

**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
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**COMMUNITY ENVIRONMENTAL COUNCIL OPENING COMMENTS ON
TRACK I PROPOSED DECISION**

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COMMUNITY ENVIRONMENTAL COUNCIL OPENING COMMENTS ON TRACK I PROPOSED DECISION

The Community Environmental Council (“Council”) respectfully submits these opening comments on the Track I Proposed Decision (“PD”).

The Council is a member-supported environmental non-profit organization formed in Santa Barbara in 1970 and is the leading environmental organization in the Central Coast region of California. In 2004, the Council shifted its primary focus to energy and transportation issues and is spearheading a regional effort to wean our communities from fossil fuels, on a net basis, during the next two decades. The Council is almost unique in combining on-the-ground work on a number of energy and climate change-related issues with concurrent work on state and federal policy issues. The Council’s state policy work is directly informed by experience with what has worked, or is likely to work, at the local level. More information on the Council and its energy programs may be found at www.cecsb.org.

A summary of our recommendations follows:

- The Council applauds the Commission for what is a potentially far-reaching decision in terms of establishing a framework for enforcing the Loading Order in all utility procurement, and for incorporating the Governor’s 2010 Clean Energy Jobs Plan into LCR planning. That said, there are a number of problems in the PD that warrant modification.
- The PD recognizes that there is a gap between the appropriate forecasts for Distributed Generation (DG) potential and procurement authority for DG. The Council has provided a detailed proposal to the Commission for a robust DG plus energy storage feed-in tariff (FIT) that would use an existing Commission-approved procurement mechanism (an “LCR Re-MAT”). We again urge the Commission to require SCE to implement a DG plus energy storage modified Re-

MAT for the LA Basin, rather than only mentioning Re-MAT as a possible procurement mechanism.

- Under the Council's previous proposal, we urged the Commission to require 1,500 MW of DG plus energy storage under a modified Re-MAT. We revise our proposal in these comments to a 500 MW program, as a concession to the Commission's reasoning in the PD with respect to preferred resources and with respect to balancing the key policy considerations of heeding the Loading Order; maintaining grid reliability; and protecting ratepayers from excessive costs.
- The PD seems to contradict itself and the Loading Order by requiring SCE to procure at least 1,000 MW of gas-fired resources. SCE is planning to study the ability of preferred resources to meet its LCR, and the PD requires that SCE fully consider the ability of preferred resources to meet its LCR, so this requirement by the Commission to procure a large amount of gas-fired generation explicitly contravenes the Loading Order by pre-judging the outcome of SCE's studies.
- The PD should be revised to reflect all parties' procurement proposals. As is, some are left out entirely, including the Council's, which presented a detailed FIT proposal for procuring LCR.
- The PD authorizes SCE to procure 215-290 MW of LCR in the Moorpark sub-area of the Big Creek/Ventura LRA. It is not clear why the PD makes this determination since SCE is not even requesting LCR authorization for this area at this time. Moreover, this authorization will have no effect because it is permissive, rather than a requirement, and SCE has already made it clear that it does not intend to procure any resources in this area at this time.

I. Discussion

- a. The PD represents a laudable shift toward taking the Loading Order seriously

The Council applauds the Commission for establishing a nascent framework for incorporating the Loading Order into all procurement decisions and for requiring at least 50 MW of energy storage be part of the 1,050-1,500 MW of LCR for the LA Basin (p. 2). We also applaud the Commission for taking the Governor's 2010 Clean Energy Jobs Plan seriously throughout the PD.

The PD states, for example (pp. 2-3): "We anticipate that much of the additional 2,400 MW of LCR need currently forecast by the California Independent System Operator can be filled by preferred resources, either through procurement of capacity or reduction in demand." And (p. 3):

SCE should also actively pursue locally-targeted and cost-effective preferred resources. SCE's procurement plan shall be consistent to the extent possible with the multi-agency Energy Action Plan, which places cost-effective energy efficiency and demand response resources first in the Loading Order, followed by renewable resources and then fossil-fuel resources. Energy storage resources should be considered along with preferred resources.

Last, we applaud the Commission for re-affirming its "ongoing Loading Order approach" in terms of requiring the IOUs to look to the Loading Order in all procurement decisions regardless of whether RPS or other mandates have been met (pp. 10-11):

Once procurement targets are achieved for preferred resources, the IOUs are not relieved of their duty to follow the Loading Order. In D.07-12-052 at 12, the Commission stated that once demand response and energy efficiency targets are reached, "the utility is to procure renewable generation to the fullest extent possible." The obligation to procure resources according to the Loading Order is ongoing. (D.12-01-033 at 19)."

This clarification will moot IOU arguments about the lack of need for new renewables because IOUs are on track to meet RPS goals – it is now clear that the IOUs must employ preferred resources to meet all needs if preferred resources are available and cost-effective.

