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)

REPLY COMMENTS OF THE LARGE-SCALE SOLAR ASSOCIATION ON THE SECOND ASSIGNED COMMISSIONER'S RULING ISSUING PROCUREMENT REFORM PROPOSALS AND ESTABLISHING A SCHEDULE FOR COMMENTS ON PROPOSALS

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Pursuant to the October 5th Ruling of Assigned Commissioner Ferron issuing procurement reform proposals and establishing a schedule for comments on proposals ("ACR") and the due date extension for both opening and reply comments granted by ALJ Anne Simon on November 5th, the Large-scale Solar Association ("LSA") respectfully submits these reply comments on issues to be considered as the California Public Utilities Commission (the "Commission") moves forward with its consideration of Renewables Portfolio Standard ("RPS") Procurement Reform.

Introduction

LSA appreciates the opportunity to respond to opening comments on the Second ACR issuing Procurement Reform Proposals. In reply comments below we address proposals made by various parties recommending changes to the Standards of Review ("SOR") for the expedited process, bilateral and non-standard contracts. We also respond to proposals made by CalWEA and Calpine in relation to revisions to the Commissions

Least-Cost-Best-Fit (“LCBF”) analysis including CalWEA’s recommendation that the Commission re-examine TOD Factors and for a short-term integration adder based on CAISO’s Flexible Ramping Constraint (“FRC”), along with Calpine’s capacity value proposal. However, the focus of these comments is responding to the proposals made by Joint Conservation Groups (“JCG”) and the Sierra Club recommending the Commission include additional environmental screening and environmental Standard Terms and Conditions (“STCs”) as part of the procurement process. LSA is concerned with the JCG proposals for multiple reasons which we discuss in detail below, including that the Commission is not the appropriate agency to undertake environmental review of projects nor does it have a mandate to do so, the Commission lacks the resources to implement additional environmental screening and that additional environmental screens and STCs are unnecessary and will disrupt both the permitting and procurement process.

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1. The Commission Should Not Include Additional Environmental Screens in the Procurement Process.

The JCG propose that the Commission adopt additional environmental screens as part of the procurement process.[1] The Commission is not the appropriate forum to undertake environmental review of projects. Environmental review is the responsibility of state and federal siting and wildlife agencies, including the California Energy Commission (□CEC□), counties, Bureau of Land Management (□BLM□), US Fish and Wildlife Service (□USFWS□), Department of Fish and Game (□DFG□), to name a few. Including additional environmental screens in the procurement process would essentially undermine the federal and state NEPA and CEQA analyses, for which there are no true shortcuts, and place the Commission in the position of being predecisional to the decisions of siting and wildlife agencies. The Commission should not interfere in these processes by prejudging their outcome.

As the Commission is well aware, it is tasked with ensuring RPS contracts are aligned with the long-term goals of the state, including ensuring the state meets its RPS mandate and reliability needs, at the lowest cost to ratepayers. As part of this broader assessment, the Commission must review contracts to ensure they meet the LCBF requirements, which is focused on assessing cost and risk. Contrary to the assertion of the Sierra Club, LCBF is intended to determine whether the project fits the procuring entity□s portfolio, and not to function as mechanism to assess the environmental attributes or benefits of any particular project.[2] Both the environmental stewardship bid evaluation

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[1] *See* Comments of NRDC, Sierra Club, The Nature Conservancy and Defenders of Wildlife on Procurement Reform Proposals and Establishing a Schedule for Comments on Proposals (November 20, 2012), pp. 2-4.

[2] Sierra Club California Comments on the Second Assigned Commissioner□s Ruling on RPS Procurement Reform Proposals (November 20 ,2012), p. 10.

factor and the current fatal flaws assessment in the Project Viability Calculator adequately address permitting risk, as they properly focus on an overarching review of projects and on development milestones, leaving in-depth review of environmental factors with the lead permitting agencies.[3]

