

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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CLEAN COALITION OPENING COMMENTS ON SPECIFIC TRACK III ISSUES

Dyana Delfin-Polk
Stephanie Wang
Clean Coalition
2 Palo Alto Square
3000 El Camino Real, Suite 500
Palo Alto, CA 94306
dyana@clean-coalition.org
steph@clean-coalition.org

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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. The Clean Coalition has intervened before the Commission on many areas surrounding including SONGS OII (I. 12-10-013), Resource Adequacy (RA), Energy Storage (ES) and various Smart Grid proceedings.

I. Summary of recommendations

The Clean Coalition is commenting at this time on discrete issues: possible modifications to Assembly Bill (AB) 57 as well as general transparency in forward procurement. Our recommendations are as follows:

- This track of the LTPP should coordinate more with R. 11-10-023 (Resource Adequacy) to encourage the free flow of information between these proceedings
- The Clean Coalition takes no official position on whether or not the Commission should modify the AB 57 guidelines, but we recommend that the Commission

fully consider resource adequacy and flexibility as well as the inclusion of preferred resources in the event that the Commission does modify the guidelines

- Full transparency should be the presumption with respect to RFOs and contracts to ensure that forward procurement meets future energy and capacity needs in the best interest of ratepayers

II. Maximum and minimum limits on IOU forward purchasing of energy, capacity, fuel, and hedges

a. Should the Commission modify the Assembly Bill (AB) 57 bundled procurement guidelines to indicate minimum and maximum limits for which the three IOUs must procure for future years? If so, should these minimum and maximum limits address energy, system resource adequacy (RA), local RA, and/or flexibility?

At this time, the Clean Coalition takes no official position at this time on whether or not AB 57 guidelines should be modified to establish minimum and maximum limits for what the IOUs must procure for future years. We do so in the interest of a robust discussion amongst the parties in this proceeding, in deciding whether or not a modification of AB 57 guidelines is necessary. In addition, it is difficult to determine how any modifications to AB 57 guidelines can and/or will affect planning this early in the discussion process. While it is important to continue our ongoing discussions on long-term planning for energy and capacity, we need to do so with some caution until this proceeding can determine if modification of the guidelines is a key ingredient in ensuring that there are no energy shortfalls.

One issue that is clear is that Track 3 of the LTPP is where the necessary discussions should take place, but these discussions should take place in coordination with R. 11-10-023 (Resource Adequacy), in order to ensure optimal flow of information between these two sets of inter-related issues, as discussed below.

Resource Adequacy

In the event that the Commission does modify the guidelines, there are two specific areas that this potential modification should address: resource adequacy (RA) and flexibility.

RA is an important area of procurement that is the topic of a separate proceeding, R. 11-10-023. While Track III should be in no way be duplicative of R. 11-10-023, RA should be front and center in discussions about potential modifications to AB 57 guidelines since RA can affect the availability and/or composition of the resource mix in the long term. RA is an important element of procurement for two reasons:

- RA provides sufficient resources to CAISO to ensure grid safety and reliability; and
- RA provides incentives for locational siting and construction of resources needed for the future.

Long-term procurement planning should continue to incorporate preferred resources in order to achieve the objectives of adequate long-term planning that meet the criteria for RA. This includes distributed generation plus intelligent grid solutions (DG+IG), consistent with the Loading Order outlined in the Energy Action Plan. As the Commission decided in Track I of this proceeding, adherence to the preferred Loading Order should continue to be upheld in forward procurement.¹

California ratepayers have the opportunity to make timely investments in the transition to a 21st century electric system characterized by high levels of renewable distributed generation, integrated with intelligent grid solutions. Today's grid arguably cannot meet current challenges or provide the level of grid performance necessary to stay fully competitive in the global economy. Various blackouts and brownouts around the

¹ "Once procurement targets are achieved for preferred resources, the IOUs are not relieved of their duty to follow the Loading Order." (D. 13-02-015 at 10)

country in recent years have demonstrated that our electricity system lacks resilience – it is extremely vulnerable to widespread outages and does not have the ability to rapidly recover or maintain essential services during outages. Further, the existing system cannot accommodate the levels of renewable generation necessary to meet the state’s Renewable Portfolio Standard or the millions of electric vehicles that will plug into the grid in the coming years.

Rather than spending billions of dollars to maintain and expand the outdated electric system, the interests of California ratepayers will be best served by investments in the transition to a modern grid primarily powered by distributed, renewable generation, integrated with intelligent grid solutions. The core DG+IG solutions necessary for this transition are distributed generation, demand response, better forecasting and possible curtailment of some generators, energy storage, advanced inverters, and monitoring, communications & control (MC2) systems. Distributed generation reduces critical infrastructure risk and the loss of multiple generators within a distributed system will have negligible impact on a distributed system, unlike the loss of a single large generator or transmission facility on a centralized system. Intelligent grid technologies enable integration of high levels of distributed generation of renewable energy and improve power quality, grid reliability, and system resilience. Accordingly, any substantial modification to AB 57 guidelines should include a full discussion on the future of RA and continued coordination plans with R. 11-10-023.

Flexibility

Similar to the issue of RA, flexibility is also a topic in R. 11-10-023. This track of the LTPP should address flexibility for long-term procurement. The emphasis on any/all modifications of the guidelines should be considered only for the long-term (after 2015), as the Clean Coalition does not project any flexibility needs before 2015.² This is another

² The Clean Coalition makes this determination based on the unresolved question of how flexible capacity should be defined and therefore how much is expected to be available to meet projected needs. (See Clean Coalition RA comments dated April 5th, 2013 <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M064/K025/64025733.PDF>)

ongoing discussion within the current RA proceeding and the Commission should continue to coordinate as needed.

