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Exhibit Number	:	
Commissioner	:	Michel Florio
Admin. Law Judge	:	David Gamson
Witnesses	:	Barbara George
	:	

WOMEN'S ENERGY MATTERS
OPENING TESTIMONY IN TRACK 4

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Barbara George, Executive Director
Women's Energy Matters
P.O. Box 548
Fairfax CA 94978
415-755-3147
wem@igc.org

WOMEN'S ENERGY MATTERS
OENING TESTIMONY IN TRACK 4

Women's Energy Matters (WEM) respectfully submits this Opening Testimony, sponsored by Executive Director Barbara George, pursuant to the Scoping Memo and the ALJ Ruling of 9-16-13. We had pro bono assistance from expert Michael Day of Rockwood Consulting.

Testimony re RFO processes

Some of these comments were also filed at CEC regarding infrastructure issues.

Women's Energy Matters (WEM) appreciates the opportunity to comment on electricity infrastructure issues affected in 13-IEP-1D in general, and in the Southern California Edison (SCE) Local Capacity Resource (LCR) Request For Offers (RFO) in particular. This RFO represents the culmination of efforts by many stakeholders in many diverse proceedings, from Long Term Procurement to efforts to close the San Onofre Nuclear Generating Station (SONGS), to move towards a more sustainable energy resource mix. For the first time there is an opportunity for Non-Generation Resources (NGRs) such as Energy Efficiency, Demand Response, and Energy Storage to replace traditional "spinning steel" type fossil fuel generation. For this reason, and because this initial effort will be looked at as a test case, it is critically important to get this RFO right.

In general, both utilities and regulators know how to value and procure traditional generation resources, if only because hundreds if not thousands of individual contracts have been bid, negotiated and executed in recent years. This experience suffuses the entire procurement process, where the lessons learned from previous solicitations, negotiations and operations help shape how those resources are acquired today. It would only be remarkable then if opportunities to improve did not exist in this initial open solicitation pitting NGRs against

traditional generation. WEM hopes that these comments help to illuminate areas that can be improved in the current RFO, and thereby accelerate the development of a mature market where NGRs can regularly compete with generation.

There are four broad areas where the current RFO either does or may interfere with the ability of NGRs to compete on an equal basis: inability of NGR providers to secure long-term revenue streams via Power Purchase Agreement or similar contractual mechanism, the requirement for NGR bidders to already have projects in hand in order to bid, exclusionary contractual requirements for insurance that are not scaled to the size of the offer, and the apparent inability of NGRs to benefit from the locational premium that should accrue from being at the customer end of the Transmission and Distribution (T&D) grid.

Long Term Revenue. Properly controlled, NGRs can provide many of the same products and services that are currently procured from traditional generators. Examples of these products include capacity, energy, and load balancing. Traditional generators are paid for these different products through Power Purchase Agreements, typically over periods of 10 or more years. The RFO as structured does not treat NGRs in the same manner. All NGRs are paid solely for capacity; value streams for energy and load balancing services are excluded.

This “tilting the table” restriction places NGRs at a significant competitive disadvantage compared to traditional generation. The total revenue achievable for a similar bundle of grid impacts is far smaller for NGRs than it is for traditional generation, on both a total remuneration and a Net Present Value basis. In turn, this artificial reduction in value not only reduces the incentive for providers or aggreg ators of NGRs to respond to the RFO, it also affects their ability to find financing. Where traditional generators can show a multi-year pro-forma based upon a PPA to a potential lender, a provider of NGRs is unable to do the same because of this choice

in contracting methods. Incidentally, this structure "up fronting" of payments is also not in the best interests of ratepayers either. Even when the payments are spread over 5 years, ratepayers are significantly better protected when payments are for actual delivered impact on an ex post basis as is standard for traditional generation resources.

The solution is relatively simple: the interests of ratepayers are best served if NGRs have the option to enter PPAs in the same way that traditional generators do, both for payment streams and damages incident to a failure to perform.

Projects in hand. The RFO requires an NGR provider to have the projects effectively "on the shelf/ready to go" in order to participate, and further appears to restrict each response to a single project site. Since this is the first time that NGRs have had the opportunity to compete against traditional generation, it is unreasonable to require potential NGR providers to have already fully developed potential projects prior to submitting a response.

A more reasonable approach would be to allow NGR providers the opportunity to bid in with the payment that they believe that they would need to deploy an NGR resource in a given area. If selected, the NGR provider would have a certain period of time to meet required milestones, much as a traditional generator wouldin building a power plant . Since the payment would be tied to actual delivered projects, the risk to ratepayers is minimal, particularly in light of the substantially faster cycle typical for NGRs. If selected, the NGR provider would still need to cover all up-front costs associated with finding, evaluating, and installing NGRs, but could do so secure in the knowledge that they had both a buyer and a fixed price that made business sense.

Exclusionary requirements. Traditional Generators are big, with projects often taking years to complete and costing tens or even hundreds of millions of dollars. NGR projects can be quite a bit smaller and lower cost, both in total and in terms of dollars per KW. While large multi -

nationals such as Chevorn, Lockheed, United Technologies and others are certainly prime candidates to provide NGRs through their Energy Sevices Companies(ESCOs), many potential aspirants to the NGR market are smaller California contractors. While the requirements for level of insurance and other financial guaranties are certainly appropriate for larger scale projects, they are both inappropriate and exclusionary to smaller potential vendors who are looking to offer smaller contracts.

Beyond largely excluding smaller companies that are more likely to be local, the fact that the requirements do not scale with size has another, presumably unintentional impact in that it will have a disproportionate impact on disadvantaged business enterprises. Companies that are owned by minorities, women, or disabled veterans are far less likely to be able to get the levels of coverage appropriate for large scale projects, even if they are able to provide coverage appropriate to the scale of the projects that they are likely to propose. Effectively, these requirements exclude DBEs from this market.

