

**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 R.11-05-005

**COMMENTS OF THE GREEN POWER INSTITUTE ON THE
PROPOSED DECISION OF ALJ DEANGELIS**

November 4, 2013

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Pursuant to Rules 14.3 and 14.6 of the Commission’s Rules of Practice and Procedure, in Proceeding R-11-05-005, the **Order Instituting Rulemaking to Continue Implementation and Administration of California Renewables Portfolio Standard Program**, the Green Power Institute, the renewable energy program of the Pacific Institute for Studies in Development, Environment, and Security (GPI), provides these *Comments of the Green Power Institute on the Proposed Decision of ALJ DeAngelis*. Our *Comments* focus on four topics: green attributes, TOD factors, resource diversity, and the pending LCBF review.

Green Attributes

The Proposed Decision (PD) makes major changes with respect to how the environmental attributes of renewable energy are to be treated in future RPS power contracts by deleting mandatory and non-negotiable STC 2, which includes a confusing and outdated definition of green attributes. As far as we can tell the effect of deleting STC 2, and instead relying on STC REC-1, is to reinforce the treatment of environmental attributes that has been in place since the beginning of the RPS program in California. The GPI supports the proposed changes.

As we noted in our November 20, 2012, *Comments on the RPS Procurement Reform Proposals*: “In simplifying STC 2, it is important to ensure that the substantive distinctions and exclusions that it contains are preserved (11/20/12 *Comments*, pg. 7).” By eliminating STC 2 altogether, and relying instead on the three newer REC STCs, REC-1, REC-2, and REC-3, to define an RPS-compliant REC, the detailed definition of the attributes of a REC are transferred from a convoluted standard contract term (STC 2) to the 11-page detailed discussion about what constitutes an RPS-compliant REC that resolves the issue in D.08-08-028 (pgs. 17 - 27). The definitive discussion in D.08-08-028 makes explicit what the

necessary ingredients of an RPS-compliant REC are, and what things are excluded from the REC, including the fuel-related attributes of improved waste treatment that are ancillary benefits of biomass and biogas power generation. REC-1 and REC-3 both reference the 2008 Decision as the definition of a REC, and we believe that this is the correct way to address this issue, which is, in fact, truly quite complex, and difficult to capture succinctly in a standard contract term.

It has come to our attention that some or all of the contract amendments that PG&E recently signed with many of their biomass generators have a contract term for green attributes that is much more sweeping than either the old STC 2, or the requirements for a REC that are contained in D.08-08-028. The item of greatest concern to the GPI is the lack of an exclusion for renewable-fuel-related attributes that is missing from the contract term that PG&E apparently inserted into some or all of the contract amendments. We acknowledge that these amendments are short term in nature, and with no offset protocol for biomass energy production yet under development, which would allow the reductions in biogenic greenhouse-gas emissions associated with biomass energy production to be turned into offsets, it is unlikely that the opportunity to benefit from these attributes will present itself before the expirations of the mostly short-term contract amendments.

We do not know why PG&E put these sweeping and ambiguous terms that lack the important exclusions into the contract amendments. While it is unlikely that they will make any tangible difference during the relatively brief lifetime of the amendments, the precedent that they set could derail efforts to develop the protocols that would allow the biogenic benefits of biomass energy production to be made tangible in the form of offsets that could be used in the state's cap-and-trade program for greenhouse-gas emissions. We understand that some or all of the contract amendments that contain the sweeping definition of green attributes also contain the language of STC REC-1, which limits the contents of the REC that the contract conveys to the prescription in D.08-08-028. This potential conflict, between a definition of green attributes that lacks any qualifications or exclusions, and the definition of the REC being conveyed that includes the exclusions,

could be resolved by deleting the term that defines green attributes, the same approach as is taken in the PD for future RPS contracts.

We ask the Commission to include in the final Decision on the 2013 RPS Procurement Plans an Order to utilities that have the kinds of contract amendments described above (containing both a definition of green attributes lacking exclusions, and the language of STC REC-1) to allow the counterparties to these amendments to delete the term that defines green attributes without exclusions. This will allow the agreements to depend on the language that is identical to the language of STC REC-1 concerning the conveyance of RECs, which is also contained in the amendment. This treatment is fully consistent with the approach taken in the PD for future RPS contracts, and will eliminate a potential conflict in the amendments, as well the potential for derailing the protocol development process for biomass energy.