In addition to lacking a mandate for undertaking such review, the Commission lacks the capacity, information and resources to undertake these kinds of assessments. It is unrealistic and unwise to expect the Commission to delve into environmental permitting issues. CEQA and NEPA analyses take years, including the biological, cultural and other assays that must be performed, and typically the agency written analyses run into the thousands, if not tens of thousands, of pages. Commission staff is currently working at full capacity to ensure the state meets its energy needs and climate goals, and it was never intended to serve as a the environmental review body for energy projects. Given the fact that California is home to some of the most stringent and rigorous environmental laws in the country, and has multiple agencies whose primary function is to undertake environmental review, the review by those permitting agencies is more than sufficient. Projects must be in compliance with the multitude of laws and that are in place to ensure the protection of the state□s multiple habitat and wildlife values, including CEQA (and NEPA where applicable) local General Plans (and BLM General Plans where applicable), state and federal threatened and endangered species statutes, streambed alteration regulations, native plant protection, farmland protection, state and federal water quality and control acts and protection of cultural resources, to name a few. Neither the Commission□s current staffing resources, already reduced by nearly 30 staff over the past

[3] This is also true for evaluations of impacts projects may have on farmland which likewise is and should be evaluated by the agencies with the organic jurisdiction to make those determinations.

few years, nor the timeline for project development can accommodate duplicating the work of the lead permitting agencies.

As part of their recommendations, the JCG Comments direct the Commission to look to the DRECP and Solar PEIS for guidance on specific projects.[4] Unfortunately, despite the best intentions of the parties, the Solar PEIS does not provide a clear delineation of areas where development can be clearly said to be free from controversy and rapidly permitted. Even within Solar Energy Zones, there are no "safe harbors." Projects in designated development zones may well have environmental issues, and undoubtedly the JCG parties would withhold their support of projects even within those demarcated zones until environmental analyses under CEQA and NEPA have been completed. Thus, the Commission cannot assume that it can accurately evaluate the potential environmental impacts of a project lightly. The only clear-cut determinations in the Solar PEIS are for those areas where solar is excluded -- and even there, some exception may be allowed for new designations of Solar Energy Zones, provided that the areas are not otherwise precluded by law from development. All other areas are subject to guidance that, for the most part, is subject to interpretation -- an enterprise best left to agencies with the organic jurisdiction to make those determinations; the Commission should be very wary of stepping into the shoes of those agencies in this regard. Unfortunately, it is highly unlikely that the DRECP will provide any more clarity than is provided by the Solar PEIS.

While clearly demarcated development exclusions could appropriately provide a high-level analysis of where projects could not realistically be permitted, any other categories are simply not conducive to the high-level analyses that the Commission could

[4] JCG Comments on Procurement Reform Proposals at p. 4.

reasonably undertake; the more in-depth analysis that would be required for other screens would be unrealistic for the Commission to undertake. It would be inefficient and outside of the scope of the Commission's mandate to request staff develop full analyses, and realistically at the time that the contract for a project is being reviewed, the environmental analyses- which typically are very expensive- have not been fully completed. It would be far too great of a risk to invest the resources required to conduct the analyses if the project did not have an approved contract and could be reasonably assured of recovering those costs. Even if the analyses were available, it would be unreasonable for the Commission to expect the staff to read thousands of pages of documents in an attempt to discern where a particular project is in relationship to the myriad and ever-changing rules and regulations of landscape-level planning efforts, and staff's assessment would tread on the jurisdiction of other agencies to make those decisions. Simply put, it is not the job of the Commission; it is the job of the developers and the siting and wildlife agencies to undertake environmental review of these projects.

Furthermore, additional environmental screening by the Commission would serve only to further delay the procurement process and second-guess the permitting agencies. For example, at the time the Commission undertakes review of either the shortlist or a particular project, it would need to wade into the middle of the permitting process, undertake midstream evaluation and make judgement calls regarding environmental risk based on currently evolving information already being analysed by the permitting agencies. This kind of review will take additional time, as will ensuring that parties have the opportunity to address potential problems in the environmental screening process such as inaccurate data. Moreover, a mid-stream determination by the Commission will

not only disrupt (and possibly terminate) environmental review by the permitting agencies but will also insert more risk into the development process.