Locational value. Beyond the requirement to have an access agreement, from the language of the RFOs it is unclear how the need for generators to use an already overburdened T&D grid will be weighed against distributed NGRs. There is absolutely a value to having NGRs take load off of the grid in constrained areas such as Moorpark or the Western LA basin. NGRs, by their nature, are typically located at the very end of the T&D grid. Unlike resources that require an upgrade to the grid, they can actually reduce the load in congested areas, increasing the capacity surplus without upgrades to the existing infrastructure. In effect, if an NGR were to be offered in these areas at the same price as a generation asset, the NGR would have presumably have a substantially greater value to ratepayers because of the avoided need for a T&D upgrade that would inevitably accrue to a generator placed in the Mojave Desert. The

avoided costs associated with the deferral of T&D expenditures should be included in any analysis.

Moreover, because a T&D capital expenditure would be included in the Edison rate base and benefit Edison shareholders for decades into the future, the potential for appearance of conflict of interest is quite high in this situation. To maintain public confidence in the process, Commission staff should carefully ensure that these avoided costs are included in evaluating NGR proposals under this RFO .

In the end WEM believes that NGRs do not need a special carve out in the RFO process in order to succeed, but they should not be subjected to a distorted procurement process either. The interests of ratepayers are truly served when NGRs can compete with traditional generation on an even playing field. The playing field embodied in the current solicitation is far from fair to NGRs, but with the modifications listed above it could become very nearly so.

Answers to ALJ Gamson's Questions

Specific issues I want parties to address in T4 testimony.

1 – how much of 1400-1800 MW procurement in LA for track 1 should be assumed in track 4?
… Alj - T1 & T4 sort of same thing – LA & SONGS area –
Should we assume 1400 will be in place by 2020? 1800? Or lower?
Alj – pick a date – 2018, 20, 22

Assuming this is limited to new resources, WEM expects the amount authorized by the Track 1 decision to be in place and operating btw 2018 and 2022.
In addition to that, there will be daily and monthly additions of capacity and energy energy efficiency and other demand resources from current programs at CPUC and CEC. These are supposedly captured in the CEC's demand forecast but they can't be used for procurement because utilities keep their location secret.

Next part of Q – does it matter what mix of resources would be procured. T1 authorized several categories – (nothing different from those) but could be 1000 MW gas-fired, and rest preferred & storage. Or 1200 gas. Or 400 storage, not much other.

Yes. If the loading order matters, all the preferred resources should be part of this mix. But for the reasons described above, they have not been counted. Other barriers include the RFO design, which is exclusionary and discriminatory as discussed elsewhere in the testimony

2. PD yesterday in storage rulemaking. Shd anything in that proceeding be considered in re T4 procurement?

Of course.

3. Are there any other updates to assumptions which should be considered. We talked re tpp, the cec demand forecast – but other proceedings out there – ee, dr, etc. – updates that should be considered.

Assumptions are frequently adjusted in EE and probably other proceedings, and that needs to be tracked.

4. What is appropriate timeline for resources procured in T4. I.e. do some resources have to come online earlier than others. That may also be a locational question, by the way.

The preferred resources should be allowed to come online first as they are the quickest to build and higher in the loading order. To the extent this is a locational problem, all the barriers WEM has discussed in Track 1 must be removed.

5. Should there be any contingency plans in case expected levels of resources do not materialize in a timely manner. E.g. what happens if, say gas-fired pps are delayed? If solar industry goes under? I don't think that's going to happen, but…

There are safeguards in place to assure gas sellers comply with orders to run – fines and other penalties for non-performance my be imposed. There is a need for such rules to be extended to preferred resource providers. Delays prior to resource launch can probably be handled by existing regulations for gas plants; preferred resources may need similar regs.

6. Should the commission consider methods to address potential market power in the songs area for gas-fired resources? and if so, what?

Yes.

7. If you're recommending preferred resources or energy storage to fill any need, it would be helpful to indicate how the attributes of such resources will meet LCR needs.

Yes. The Commission needs to refine its approach to the RFOs and evaluation criteria, allowing preferred resources to complete on a fair playing field. This would include being allowed to proposed different applications of a resource or combination of resource. They should not be constrained by utility "evaluations" of existing resources. These are the fundamental to the provider even being able to make a bid. Of course each bid should demonstrate how (and if) it can supply energy, capacity and ancillary services that meet LCR needs, and how to verify that.

Nancy rader – would it be approp for resources to discuss how they address flexibility?

Alj – that's a track 2 issue, not relevant to track 4.

Actually, WEM agrees that flexibility should be on the above list (answer to Q7) of things that providers can offer, and part of any bidding process.

Appendix A

QUALIFICATIONS AND PREPARED TESTIMONY

QUALIFICATIONS AND PREPARED TESTIMONY OF BARBARA GEORGE

Q1. Please state your name and business address.

A1. My name is Barbara George. My business address is P. O. Box 548, Fairfax, California 94978.

Q2. By whom are you employed and in what capacity?

I am the Executive Director of Women's Energy Matters (WEM) and I am working with WEM as an advocate in the R1203014 proceeding.

Q3. Please describe your educational background and professional experience.

A3. I received a B.A. from Stanford University. I have been WEM's principle advocate in multiple CPUC proceedings since 2001. I have worked in many capacities on energy policy issues since the 1970s, particularly supporting energy efficiency and renewables, and analyzing the dangers of nuclear and fossil fuel power.

Q4. What is the purpose of your testimony?

A4. I am sponsoring WEM's testimony on nuclear power and demand resources.

Q5. Does this complete your testimony?

A5. Yes, it does.