Specific flexibility recommendations that the Clean Coalition has recommended in R. 11-10-023 include:

- The Commission should take steps to establish mechanisms for qualification of flexible capacity and allocation of procurement requirements to allow all participants to prepare
- The Commission should ensure as a matter of policy that preferred resources are fully recognized for their ability to contribute to system needs, including flexible or scheduled ramping, and the potential to use these resources in combination without requiring a priority aggregation of such resources. The Commission should adopt a policy decision supportive of these goals
- The Commission should adopt an approach to inclusion of use limited resources developed by PG&E to obtain flexible capacity from hydro resources and as appropriate for each resource
- The Commission should incorporate into calculations of need and available flexible capacity improved forecasting and scheduling, combined with Intelligent Grid capabilities, for monitoring and control of distributed supply and demand should be incorporated

The Commission should continue to consider these recommendations for any modifications to AB 57 guidelines.

III. Impacts of transparency on forward procurement

a. Should the Commission require the three major electric IOUs to provide more public transparency into the levels of future procurement for which each has entered into a contract? What confidentiality rules could be changed or removed? In particular how can IOUs provide visibility to the California Independent System Operator (CAISO) regarding their midterm procurement contracts?

The Commission has provided procedures for confidential treatment of information, in D.06-06-066 and related rulings, which implemented Senate Bill 1488 (Bowen 2004). SB 1488 required the Commission to examine its practices regarding confidential information “to ensure meaningful public participation and open decisionmaking” in proceedings, while taking account of the Commission’s obligations to protect the confidentiality of certain information under Public Utilities Code sections 454.5(g) and 583. This precedent also weighs heavily in favor of better transparency with respect to PPAs and RFOs.

The Commission ordered in D.06-06-066 (p. 12) that determinations regarding confidentiality must “start with a presumption that information should be publicly disclosed.” The Commission further clarified that the burden is on the party claiming confidentiality of information submitted to the Commission to prove why such information should not be disclosed to the public (p. 21). The Clean Coalition supports applying this presumption to all information submitted to this Commission. An open and transparent process in the area of procurement will achieve two objectives:

- The first objective is to ensure that all energy and capacity needs are met. If AB 57 guidelines are modified, we will have minimum and maximum procurement limits established. All stakeholders should be made aware of which targets will or will not be met. Without this information, the chances of shortfalls may increase, which could impact RPS goals for 2020 and beyond. An efficient market relies upon *informed* buyers and sellers to direct investment in response to projected demand, ensuring adequate supply and competition.
- The second objective is to ensure that bids from renewable developers are given equal access to contracts for an even playing field specifically through full cost and value accounting. While the Clean Coalition respects the need for elements of developer bids to remain confidential, we also continue to advocate for releasing relevant information, including weighting given to bid

preference, cost equalization, and assurance that preferred resources are fully participating and utilized. In providing an equal playing field for renewable developers, renewable project failure rates should also be made known to all developers who are considering placing a bid for renewables in forward procurement. Renewable contracts fail for a variety of reasons, which can include lack of financing and siting/permit issues as well as undisclosed delays before the PPA is signed. Transparency in this area will increase understanding of these delays and will give the Commission and IOUs a chance to mitigate any future issues regarding renewable project delays or failures. Transparency is vital in ensuring an even playing field for renewable developers to bid into projects, which should be a priority in this proceeding as California aims to meet and exceed the 2020 RPS goal.

All pricing information for all power purchase agreements (PPAs) should be transparent to serve the interests of ratepayers. Keeping pricing information confidential in order to avoid gaming by bidders is not a convincing argument for the current lack of transparency with respect to procurement because the “ballpark” area for pricing in each program is generally known by market participants. And there are many public policy benefits from releasing pricing information for all PPAs, including calculation of the actual costs of power paid by ratepayers. By making pricing transparent, advocates and policymakers will have more insight into the cost impacts of procurement programs, and thus a better idea of how future programs will fiscally impact ratepayers.

b. How can bids and offers into request for offers (RFOs) be released publically? What other information could be released?

Bids and offers into request for offers (RFOs) should be released online. While security and privacy concerns are primary with respect to better transparency, there are many ways to address these concerns. For areas in which consumer privacy is a legitimate

concern, data can be anonymized and/or aggregated, though aggregation should only be done as a last resort because key information may be omitted with aggregation. For areas in which safety/security is a concern, there are adequate federal protections in place, such as the Confidential Infrastructure Information Act, which limit full transparency. These limitations on full transparency will appropriately protect developers and the IOUs from any safety/security concerns they may have regarding information within RFOs and contracts.

Increased transparency in RFOs will minimize any exclusion of bids from developers wishing to complete DG and IG projects. This will also ensure that renewable developers are given equal consideration with non-renewable bids. Selection criteria for these contracts should be made available ahead of time to encourage projects within preferred locations (otherwise known as locational benefits), which is an objective of the Commission in determining RA.

A significant issue to add to the continuing dialogue on transparency is the issue of 'full cost and value accounting' to ensure that bids are compared based on their actual costs and values to ratepayers. Transparency in RFOs and eventually, in signed contracts, should include associated costs and values such as reimbursed network upgrades, transmission losses and charges, fuel price risk and hedge value, projected future emission charges, and market impact (including cap and trade markets, RA market, energy and capacity markets, locational marginal pricing and congestion). Energy procurement and policy decisions by utilities and regulators should recognize and account for the full spectrum of utility/ratepayer benefits and community/external benefits provided by DG+ IG, rather than focusing only on the contract price - the "sticker price" of energy.

Respectfully submitted,

/s/Dyana Delfin-Polk

Dyana Delfin-Polk

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