In addition, there is a very real risk that if the Commission adopts additional environmental screens, these screens will be used to manipulate the market and the Advice Letter process. Parties seeking to stop projects, regardless of their true merit, would interject themselves at the Commission, seeking to derail projects by calling into question their viability, and avoiding the significant resource investment required to responsibly intervene in a permitting case and bring valid concerns to the responsible agencies for full analysis and appropriate consideration. This would effectively shortcut the permitting process, and undercut the roles of the permitting agencies and reviewing courts. If controversy is allowed to be the determinant of whether a project can go forward, it will increasingly become a self-fulfilling prophecy, with manufactured controversy designed to stop projects cold. California□s robust energy infrastructure could not have been built if controversy alone were allowed to stop progress. The appropriate safeguards are the permitting agencies and the courts that review their decision- it is their responsibility, and theirs alone, to sift serious problems that truly merit stopping projects from mere opposition, which can be expected to arise from nearly any substantial project, regardless of its merit and ultimate ability to obtain permits that successfully withstand legal challenge.

It is also unclear how additional environmental screens could be developed in a manner that would fairly and accurately assess potential issues across multiple technologies and across myriad ecosystems and landforms. The current screening properly avoids putting the Commission in the position of evaluating the environmental

attributes of projects except at a high level. Attempting to identify projects with significant environmental risks will not increase the transparency of the process; instead, it will cloud the focus of the Commission by pushing it into analysis of environmental and wildlife information already being addressed by the wildlife agencies, when it should be focusing on unresolved LCBF issues, like how to address integration.

The JCG Comments also request the Commission re-evaluate environmental risks as part of any Amended Contract SOR.[5] This is simply not appropriate. Contract amendments occur for any number of reasons, and take time and effort on the part of the buyer and seller to resolve. While more environmental information may be available at the time of a contract amendment, contract re-openers should not be treated as opportunities for outside parties to introduce new issues and risk further disrupting the process. The potential that such issues might be raised could well chill contract amendments that would otherwise benefit ratepayers, resulting in freezing the contract terms- and providing no benefit whatsoever to the underlying environmental concerns that motivate the JCG parties. Even if this opportunity were made available, it is far from clear what the Commission could, or should, do with any issues that were raised; if the concern is clear-cut, the permitting agency with jurisdiction can be counted upon to address it, and if the concern is less than clear-cut, not only should the permitting agency with jurisdiction be given the deference to make the call, the Commission would be unwise to insert itself into the decision-making process, creating precedent that the agencies with organic responsibility may disagree with. Providing another hurdle for contract amendments is simply not in the best interest of the ratepayers, nor of comity between agencies.

[5] Id. at p. 5.

It bears mentioning that there are no similar requirements for conventional energy projects, and the JCG parties have not suggested that any be applied. It is difficult to understand why renewable energy projects should be subject to a more difficult and uncertain process than conventional energy projects, despite the renewable energy projects net environmental benefits; this would certainly chill investment in renewable energy in California. LSA fails to see the merit of having the Commission increasing the burden of proof for the very projects that contribute to meeting the state s climate and clean energy goals.

2. It is Unnecessary for the Commission to Adopt Environmental Standard Terms and Conditions.

The JCG Comments further request the Commission broaden the scope of this proceeding and direct the IOUs to adopt environmental STCs.[6] This is not necessary. The pro forma already includes appropriate covenants and obligations requiring projects to obtain all applicable permits and to comply with all applicable laws and regulations. This broad language gives the IOUs the right to terminate if a project is not in compliance with applicable laws and avoids the pitfalls of trying to include specific terms requiring compliance with continually evolving regulations and requirements, like survey and mitigation measures.

LSA fails to see any benefit in additional environmental STCs. Quite the contrary, the existing pro formas have been the subject of much discussion and revision to adapt to and accommodate the various risk levels of both the buyers and the sellers. It is safe to say that there exist multiple safeguards in the pro formas, including buyer termination rights connected to the failure of a project to meet specific permitting milestones, which

[6] Id at p. 4.

currently address the very issues raised by the JCG Comments. There is no compelling need to increase the burden of environmental proof beyond its current level. Moreover, it is not the proper role or responsibility of buyers to attempt to determine whether environmental STCs have been complied with; the most likely result, if this proposal were to be adopted, is that entities seeking to stop projects would use the environmental STCs to pressure the buyers to cancel contracts, putting them in an untenable position, and threatening progress towards attaining RPS and AB 32 objectives due to NIMBYism or any other concern that could potentially cloak itself as an environmental compliance matter. Again, if the concern is clear-cut, the organic agency can be counted upon to address it, and if it is not, the buyer is in no better position than the Commission to make the call-- and should not be put in a position of having to do so, effectively making law and policy that the responsible organic agency with the authority to make the determination might not have chosen to adopt.

