COMMISSIONER'S RULING ISSUING PROCUREMENT REFORM PROPOSALS AND ESTABLISHING A SCHEDULE FOR COMMENTS ON PROPOSALS, filed October 5, 2012.

The Clean Coalition is a California-based nonprofit organization whose mission is to accelerate the transition to local energy systems through innovative policies and programs that deliver cost-effective renewable energy, strengthen local economies, foster environmental sustainability, and enhance energy security. To achieve this mission, the Clean Coalition promotes proven best practices, including the vigorous expansion of Wholesale Distributed Generation (WDG) connected to the distribution grid and serving local load. The Clean Coalition drives policy innovation to remove major barriers to the procurement, interconnection, and financing of WDG projects and supports complementary Intelligent Grid (IG) market solutions such as demand response, energy storage, forecasting, and communications. The Clean Coalition is active in numerous proceedings before the California Public Utilities Commission and other state and federal agencies throughout the United States in addition to work in the design and implementation of WDG and IG programs for local utilities and governments.

A summary of our reply comments follows:

- The Clean Coalition supports PG&E's recommendation that certain criteria for expedited review be relaxed or eliminated
- We disagree, however, with PG&E's proposed \$8.50/MWh integration adder for RPS projects, due to the fact that there is no established

integration cost, it may be as low as zero in many instances, and it is not clear what function a blanket integration adder would have if used only in the RPS program

- The Clean Coalition agrees with Green Power Institute’s recommendation that additional major RPS reform issues be dealt with concurrently in this proceeding, rather than on a piecemeal basis. Specifically, the following issues should be resolved in this phase of the proceeding concurrently:
  - Implementation of new LCBF requirements set by SB 2 (1X);
  - Review of resource adequacy value, integration cost adders, congestion cost adders, time of delivery factors, and similar elements potentially affecting evaluation of RPS bids;
  - Development of a more robust relationship between RPS procurement evaluation methodology and elements of the determination of system need through the LTPP proceeding
- We agree with the Environmental Groups that environmental criteria should be strengthened as part of the RPS review process and agree that a workshop should be held to flesh out this topic
- LSA raises the issue of RPS project consistency with the utility’s Renewable Net Short. The Clean Coalition urges the Commission to recognize that the existing 33% by 2020 RPS is, as Governor Brown stated upon signing SB 2 (1X), a floor and not a ceiling. The RPS will surely rise in later years under new legislation.
- We are happy to see that Sierra Club supports the “utilization of the distribution grid to achieve benefits of distributed generation, including minimization of line losses and excess demands on transmission capacity.” This mirrors the Clean Coalition’s statements in opening comments about the need to include a full accounting of Locational Benefits in the LCBF.
- The Clean Coalition fully supports CalWEA’s recommendations regarding

Resource Adequacy and the need for increased transparency. For developers to consider RA a viable additional revenue source, and thus justify what can be extremely expensive full capacity deliverability status costs, developers must have some certainty regarding RA value.

- The Clean Coalition also supports CalWEA's request that the Commission allow developers to package third-party RA with energy only RPS projects.
- The Clean Coalition agrees with CalWEA's recommendation that all transmission adders be published transparently in a manner that allows developers to know with far more certainty what their transmission cost responsibility will be.

## I. Discussion

### A. Reply to PG&E's comments

#### a. Expedited review

The Clean Coalition agrees with PG&E's comments on the expedited review viability screens. PG&E states (Opening comments, p. 9):

... few, if any, projects meet all of these requirements at the time of submission into a solicitation. Keeping in mind that these projects must also be economically competitive against other offers in order to be considered for shortlisting and execution, PG&E expects very few, if any, projects would be able to take advantage of expedited review.

PG&E then offers two reforms of the ACR's proposal: 1) developer should at least have majority control over the project site and gen-tie corridor; 2) the transmission system upgrade score requirement should be removed entirely because it is too restrictive.

The Clean Coalition agrees with PG&E's recommendations on expedited review.

b. LCBF reform

With respect to LCBF reform, PG&E states (p. 25):

Although the Commission acknowledged in D.12-11-016 that integration costs should be part of the standardized Net Market Value calculation that goes into the broader LCBF evaluation process, the Commission continued its past practice of requiring that adder to be set at zero for all bids. In order to fully implement this statutory criterion, the Commission should adopt a non-zero adder that recognizes the current and reasonably foreseeable future costs of integrating intermittent resources, as PG&E's Draft 2012 RPS Plan and Solicitation Protocol would have provided. PG&E proposed in its Draft 2012 RPS Plan an \$8.50/MWh (\$2013) integration adder based upon the work performed in the Long-Term Procurement Plan proceeding, although the precise number is less important than providing a reasonable price signal to the market and recognizing the costs of integration for California's energy consumers.

The Clean Coalition strongly disagrees with this recommendation. Numerous studies have shown that integrating renewable energy can be low or zero cost even up to significant penetration levels (15% or higher). Specifically to California, recent CAISO modeling has found that no new capacity is required to integrate the 20% RPS (recently reached) and a May, 2011, preliminary CAISO report found almost no costs to integrate renewables for the 33% by 2020 RPS. CAISO has apparently revised this conclusion in its most recent modeling, due to changed assumptions about the availability of out-of-state power to balance in-state renewables. Regardless of CAISO's final conclusion with respect to the need for integration resources by 2020, it is too crude a measure, and premature, to apply a flat \$8.50/MWh integration adder on all renewables in the RPS program, as PG&E recommends.

