

**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 13-12-010
(Filed December 19, 2013)

**COMMENTS OF THE CALIFORNIA WIND ENERGY ASSOCIATION
ON PLANNING ASSUMPTIONS AND SCENARIOS FOR USE IN THE CPUC 2014 LONG-TERM
PROCUREMENT PLAN PROCEEDING AND CAISO 2014-15 TRANSMISSION PLANNING PROCESS**

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***On behalf of the California Wind
Energy Association***

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The California Wind Energy Association (CalWEA) appreciates this opportunity to comment on the “Planning Assumptions and Scenarios for use in the CPUC 2014 Long-Term Procurement Plan Proceeding and CAISO 2014-15 Transmission Planning Process” (“Planning Scenarios”) pursuant to the December 19, 2013, Ruling of Administrative Law Judge Gamson.

CalWEA strongly recommends that the scenarios be substantially revised so as to meet the stated goals of “informing policymakers about the implications of adopting a particular policy,”¹ providing useful information for “integrating renewables procurement with general procurement,”² and determining the “mix of resources [that] minimizes cost to customers over the planning horizon.”³ The proposed scenarios are not sufficiently meaningful because they are not “substantially unique” from each other,⁴ nor do they sufficiently consider implications for achieving the long-term greenhouse-gas (GHG) reduction goals set forth in the California Air Resources Board’s October 2013 AB 32 Scoping Plan Update Discussion Draft.⁵ As a result, the draft scenarios will not produce CPUC LTPP nor CAISO TPP study results that inform decision-makers about the integration resource requirements, distribution and transmission requirements, and ratepayer costs associated with the policy choices that will need to be made in achieving the state’s long-term GHG goals.

¹ Planning Scenarios, p. 20.

² <http://www.cpuc.ca.gov/PUC/energy/Procurement/overview.htm>.

³ Planning Scenarios, p. 19-20.

⁴ Planning Scenarios, p. 6.

⁵ See <http://www.arb.ca.gov/cc/scopingplan/scopingplan.htm>.

Three of the four 2024 proposed scenarios for 2024 rely on a “commercial-interest-driven RPS,” differing only in the assumed load and energy efficiency projections, and both proposed 2030 scenarios are “high DG” scenarios.⁶ To be meaningful, “least-cost” (or “cost constrained”) scenarios should be the base case scenario and used as the basis for comparison with any other 2024 and 2030 (or 2034) scenarios. Based on responses to questions at the workshop, it appears that the main criterion for selecting the “commercial interest” projects is their status in the CAISO’s interconnection queue, and locations that do not require transmission deliverability upgrades. This does not constitute “commercial interest” and, as explained below, is not the same as “least-cost.” There is no apparent basis for limiting the 2030 40% RPS scenarios to “high DG.” Nor does it appear that the “high DG” cases include distribution reliability upgrades, which would be triggered with a large-scale deployment of DG. Moreover, only a “least cost” base case scenario, along with a set of other meaningful scenarios, will “provide policymakers with data to evaluate the system impact of increased penetration of renewables to the grid.”⁷

For these important reasons, CalWEA urges the Commission to modify the Trajectory (control) Scenario to serve as a base case “least-cost” scenario for 2024, against which to compare any other 2024 scenarios. The Commission should also create a least-cost base case scenario for 2034 (through LTPP Time Period 2) aimed at achieving a GHG-reduction goal consistent with the ARB’s trajectory toward a 2050 goal,⁸ against which to compare any other long-term scenarios.

The recommended modifications are explained below.

1. Modify the Trajectory Scenario

a. Eliminate the assumption that renewable energy must be deliverable.

Of primary importance is eliminating the current assumption that renewable energy must be deliverable. Instead, include the average transmission reliability upgrade cost for

⁶ See “Planning Assumptions, Scenarios, and RPS Portfolios for CPUC 2014 LTPP and CAISO 2014-15 TPP” for the December 18, 2013, Energy Division workshop, slide 14.

⁷ Planning Scenarios, p. 22.

⁸ See *id.* note 5 (Figure 6 at p. 77).

central station renewables and the average distribution reliability upgrade cost for distributed renewables.