LSA is also concerned that the addition of environmental STCs will be used to block project approval. By simply filing suit against a project, a party would have an enhanced ability to put the project in jeopardy of losing its contract-- regardless of actual environmental merit. This undermines the credibility of the procurement process and will the endanger financeability of projects.

LSA also urges the Commission to refrain from extending the protest window for advice letters, as requested by the Sierra Club.[7] The slow pace of the contract negotiation and Advice Letter process has already been the subject of much discussion in this and other proceedings, and the purpose of this ACR, as well as other proceedings, is and has

[7] Sierra Club Comments on 2nd ACR at p. 12.

been to amend these processes to address these concerns.[8] To do otherwise would run contrary to these efforts to streamline what most have parties agreed is an already lengthy process. Furthermore, the public has ample time to review the Advice Letters at the Commission and even more time to intervene in the environmental permitting process with the relevant agencies. The Advice Letter process cannot, and should not be forced to accommodate additional opportunities for such unnecessary delay. When parties have had environmental concerns, the appropriate place to raise them- and the place that they have clearly demonstrated their ability to raise them, is with the appropriate permitting agencies via the CEQA and NEPA processes. The Advice Letter process cannot be properly used as a shortcut for these established and experienced tribunals for considering environmental issues, and is not the appropriate venue to raise issues already being thoroughly addressed elsewhere.

1. The Commission Should Adopt a More Flexible Approach to the 12-month Shortlist Expiration

In opening comments, PG&E, SCE and SDG&E all recommend the Commission adopt a more flexible approach to the 12-month shortlist expiration requirement. LSA shares the concerns of the IOUs with the 12-month shortlist that it overly constrains negotiations and does not account for a possibly lengthy shortlist approval process. LSA previously urged the Commission adopt a more flexible approach to the shortlist expiration and reiterates that request here.[9] LSA recommends the Commission adopt PG&E's proposal, which would start the 12-month expiration period at the time of

[8] Second ACR Issuing Procurement Reform Proposals and Establishing a Schedule of Comments on Proposals (October 5, 2012), p. 2.
[9] *See* Opening Comments of LSA on Second ACR Issuing Procurement Reform Proposals (November 20, 2012), p.4-5.

shortlist approval and allow for extension if a subsequent RPS solicitation has not been approved to start within six months.[10] PG&E's proposal avoids the problem of parties needing to begin negotiations prior to the Commission's shortlist approval and provides certainty that a project that fails to execute a contract within the 12-month time frame will have the opportunity to rebid.

2. The Commission should allow for a reasonable margin of flexibility when determining whether an individual PPA is consistent with the RNS.

LSA supports CEERT in encouraging the Commission to shift its thinking about the RNS and not view it as a ceiling for procurement, but rather as a floor.[11] The RNS is a relevant consideration as to the buyer's overall portfolio need, but cannot be the end of the analysis; consideration must be given to other portfolio needs that the renewable energy project can support. LSA also supports IEP's recommendation that the Commission allow for a reasonable margin of flexibility in determining whether an individual PPA is consistent with the RNS.[12] LSA agrees with IEP that development is often "lumpy" in nature and recommends that the RNS assessment include sufficient flexibility to allow the IOUs to take advantage of projects that meet their needs as they arise. Should the Commission determine it is necessary to evaluate individual PPA's for RNS consistency (rather than just the shortlist as LSA recommended in Opening Comments) we encourage the Commission to adopt a broad metric for assessing consistency with the RNS that reflects real-time changes to the status of the RNS.[13]

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[10] PG&E's Opening Comments on Second ACR Issuing Procurement Reform Proposals (November 20, 2012), p. 6.
[11] Comments of CEERT on the Second ACR Issuing Procurement Reform Proposals (November 20, 2012), p. 4.
[12] Comments of the Independent Energy Producers Association on the Second ACR Issuing Procurement Reform Proposals (November 20, 2012), p. 8.
[13] Opening Comments of LSA on 2nd ACR Issuing Procurement Reform Proposals at p. 8.

3. The Commission should adopt SCE's proposal for allowing limited modification to the Pro Forma under the Expedited SOR.