- b. The Commission should set firm goals for preferred resources as well as for energy storage

Praise aside, the Council recommends that the Commission require more than just the 50 MW of energy storage for LCR in the LA Basin and more than a non-binding admonition from the Commission with respect to procuring preferred resources. As is, the PD authorizes up to 1,200 MW of fossil fuel resources for LCR in the LA Basin and up to 1,500 MW total. These decisions leave permissive authority for up to 300 MW of preferred resources and energy storage to meet LCR in the LA Basin. Subtracting the 50 MW of required energy storage leaves only 250 MW of permissive authority for preferred resources, which includes energy efficiency, demand response, CHP, renewables and distributed generation (as a sub-set of renewables).

This constitutes a major missed opportunity because, as many parties have argued in this proceeding, preferred resources and energy storage can very likely provide all of the LCR for the LA Basin faster, reliably, with less environmental harm and probably at or lower than the cost of fossil fuel LCR resources.

The PD also states (p. 3): “We consider today’s decision a measured first step in a longer process. If as much or more of the preferred resources we expect do materialize, there will be no need for further LCR procurement based on current assumptions.”

This is, in our view, an overly passive approach by the Commission because it is highly unlikely that preferred resources will “materialize” in a reasonable timeframe without further direction by the Commission. SCE has made it clear that it prefers to procure

traditional fossil resources for LCR, so without requirements from the Commission to procure a certain amount of preferred resources, SCE will almost surely pursue a “business as usual” approach to procuring LCR, which means procuring fossil resources. The fact that the Commission has stated in clear terms that it will review SCE’s application with a close eye on the Loading Order provides some assurance that SCE will seriously consider preferred resources. Yet we urge the Commission to direct SCE to procure certain amounts of preferred resources in this decision in order to avoid what will surely be a bruising fight when it comes to deliberation over SCE’s application for approval of its LCR procurement plans.

- c. The Commission should require SCE to procure 500 MW of preferred resources and energy storage under a modified Re-MAT

The PD recognizes that there is a gap between the appropriate forecasts for Distributed Generation potential and procurement authority for DG (p. 58, emphasis added):

[W]hile we assume 1,519 MW of distributed generation will be available in the LA Basin local area, we do not presume that procurement authority for the entire 1,519 MW has been granted to SCE. The Commission’s multiple distributed generation programs are certainly contributing toward that target, but the record of this proceeding does not demonstrate whether or not SCE’s current distributed generation procurement authority would ensure our assumption becomes reality. This potential gap between our assumption and distributed generation procurement authority granted to date must be addressed by this decision to ensure reliability in LA Basin local area.

The PD does not, however, adequately address this gap in procurement authority. The PD states (p. 76, emphasis added):

We direct SCE to analyze this potential gap in preparing their procurement plan for additional preferred resources and take all necessary steps to close any gap that may be discovered with new distributed generation. We leave it to SCE to propose whether it may deploy an existing procurement mechanism (e.g., RAM or Re-MAT) or use another procurement method.

The Council has provided a detailed proposal to the Commission for a robust DG plus energy storage feed-in tariff (FIT) that would use an existing Commission-approved

procurement mechanism (an “LCR Re-MAT”).¹ We again urge the Commission to require SCE to implement a DG plus energy storage modified Re-MAT for the LA Basin, rather than only mentioning Re-MAT as a possible procurement mechanism. The details of the LCR Re-MAT would need to be worked out in the next phase of this proceeding.

Under the Council’s previous proposal, we urged the Commission to require 1,500 MW of DG plus energy storage under a modified Re-MAT. We revise our proposal in these comments to a 500 MW program, as a concession to the Commission’s reasoning in the PD with respect to preferred resources and with respect to balancing the key policy considerations of heeding the Loading Order; maintaining grid reliability; and protecting ratepayers from excessive costs.

- d. The PD is arguably self-contradictory in requiring that SCE procure “at least” 1,000 MW of gas-fired generation

The PD is arguably self-contradictory in that it requires “at least” 1,000 MW from “conventional gas-fired resources” (p. 2) to meet LCR, while at the same time requiring SCE to follow the Loading Order. This directive is self-contradictory because following the Loading Order requires SCE to fully consider the ability of referred resources to meet LCR, as it has stated it intends to do, and this consideration may well find that preferred resources can meet far more than 250 MW of LA Basin LCR. The Council strongly urges the Commission to remove this directive to procure “at least” 1,000 MW of gas-fired generation from the final decision.

At the least, if the Commission determines to maintain this 1,000 MW gas-fired requirement, it should be consistent and also require procurement of a set number of

¹ Our LCR Re-MAT proposal is described here:
<http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M030/K328/30328863.PDF>.

MW for preferred resources.

The PD also states, as part of the rationale for its 1,000 MW gas-fired generation directive (p. 79, emphasis added):

Because there is a strong likelihood that additional preferred and energy storage resources not included in our maximum procurement authorization will be available to effectively meet or reduce LCR needs by 2021, we will require that SCE procure no more than 1,200 MW from conventional gas-fired resources in the LA basin local area. The record shows that the most certain technology which can meet LCR needs (from the ISO's perspective) is gas-fired generation.