There is no justification for the current deliverability requirement:

- The RPS is an energy, not a capacity, requirement, thus there is no justification for requiring all RPS resources to be deliverable, particularly at a time when there is substantial RA overcapacity in the CAISO Balancing Authority Area. The RPS statute, in the context of legitimate excuses for non-compliance, requires consideration of the delivery of renewables under the CAISO's *operational* protocols, not its interconnection protocols.⁹ Accordingly, the Commission has, on more than one occasion, specifically rejected utility proposals to disallow energy-only bids.¹⁰
- Requiring all RPS resources to be deliverable puts the cart before the horse – it feeds system capacity into the model that is intended to determine the need for capacity. Instead, the model should inform the Commission and stakeholders what the need for capacity is, rather than assuming that need through the model's resource assumptions.
- The local capacity additions that will result from the 2012 LTPP Track 1 and 4 decisions, as well as capacity additions stemming from the storage mandate, make it unlikely that any additional system or flexible resources will be required in 2024. The 2012 Track 2 studies were not showing any need for system or flexible resources, and the local capacity and storage additions will add system and flexible capacity to the system.
- Revised wind and solar NCCs stemming from the ELOC studies in the RA proceeding are likely to increase the recognized RA capacity value that these resources provide, further reducing the need for system RA capacity.
- If any need is shown for added reliability in 2024, it likely will be for local or flexible capacity (given the substantial RA capacity expected from deliverable RPS renewables), neither of which is subject to a transmission deliverability test.
- The requirement that all renewables be deliverable favors renewables that happen to have deliverability status, regardless of the cost of the resource and the value of its deliverability status (which, in an over-capacity situation, will be low).

⁹ P.U. Code Sec. 399.15(b)(5)(A).

¹⁰ For example, in Commission Decision 13-11-024 conditionally accepting the utilities' 2013 RPS plans, the Commission reiterated that the utilities must accept bids from energy-only projects and rejected SCE's proposal to require sellers with energy-only projects to bear the risk of negative CAISO market prices (but accepted SCE's proposal to apply a congestion adder to energy-only projects).

For all of these reasons, a deliverability requirement for renewable resources should not be built into the model for the 2014 LTPP. In other words, energy-only renewables should be enabled for all resources that do not constitute the “discounted core.” Alternatively, if the deliverability criterion is retained, it should be applied equally to central-station and distributed renewables. Per the CAISO’s deliverability assessment methodology, only a subset of distributed renewables (those interconnecting downstream from a limited number of transmission substations with available deliverable capacity) would be considered deliverable.¹¹

b. Eliminate the environmental scoring component.

At the December 18 workshop, staff indicated that the RPS Calculator contains an environmental scoring system under which a particular \$80/MWh central-station solar project lost out to a \$123/MWh distributed solar project due to the environmental scoring system, which was “the driver” in the outcome in this case. While this may have been unusual, it is cause for concern, especially given that (as staff confirmed at the workshop) the environmental scoring system was never the focus of public comment nor explicitly adopted by the Commission.

Moreover, environmental review of a project has routinely been found to be outside the scope of the Commission’s review of PPAs. To wit: “As previously noted by this Commission, the Commission’s review of PPAs is confined to approval of costs pursuant to a PPA.”¹² The IOUs’ *pro forma* PPAs already require developers to obtain all required permits by the project’s commercial operation date, and developers are subject to default and payment of damages in the event they fail.¹³ In order to obtain those permits, developers are required to undergo all environmental reviews required by law. Given the exhaustive permitting requirements that are already imposed on renewable energy projects, and the significant contractual incentives to comply with these requirements, there is no need for the Commission to engage in any additional environmental review of PPAs, let alone employ very subjective values and bury them in models.

¹¹ See CAISO, “Resource Adequacy Deliverability for Distributed Generation,” April 30, 2013. Available at: <http://www.caiso.com/Documents/2013RevisedDeliverability-DistributedGenerationStudyResults.pdf>.

¹² Resolution E-4439 at 18.

¹³ See *e.g.*, PG&E 2012 *pro forma* RPS PPA §§ 3.9(a)(iii), 3.9(c)(iii)(A)(II), 5.1(b)(iii)-(iv), 5.2, and 5.3.

Therefore, these values should be removed from the RPS Calculator for the 2014 LTPP. At the very least, these values should be removed in a sensitivity case in order to “inform policymakers about the implications of adopting a particular policy.”

c. Incorporate Commission-adopted integration cost adders, if available.