TOD Factors

The GPI has long advocated for the Commission to perform an overhaul of the TOD factors currently used in the RPS program. As we noted in our November 20, 2012, *Comments on the RPS Procurement Reform Proposals*: “The GPI has long been interested in improving several aspects of the LCBF process, including the time-of-delivery factors, integration costs, and the transmission costs and benefits of different kinds of renewable generators (11/20/12 *Comments*, pg. 2).” The PD notes that the LSA, among other parties, has advocated for including TOD profiling among the issues to be addressed in the coming LCBF overhaul, and we strongly support this suggestion. TOD profiling should be examined in an open, public process. Of course, the common mathematical rule that must be applied to all proposals that may be proffered is that the TOD profiling, applied to the 8,760 hours of the year, must yield the annual average value that is being TOD-differentiated.

Resource Preferences and Diversity

Resource and technology diversity has been an explicit guiding principle of the California RPS program since its inception. Nevertheless, as our September 18, 2013, *Comments on the August 2013 IOU RPS Compliance Reports* (filed in this proceeding) demonstrate, resource and technology diversity is rapidly disappearing from the RPS program right before our eyes. As the figure below shows, nearly all of the growth in renewable-energy generation in California since 2004 has been in the form of wind energy, and looking forward, nearly all future (post-2013) renewable energy growth in the state is expected to be solar, and more specifically, solar PV. All of the other renewables are stagnant or in decline. Section 4.8.1. of the PD is titled: Solicitation Preferences for Specific RPS Resources. However, this section of the PD deals with preferences like project location and start dates, not resource or technology type. It is probably too late to do anything about declining resource diversity in time for the 2013 RPS solicitations, but resource and technology diversity concerns absolutely should be a part of all post-2013 RPS solicitations.

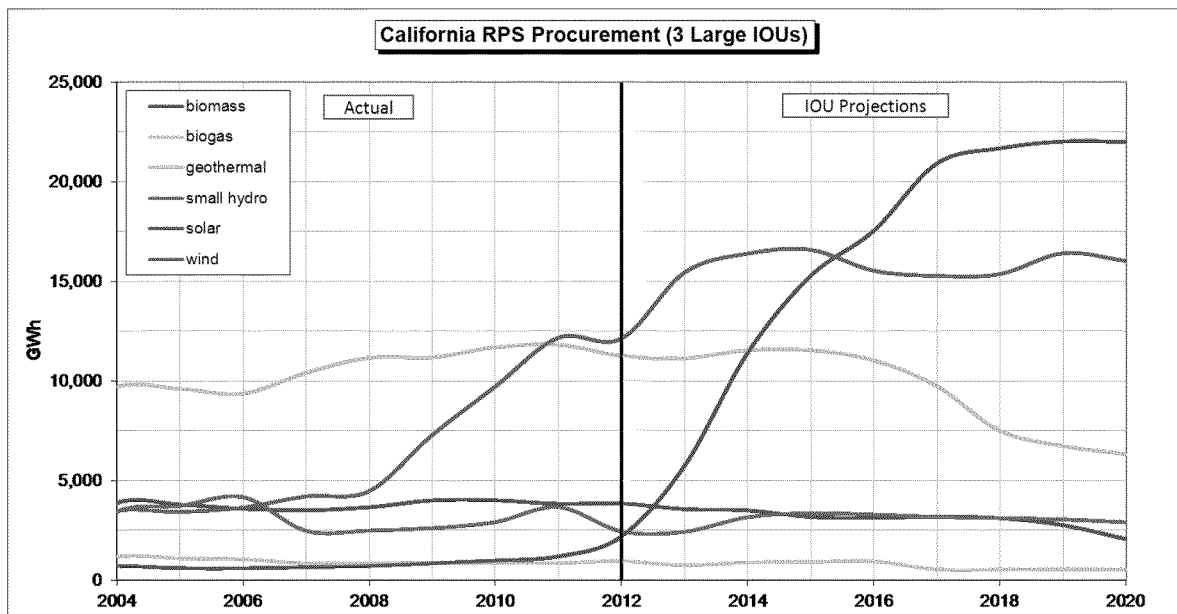


Figure taken from the Sep. 18, 2013, GPI *Comments on the August 2013 IOU RPS Compliance Reports*.