It is also not clear what function an integration adder would serve when used only in the RPS procurement context. If all RPS projects are subject to the adder, it serves no purpose. Presumably, PG&E is suggesting that RPS projects be compared with non-RPS projects in order for the adder to have any function. If

this is the case, many issues regarding an “apples to apples” comparison arise.

Moreover, PG&E’s latest draft RPS Procurement Plan (Nov. 29, 2012) strikes out any mention of the integration adder.<sup>1</sup> It is unclear why this proposal is made again in this proceeding when it has been eliminated from the draft 2012 RPS Procurement Plan.

PG&E also states (Opening comments, p. 26): “The Commission should determine the effective load carrying capacities and adopt a non-zero integration adder to ensure that it has met the statutory requirement that the cost impacts of renewable resources on IOU customers are fully taken into account in the LCBF methodology.” Again, it is not clear how a blanket integration adder for all RPS bids would have any function if RPS projects are only compared to each other.

PG&E should flesh out how it intends to use the proposed integration adder and why it is proposed in PG&E’s opening comments when the idea has been eliminated from its draft RPS procurement plan.

### B. Environmental Groups

The Clean Coalition agrees with the Environmental Groups’ comments regarding the need to develop specific environmental criteria in an improved Project Viability Calculator (p. 1) or, better yet, start from scratch to create a new project viability measure, as the Clean Coalition has argued previously in different forums. We reserve judgment on the benefits of including detailed and specific environmental criteria as part of LCBF but we do agree that a workshop on these topics would be beneficial for all parties and the Commission.

<sup>1</sup> [https://www.pge.com/regulation/RenewablePortfolioStdsOIR-IV/Other-Docs/PGE/2012/RenewablePortfolioStdsOIR-IV\\_Other-Doc\\_PGE\\_20121129\\_255398.pdf](https://www.pge.com/regulation/RenewablePortfolioStdsOIR-IV/Other-Docs/PGE/2012/RenewablePortfolioStdsOIR-IV_Other-Doc_PGE_20121129_255398.pdf).

C. LSA

LSA raises the issue of RPS project consistency (p. 8) with the utility’s Renewable Net Short. The Clean Coalition urges the Commission to recognize that the existing 33% by 2020 RPS is, as Governor Brown stated upon signing SB 2 (1X), a floor and not a ceiling.<sup>2</sup> The RPS will surely rise in later years under new legislation, yet to be proposed but percolating, and higher-level RPS modeling has already started to take place in the LTPP and elsewhere.

D. Sierra Club

We are happy to see that Sierra Club supports the “utilization of the distribution grid to achieve benefits of distributed generation, including minimization of line losses and excess demands on transmission capacity.” (p. 11). This mirrors the Clean Coalition’s statements in opening comments about the need to include a full accounting of Locational Benefits in the LCBF.

E. CalWEA

The Clean Coalition fully supports CalWEA’s recommendation that (p. 21): “Each IOU should include in its RPS solicitation materials the IOU’s assumptions for RA capacity by resource type, its forward price curve for RA capacity pricing, and its discount rate.” We agree that the utility procedures with respect to capacity value and Resource Adequacy are far too murky. For developers to consider RA a viable additional revenue source, and thus justify what can be extremely expensive full capacity deliverability status costs, developers must have some certainty regarding RA value.

The Clean Coalition also supports CalWEA’s request that the Commission allow

<sup>2</sup> [http://www.sos.ca.gov/docs/SBX1\\_0002\\_Signing\\_Message.pdf](http://www.sos.ca.gov/docs/SBX1_0002_Signing_Message.pdf)

developers to package third-party RA with energy only RPS projects (p. 22). The Clean Coalition has successfully objected to utility efforts to require full capacity deliverability for all projects in various Wholesale DG programs and we agree that full capacity deliverability should not be required for all RPS projects either, particularly in light of CalWEA and other testimony stating that in some cases, perhaps many, RA payments are less than the costs incurred by developers to pay for full capacity deliverability.

The Clean Coalition also agrees with CalWEA's recommendation that all transmission adders be published transparently in a manner that allows developers to know with far more certainty with their transmission cost responsibility will be (p. 24).

#### F. Green Power Institute

The Clean Coalition agrees with GPI's recommendation that the following three major RPS reform issues be dealt with concurrently in this proceeding, rather than on a piecemeal basis (p. 2, quoting the Sept. 12, 2012, Amended Scoping Memo):

- implementation of new LCBF requirements set by SB 2 (1X);
- review of resource adequacy value, integration cost adders, congestion cost adders, time of delivery factors, and similar elements potentially affecting evaluation of RPS bids;
- development of a more robust relationship between RPS procurement evaluation methodology and elements of the determination of system need through the LTPP proceeding.

In particular, the Clean Coalition's opening comments recommending that Locational Benefits be included in a revised LCBF implicate all of the issues listed in the Amended Scoping Memo, not just the new requirements of SB 2 (1X).



II. Conclusion

The Clean Coalition appreciates the chance to provide feedback to the Commission on a revised RPS procurement process.

Respectfully submitted,

TAM HUNT

A handwritten signature in black ink, appearing to read 'TH', with a long horizontal flourish extending to the right.

December 12, 2012

## VERIFICATION

I am an attorney for the Clean Coalition and am authorized to make this verification on its behalf. I am informed and believe that the matters stated in the foregoing pleading are true.

I declare under penalty of perjury that the foregoing is true and correct. Executed this 12<sup>th</sup> day of December, 2012, at Santa Barbara, California.

Tam Hunt

A handwritten signature in black ink, appearing to read 'TH', with a long horizontal stroke extending to the right.

Clean Coalition