This is not an accurate statement. The record shows, and the PD supports,² that technologies that reduce demand are the most “certain technology” for meeting LCR needs. That is, energy efficiency and other demand-side technologies that reliably reduce demand may often represent a more than one-to-one reduction of LCR needs because they avoid line losses. Moreover, as the Council argued in previous comments, any supply-side renewable energy generation that is less than the minimum load on the circuit at issue should be considered “demand-side” for the purposes of LCR because that power will, by definition, stay on the demand side of the circuit and not bleed into the transmission grid. As such, any resources procured under a modified Re-MAT that don't bleed into the transmission grid will be better-suited, all else being equal, to meet LCR than gas-fired generation.

Additionally, the PD creates a problem for itself with the following statement (p. 80):

To summarize: SCE shall procure at least 1,050 MW to meet 2021 LCR needs in the west LA sub-area of the LA basin, using the process delineated herein. Included in that 1,050 MW shall be 1,000 MW of conventional gas-fired generation²⁰⁰ and at least 50 MW of energy storage capacity. If SCE procures more than 1,050 MW, no more than 1,200 MW shall be from conventional gas-fired generation. SCE is not authorized to procure more than 1,500 MW of capacity to meet 2021 LCR needs in this part of the LA basin, except as specified

² The PD states (p. 72, emphasis added): “Demand resources and CHP may meet the ISO's criteria, but not at this time. It is possible that other resources will pass the ISO test as well in the future. Of course, acquisition of more energy efficiency and demand side resources would reduce the LCR need.”

herein with regard to distributed generation. All resource procurement is expected to follow the principles of least cost/best fit within these constraints. For example, if more than 50 MW of energy storage resources bit into the solicitation process, the most cost-effective and best-located projects should be used to fill the 50 MW requirement.

The problem is this: if SCE chooses to procure 1,051 MW of LCR it appears that SCE may then procure the full amount from gas-fired generation and ignore the 50 MW energy storage requirement. The PD should be modified to clarify that the 50 MW energy storage requirement does not disappear if SCE chooses to procure more than 1,050 MW of LCR in the LA Basin.

- e. The Commission should require that SCE submit its application by Dec. 31, 2013

The PD states (p. 89):

Under SCE's schedule, the applications will be forthcoming sometime in late 2014. However, it is not self-evident why this process should take this amount of time. To the extent that the Energy Division solicitation review process goes smoothly, we expect that SCE's applications could be filed in late 2013 or early 2014. Given the likely 7-9 year procurement process for certain resources, we implore SCE to file its applications as soon as practical.

The Commission should set an end-of-year requirement rather than imploring SCE to submit its application(s) before the end of 2013. If there are good reasons for SCE not being able to meet an end of 2013 deadline for the application(s), there are established Commission procedures for seeking an extension. As such, there seems to be no downside to making this deadline a requirement and we urge the Commission to do so.

- f. The PD should be modified to include all procurement proposals, including the Council's

The PD should be revised to reflect all parties' procurement proposals. As is, some are left out entirely, including the Council's, which presented a detailed FIT proposal for procuring LCR under an "LCR Re-MAT" approach.

- g. The Commission should not require any LCR procurement for the Big Creek/Ventura region at this time

The PD authorizes SCE to procure 215-290 MW of LCR in the Moorpark sub-area of the Big Creek/Ventura LRA (p. 2). It is not clear why the PD makes this determination since SCE is not even requesting LCR authorization for this area at this time. Indeed, the PD states (p. 66): "SCE recommends deferring authorization for procuring additional local capacity in the Big Creek/Ventura local area until the next LTPP cycle (expected to commence in 2014)." While the PD explains that: "We cannot agree with DRA, SCE and others that it is reasonable to wait to authorize procurement in the Big Creek/Ventura local area," the PD does not explain how authorizing such procurement against SCE's own wishes will have any effect. That is, if SCE doesn't want to procure any LCR in the Big Creek/Ventura area at this time, the Commission's authorization of such procurement will very likely have no effect whatsoever. It would be better for the Commission to either agree with SCE and other parties that no LCR procurement is needed at this time in the Big Creek/Ventura area or to compel SCE to procure the designated LCR through an RFO or other process, such as the DG plus energy storage FIT that the Council has recommended for the LA Basin.

h. Errata

- p. 55: "Renewable Market Adjustment Tariff" should be "Renewable Market Adjusting Tariff."
- p. 72: "Demand resources" in the second to last paragraph should be "demand response."
- p. 72: ""addition" in the second to last line should be "additional."

- p. 84: “into to” in the first line of the last paragraph should be “in to.”
- p. 85: “reasonably be” in the third line from the top should be “reasonably.”
- p. 89: “generating” in the last bullet should be “generation.”

II. Conclusion

In conclusion, the Council again applauds the Commission for being clear about the Loading Order and supporting the Governor’s Clean Energy Jobs Action Plan. However, there are numerous issues with the PD and we urge the Commission to make the changes recommended above.

January 14, 2013

Respectfully submitted,

By: The Community Environmental Council

A handwritten signature in black ink, appearing to read 'TH', is written over a horizontal line.

Tam Hunt, Attorney