The discussion in Section 4.2 of the PD about the monitored RPS development in the Imperial Valley is illustrative of the statewide trend towards decreased renewable-resource diversity. When the Sunrise Power Link project was initially conceived, one of the primary goals of the project was to provide the transmission access needed to tap into the geothermal resources of the Imperial Valley. As the table on pages 13 – 14 of the PD illustrates, there is no geothermal energy at all in SDG&E’s portfolio of Imperial Valley contracts. The portfolio is composed of 70-percent solar PV, and 30-percent wind. We are not suggesting that this is an outcome that is at odds with the purposed of the transmission line, which is to access renewable energy, we are simply pointing out that resource diversity, a guiding principle, is missing from the California RPS program.

The discussion about the SDG&E Imperial Valley portfolio in the PD contends: “Provided that all of the projects listed in the table achieve commercial operations, SDG&E will likely have fulfilled its Sunrise renewables commitment in D.08-12-058 (PD, pg. 14).” While the probability that **all** of the projects in the table will achieve commercial operations is certainly greater than zero, it is far **more** probable that only some of the projects in the table will achieve commercial operations. The GPI has worked diligently in the various RPS proceedings to change the tendency of many parties to assume that having a signed PPA is as good as having an operating generator. Historical experience shows that some thirty percent of PPA holders never make it through the project-development labyrinth. We are disappointed to see an assumption of 100-percent project-development success being used in this PD.

One type of preference that the PD considers and rejects is a preference for contracting with operating generators whose PPAs are expiring. The PD argues that the fact that these facilities get high marks for probability of achieving commercial operations in the project viability assessment is sufficient preference for these facilities. However, as we understand the process the project viability assessment is used more-or-less as a pass/fail mechanism, rather than as scoring factor used in the LCBF process. This being the case, we have to question whether an automatic pass through the project-viability gateway is truly giving a

preference to existing facilities. At the very least, we believe that this is a topic that should be included in the forthcoming LCBF overhaul.

One consequence of allowing the RPS mix to skew so sharply to PV is that it creates an increasing need for ramping resources during the late afternoon / early evening hours, especially during the winter when the solar resource shuts down well in advance of the daily peak (6:00 – 8:00 pm) in energy demand. This issue is being dealt with in both the LTPP and RA proceedings, where it is becoming increasingly clear that the solution to the problem involves more than just the usual conventional (gas turbine) alternative. The Commission and CAISO are increasingly looking into the possibility of using preferred resources for providing flexible operating services on what is being called a use-limited basis, and it would certainly make sense to tailor future RPS solicitations to encourage bids from projects that can provide limited ramping services during key hours of the year.

LCBF Review

The September 12, 2012, *Amended Scoping Memo and Ruling of Assigned Commissioner* for this proceeding included, as one important activity, an examination and overhaul of the least-cost / best-fit (LCBF) bid-ranking system that is supposed to ensure that non-price factors are included in the short-list selection process used in RPS solicitations. The PD makes numerous references to the forthcoming LCBF overhaul, for example, in connection with integration costs, TOD factors, curtailment, and length of contract term. The problem is, there is no specificity given as to when the LCBF overhaul will occur. We encourage the Commission to initiate the process as quickly as possible. It is long overdue.

Dated November 4, 2013
Respectfully Submitted,

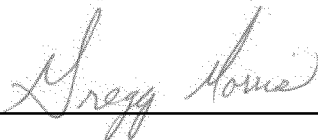


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VERIFICATION

I, Gregory Morris, am Director of the Green Power Institute, and a Research Affiliate of the Pacific Institute for Studies in Development, Environment, and Security. I am authorized to make this Verification on its behalf. I declare under penalty of perjury that the statements in the foregoing copy of *Comments of the Green Power Institute on the Proposed Decision of ALJ DeAngelis*, filed in R.11-05-005, are true of my own knowledge, except as to matters which are therein stated on information or belief, and as to those matters I believe them to be true.

Executed on November 4, 2013, at Berkeley, California.



Gregory Morris