LSA encourages the Commission to adopt the modifications proposed by SCE, which allow for reasonable changes in the pro forma under the Expedited SOR. Specifically, LSA supports SCE's first more general approach to allowing changes in the pro forma.[14] LSA recommends this approach as it strikes an appropriate balance, allowing for sufficient changes that in LSA's estimation would allow a reasonable number of contracts to utilize the Expedited Process while appropriately constraining the scope of modifications to provide a base contract that can streamline staff review and provide sufficient clarity for ratepayers and the market. SCE's proposed modification also give the IOUs reasonable flexibility to negotiate and execute contracts that meet their needs and avoids having the Commission dictate commercial terms.

4. The Commission should treat bilateral contracts in the same manner as contracts entered into via Solicitations, including allowing bilateral contracts to use the Expedited SOR.

LSA recommends the Commission adopt a straightforward and simple contract review structure, as proposed by multiple parties in opening comments. In particular, LSA agrees with SCE that bilateral contracts should be treated in the same manner as other RPS contracts and be subject to the same standards of review as standard RPS contracts, including being eligible for the Expedited SOR process.[15]

LSA agrees with SCE and others that the Commission has not made a case that

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[14] "(1) the terms of the contract are generally consistent with an approved pro forma renewable agreement or a renewable agreement approved by the Commission within the prior 12 months, and (2) any modifications to the terms of the approved pro forma or other renewable agreement are not inconsistent with the IOU's RPS procurement plan or Commission decisions" - SCE Opening Comments on Second ACR Issuing Procurement Reform Proposals (November 20, 2012), p. 13.

[15] Id at p. 19.

bilateral contracts need to be subject to more stringent SORs. LSA understands the Commission prefers contracts from solicitations and wants to ensure that bilateral contracts are for unique and fleeting opportunities; however, requiring stringent development milestones do not address the issue of why a contract did not go through the solicitation process. As the Second ACR notes, the current Advice Letter Process requires bilateral contracts answer several questions about why they did not go through the Solicitation Process.[16] Therefore, LSA recommends the Commission require bilateral contracts to continue to address the questions currently in place, have a Net Market Value (NMV) that is reasonably consistent with contracts executed in the last 12 months (considering LCBF factors for reasonable divergence from average NMV) and be subject to the new SOR for RPS process (and if applicable the Expedited SOR). This approach ensures the Commission to use the same standards to review all contracts, which will help the Commission, achieve its goals of increased fairness and transparency.

5. The Commission should adopt a narrow definition for non-commercially proven technologies for the Non-Standard Contract SOR and review non-standard contracts via Tier 3 Advice Letters.

In opening comments multiple parties including SCE, PG&E, SDG&E, DRA and WPTF expressed concerns with the Non-Standard Contract SOR and the definition of terms, which would make a contract subject to the Application process. LSA shares many of these concerns, particularly the burden the requirement of an Application may have on new and emerging technologies. While LSA understands the Commission's desire for a thorough evaluation of projects that may present a higher development risk, the Application process is not designed to provide additional or different information, but

[16] 2nd ACR at p. 21.

to address issues that are best suited to evidentiary hearing. The Commission needs to establish a process that provides for consideration of witness testimony and evaluation of new technologies efficiently. Such an evaluation process must be efficient so that the Commission's process does not become the stumbling block to deployment of advancing technologies. While an Application utilizes an evidentiary process designed to fully vet proposals, it is also a cumbersome, resource intensive process that may not serve the interest of quickly embracing evolving technological developments. Requiring an exhaustive procedural process for non-commercially proven technologies may stifle technological innovation. While there are risks for new technologies, there may also be rewards. The Commission requires an efficient process for such an evaluation.

LSA recommends the Commission address this issue by revising the definition of non-commercially proven technologies to limit it to technologies that have not been commercially deployed, excluding technologies that have been commercially deployed in other applications, as well as projects that are using components of commercialized technology. These projects should be reviewed under Tier 3 Advice Letters, absent issues that the buyer believes would be best suited to evidentiary hearing and witness testimony. LSA also supports SDG&E's recommendation to revise the threshold for large projects to 5% of total bundled sales, as a reasonable threshold to trigger the Non-standard Contract SOR; again, such contracts should be reviewed as Tier 3 Advice Letters, absent complexities that would best be addressed through evidentiary hearings and witness testimony.

