

**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 INDEPENDENT ENERGY
PRODUCERS ASSOCIATION ON THE RPS PROCUREMENT
PLANS**

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The Independent Energy Producers Association (IEP) offers the following reply comments on the draft Renewable Portfolio Standard (RPS) Procurement Plans of Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E), in response to request of the *Assigned Commissioner's Ruling Identifying Issues and Schedule of Review for 2013 Renewables Portfolio Standard Procurement Plans Pursuant to Public Utilities Code Sections 399.11 et seq. and Requesting Comments on a New Proposal (ACR)*, issued on May 10, 2013.

I. INTEGRATION COST FACTORS IN RPS BID EVALUATION

A number of parties raised issues related to the use of integration cost factors in RPS bid evaluation. Many parties, including IEP, support the use of integration cost factors in bid evaluation, but argue that they need to be publicly vetted and based to the extent practical on empirical evidence and studies. At this point, in the absence of any completed, valid empirical studies that have been publicly scrutinized, there is useful path forward for the Commission that could result in the approximation of integration costs for use in bid evaluation. While actual

integration costs may not be known with certainty today, a public development and review of integration cost factors may assist the utilities and the Commission in comparing project bids in the next RPS solicitations.

IEP suggests that the Commission should develop an *Integration Cost Factor Bid Evaluation Tool* similar to the approach applied in the development of the Commission's Project Viability Calculator. To develop the Project Liability Calculator, the Commission sought the parties' advice about the factors that should be used to compare project bids relative to each other in terms of predictors of project viability. The Commission assigned weights to each factor for use in bid evaluation. The Commission then directed the utilities to employ the Project Viability Calculator to evaluate RPS bids.

IEP recommends using a similar approach to develop an Integration Cost Factor Tool for use in overall bid evaluation. Specifically, IEP suggests the following steps as a means to develop a reasonable tool for estimating the relative integration cost impacts of project bids:

- Determine Integration Cost Factors for use in bid evaluation;
- Assign values for each Integration Cost Factor based on relative importance (or cost);
- Sum the values across all factors and integrate into the results into each utility's RPS Least-Cost/Best-Fit (LCBF) bid evaluation methodology.

Recognizing the absence today of empirical data to help derive these numbers, IEP suggests that the Commission should establish Integration Cost Factors based on relatively general descriptions, and improve and refine these descriptions over time as more data and experience become available. For example, for purposes of beginning the development of a

more sophisticated tool, factors to be considered could be as general as identifying whether the project is:

- Likely to require integration support services (-);
- Likely to require distribution upgrades (separate from the Transmission Cost Adder) (-);
- Likely to help balance the system, *i.e.*, to reduce need for integration support services triggered by other projects (+);
- Likely to help shift delivery of power to more preferred times (+);

The identification of the key factors and the determination of their relative weights ought to be publicly vetted. Similar to the process for developing the Project Viability Calculator, the Commission should convene a one-day workshop, between mid-August and mid-September 2013, where parties could submit and discuss various proposals. The goal would be to select up to ten Integration Cost Factors to be applied in bid evaluation and to assign their relative value in overall bid evaluation. The details of Integration Cost Factors could be completed in time to be applied in the next round of RPS solicitations, and these tools will be improved over time, just as has occurred for the Project Viability Calculator.

II. RPS SOLICITATION SCHEDULES

SCE raised concerns about how the Commission has imposed restrictions and limitations that result in the micromanagement of its RPS procurement without adding any benefit. Specifically, SCE argues that the Commission should not require the utilities to implement RPS solicitations in parallel and at the same time. Rather, SCE contends that the utility should be empowered to schedule its individual RPS solicitation based on its own distinct needs and requirements.

IEP has noted in prior comments that periodic, scheduled solicitations provide beneficial market signals that may affect the pace of project development. This type of information helps reduce project costs and these cost reductions ultimately benefit ratepayers.

To the extent that the Commission no longer requires the utilities to conduct their RPS solicitations in parallel, bidders should be freed of the “exclusivity” obligation. Currently, under the protocols governing RPS solicitations, once a project is shortlisted in an individual utility’s solicitation, the bidder must withdraw its bids placed in other utilities’ solicitations. This requirement no longer makes sense if solicitations are not conducted at the same time.

IEP recommends eliminating the exclusivity requirement for shortlisted bidders. The exclusivity requirement undermines the liquidity of the competitive market, unnecessarily reduces bidders’ opportunities to compete to bring their projects to the marketplace, and reduces the opportunities to consider the cost-effectiveness of some bids merely because an RPS solicitation follows the solicitation of another utility.

III. ARBITRARILY IMPOSED BID REDUCTIONS FOR RESOURCES OPERATING UNDER EXISTING CONTRACTS

PG&E and SDG&E suggest that counterparties with existing contracts should be “encouraged” (presumably by the Commission) to bid contract extensions at reduced bids. While appreciating the recognition that existing contracts have the opportunity to bid in the RPS solicitations, IEP has concerns about this proposal for encouraging certain types of bidding behavior from existing resources.

RPS bid evaluation ought to include the integration value (pro or con) of existing contracts. However, a competitive RPS solicitation should not be artificially skewed to favor one set of projects based on a project’s “vintage,” *i.e.*, the year the project was built, or whether the project operates under an existing contract. The Commission should take no action to

encourage bidding behavior in one direction or the other from individual projects, including existing resources seeking contract extensions or new contracts. Considering the robust competitiveness of RPS solicitations, in which existing contract holders bid against new projects and other existing projects, bidders have every incentive to submit the most competitive bid possible in order to obtain a long-term contract.

IV. LIQUIDATED DAMAGES FOR FAILURE TO PROVIDE RA CAPACITY

Another issue concerns what happens if RPS resources fail to provide contracted Resource Adequacy (RA) capacity. The California Wind Energy Association raised concerns about an SCE proposal that RPS generators would be held liable for liquidated damages for failure to provide planned RA capacity. To the extent that the SCE RPS Procurement Plan proposes to add liability to the liability already imposed on generators providing RA capacity, then IEP opposes this proposal. The current RA program imposes common obligations on electric generators who commit to provide RA capacity. These obligations should not and need not be increased merely because the RA capacity is to be provided by an RPS resource. On the other hand, RPS resources that commit to provide RA capacity should have the right to provide replacement RA capacity. RA capacity is a separate product from renewable energy and Renewable Energy Credits, and it should be treated as such.

V. EXCESSIVE SECURITY REQUIREMENTS

A number of parties agreed that the disparity in development security requirements in the individual utility RPS Procurement Plans is unwarranted. The Large-scale Solar Association agreed with IEP that PG&E should be directed to reduce its New Resource Project Security requirement. IEP recommends that the PG&E security requirement should be set no higher than SCE's development security deposit.

VI. CONCLUSION

IEP respectfully urges the Commission to consider these comments as it deliberates on the issues raised by the utilities' RPS procurement plans. IEP looks forward to working with the Commission on these important issues.

Respectfully submitted this 22th day of July, 2013 at San Francisco, California.

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By /s/ Brian T. Cragg

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VERIFICATION

I am the attorney for the Independent Energy Producers Association in this matter. IEP is absent from the City and County of San Francisco, where my office is located, and under Rule 1.11(d) of the Commission's Rules of Practice and Procedure, I am submitting this verification on behalf of IEP for that reason. I have read the attached "Reply Comments of the Independent Energy Producers Association on the RPS Procurement Plans," dated July 22, 2013. I am informed and believe, and on that ground allege, that the matters stated in this document are true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on this 22nd day of July, 2013, at San Francisco, California.

/s/ Brian T. Cragg

Brian T. Cragg