6. The Commission should re-examine TOD Factors as part of the LCBF Review.

LSA supports CalWEA's recommendation that the Commission re-examine TOD

Factors as part of the LCBF review. LSA previously urged the Commission to undertake this review in the 2012 Procurement Plans comments.[17] We therefore support CalWEA's proposal for the Commission to evaluate TOD Factors in conjunction with the LCBF review. However, we do not believe that CalWEA's assertion that the current TOD Factors "will likely become increasingly inaccurate" has been appropriately vetted through a CPUC process.[18] We would like to caution the Commission that research on the impact of changing penetration levels of different renewable technologies is still emerging and significant uncertainty remains about not only what the penetration levels will be for various technologies, but also how different penetration levels may impact market conditions.

Prior to considering new proposals for TOD Factors, LSA urges the Commission to allow parties the opportunity to evaluate the currently approved TOD Factors. Changes to TOD Factors (and to capacity value calculations which we address below) have the potential to create large market impacts and the Commission should approach the evaluation and approval of such carefully and ensure that the Commission's decisions send clear economic signals that allow the industry to adapt to market changes. To that end, LSA recommends that TOD factors be examined via workshops and that any proposed changes have the opportunity to be fully vetted by all stakeholders.

7. The Commission should provide opportunities for further evaluation of CalWEA's Short-term Integration Adder Proposal.

LSA supports exploring CalWEA's approach to determining short-term

[17] See *See* Comments of the Large-scale Solar Association on the April 5 th ACR and 2012 Renewables Portfolio Standard Procurement Plans (June 27,2012), pp 9-10.
[18] Comments of CalWEA on the Second ACR Issuuing Procurement Reform Proposals (November 20, 2012), p. 23.

integration costs to more accurately reflect the magnitude of short-term integration costs for various resource types. However, there are a number of initial concerns with this approach. First, the initial numbers presented are too limited. The data from CAISO's FRC needs to be considered over a longer time horizon. For example, the comparison between wind and solar is limited to the first quarter of 2012 when wind is more robust and solar is least productive.[19] As CalWEA notes, significantly more data is necessary in order to evaluate this proposal.[20] The limitations of the data CalWEA presents are also clear when you look at the FRC costs. In the data presented, the FRC allocates $227 thousand dollars to wind, spread over 1760 GWh of "generation".[21] The costs allocated to solar were only $65 thousand dollars, about a quarter of the costs allocated to wind, but the solar "generation" was less than a tenth of the wind "generation," only 167 GWh.[22] It is difficult to make an apples to apples comparison of the costs of integrating wind and solar from this wide-varying data. CAISO also has recent data that shows that solar forecast accuracy is much better than wind forecast accuracy, so any adder based on FRC costs (which in turn are driven by deviations caused by poor forecasts) should be lower for solar than wind.[23] Furthermore, any "solar" integration adder will need to differentiate between solar thermal and PV. Overall, integration cost analysis needs to be considered on a system-wide basis over a long-term time horizon in order to capture the system dynamic, geographic diversity, and the symmetries that exist among different resource types.

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[18] Id. at 31.
[20] Id. at p 33.
[21] Id at p. 32.
[22] Id.
[23] *See* CAISO Presentation and Agenda - Flexible Ramping Product Techincal Workshop (September 18. 2012), pp. 28-35).

LSA is also concerned that CalWEA's proposal is premature, as CAISO has not made the final decision on the Flexible Ramping Product ("FRP") cost allocation and the FRP process is ongoing. LSA supports the Commission's determination in D.12-11-016, which indicated that CAISO's process should be allowed to run its course before the Commission evaluates how and whether it should utilize such costs as a basis for an integration adder.

If FRC costs are determined to be a reasonable approximation of renewable integration costs, LSA cautions that there would be double counting implications as the integration adder would be in addition to the FRC costs that may already be paid for by generators and therefore reflected in resource bids. To the extent generators pay for CAISO integrations costs, there will be no need for an integration adder in the ANMV formula.[24] CAISO markets do not cover all flexible resource capacity costs since much flexible capacity is procured through the Resource Adequacy program, and the Commission should be concerned about additional integration costs being assigned to generators that get passed through to consumers in PPAs. The result could be higher renewable PPA prices when consumers are already paying for this capacity via the RA program.

LSA wants to ensure that when integration issues are addressed they are coordinated with the studies and proposals being evaluated in the Resource Adequacy ("RA") proceeding , R.11-10-023, which is addressing issues of flexible resource procurement and with the Long-term Procurement Process. Given the complexity of the

[24] As LSA has indicated in previous comments, we do not support LSE's passing directly passing through costs integration costs via PPAs as it is not an effective or efficient manner to address integration. This is both because it does not properly allocate costs between different LSE's who may have more or less balanced portfolios and because it is more cost efficient for LSE's to manage these costs through the market across large portfolios. *See* Comments of the LSA on the April 5th ACR at pp 7-9.

topic and multiple proceedings addressing related issues, LSA recommends that the Commission hold joint workshops on these issues and ensure that this issue is addressed in a coordinated and focused public process.

8. Calpine's capacity value proposal should be addressed in the Resource Adequacy proceeding and is flawed as it prematurely speculates on PV penetration level increases and the impact such penetration may have.

As a starting point, Calpine's comments regarding the capacity value of solar as penetration levels increase, are not a matter for this docket and should be addressed in the Resource Adequacy proceeding. Specifically, in D.09-06-028, the Commission established capacity values for wind and solar resources based on the exceedence methodology. This methodology measures the minimum amount of generation produced by the resource in a certain percentage of included hours. In other words it measures actual energy production during specified peak hours over a three-year time horizon. To the extend a party proposes to change the capacity calculation value of solar, or any other demand or supply side resource, the evaluation should take place in the RA proceeding so that the reserve margin and capacity counting values can be considered comprehensively to assure that reliability criteria are maintained.

Calpine's capacity value proposal is misleading as it oversimplifies a complex and still-emerging grid integration issue and prematurely speculates on the impact solar PV penetration may have. LSA supports SEIA's analysis in its Reply Comments that shifts in peak hours will occur independently of wholesale solar penetration.[25] We will not repeat SEIA's analysis here, but highlight the key problems with Calpine's recommendation.

[25] Reply Comments of the Solar Energy Industry Association on the Second ACR Issuing Procurement Reform Proposals (December 12, 2012), p. 3

First, wholesale solar increases available system capacity, but does not result in a change to the profile of loads. Any potential increase in afternoon capacity (which could also come from other renewable resource types) will likely also result in lower energy market prices. Second, this dynamic will depend on demand shifts generally and may be impacted by increased penetration levels of renewable resources. As noted above, studies on the impact of different penetration levels are still emerging and there is uncertainty as to what the impacts of increased penetration of different renewable resources will be.

We also caution the Commission to be mindful of the overarching market impact that changes to the capacity value can have - by hindering or promoting greater penetration of particular technologies. LSA recommends the Commission address this issue by taking due care not to speculate on potential impacts, but to evaluate the need for changes on the basis of careful technical review in the Resource Adequacy proceeding.

9. The Commission should allow bidders to package third-party Resource Adequacy with Energy Only renewable energy projects.

LSA supports CalWEA's request that the Commission allow bidders package third-party RA capacity with Energy Only renewable energy projects. LSA previously supported this proposal in Reply Comments on the 2012 RPS Procurement Plans. Allowing for third-party RA is an important mechanism that can help manage the risk of transmission upgrade costs and LSA recommends the Commission to revisit this proposal. [26]

[26] *See* Reply Comments of the LSA on the Proposed Decision of ALJ DeAngelis Conditionally Accepting 2012 RPS Standard Procurement Plans and IRP Off-Year Supplement (November 5, 2012), p. 3.

Conclusion

LSA appreciates the opportunity to comment on the proposed procurement reform proposals and looks forward to working with staff and other stakeholders to further address these issues.

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Dated: December 12, 2012

Respectfully Submitted,

/s/ Rachel Gold

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VERIFICATION

I, Rachel Gold, am the Policy Director of the Large-scale Solar Association. I am authorized to make this Verification on its behalf. I declare that the statements in the foregoing copy of *Reply Comments of the Large-scale Solar Association on the Second Assigned Commissioner's Ruling Issuing Procurement Reform Proposals and Establishing a Schedule for Comments on Proposals* are true of my own knowledge, except as to the matters which are therein stated on information and belief, and as to those matters I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct. Executed on December 12, 2012 at Berkeley, California.

/s/ Rachel Gold

Rachel Gold
Policy Director, Large-scale Solar Association