Unlike the environmental scoring component of the RPS Calculator, considering the integration costs of the various renewable resources is supported by the RPS statute and Commission policy. It is widely recognized among stakeholders that an update to the current CPUC-adopted value of zero is long overdue. Should the Commission tackle this issue in time for inclusion in the RPS Calculator and the 2014 LTPP process, the adopted values should be incorporated. (Currently the 33% RPS calculator contains an arbitrary placeholder integration-cost value of \$7.50/MWh, applied only to wind and solar resources.)

2. Modify and Re-name the Expanded Preferred Resources Scenario: “Least-Cost 2034 GHG Target Scenario”

Assessing the 2024 plan in view of the need to make progress toward a 2034 GHG goal is necessary to support the ARB’s efforts to make progress to fulfill gubernatorial executive orders. These orders require California to reduce its emissions of greenhouse gases to 80 percent below 1990 levels by 2050 and to achieve certain zero-emission vehicle targets, which are being planned for by the ARB in its 2013 AB 32 Scoping Plan update.¹⁴ The results of this scenario will help ensure that planning for 2024 is consistent with where the state will need to be in 2034.

A scenario is needed that seeks to meet the ARB’s intended 2030 carbon goal as cost-effectively as possible, by taking a holistic view of meeting carbon and reliability goals at the least total cost. Both of the high-renewables scenarios in the draft 2014 LTPP Planning Assumptions are high-DG scenarios, despite the lack of any state law or executive order mandating this approach. (While the Governor has informally set forth a DG target, the Commission should explore the direct and indirect cost implications of such a target.) Further, neither the 40% RPS Scenario nor the Expanded Preferred Resources Scenario are explicitly

¹⁴ Executive Orders S-3-05 and B-16-2012. See <http://www.arb.ca.gov/cc/scopingplan/scopingplan.htm>.

aimed at a 2030 carbon goal, and the latter assumes that a high-DG scenario is the best way to achieve a 40% RPS goal, despite the possibility that a high-DG scenario may have significantly higher direct and indirect costs than a least-cost scenario for meeting GHG goals.

CalWEA's proposed scenario would assess a 2034 GHG goal consistent with the ARB's trajectory toward its 2050 goal based on a least-cost portfolio of resources. (Any other scenarios can be compared against this baseline.) The results should inform policymakers about whether the planning results for 2024 are consistent with where California will need to be in 2034 and beyond. As with the modified Trajectory Scenario, above, the renewables deliverability requirement and the environmental scoring component should be removed, and average transmission and distribution reliability upgrade costs added, with a Commission-adopted integration cost adder possibly added.

Further steps in developing this least-cost scenario should include the following:

- The Commission should consult with the ARB in establishing target levels of "Additional Achievable Energy Efficiency (AA-EE) and renewable energy that will be necessary to achieve a 2034 GHG target consistent with the ARB's trajectory toward 2030 and 2050 GHG-reduction goals.¹⁵ (Forty percent renewables, as included in one of the current scenarios may well prove to be too low.)
- No specific amounts of central or distributed renewables should be forced; rather, the least-cost resources should be selected based on the Calculator score.
- The model should increase the ability of RECs from within the WECC to qualify as a GHG-reduction measure (as compared with the present limitations under the RPS). (This is consistent with the ARB's June 2010 100% RECs-based 33% RPS proposal, a key component of its Scoping Plan for achievement of 2020 GHG goals.¹⁶)
- Revise the DG reliability upgrade requirements to the RPS Calculator to reflect potentially higher penetrations of distributed renewables.

¹⁵ The RPS calculator is not presently capable of generating a least-cost GHG scenario without specifying particular levels of AA-EE, renewables or other resources, which would be ideal. Absent a model that can perform this task, it is necessary at this stage to set specific goals for efficiency, renewables, and possibly other resources such as CHP. The Commission should place a priority on modifying the RPS Calculator to have broader capabilities for the 2016 LTPP cycle in order to support holistic resource planning.

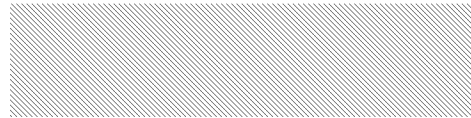
¹⁶ See "Proposed Regulation for a California Renewable Electricity Standard. Staff Report: Initial Statement of Reasons," California Air Resources Board. June 2010. (The proposal did not include any restrictions on the use of RECs from the WECC region.)

- When the LTPP model is run for 2034 (and potentially interim years between 2014 and 2034), if generic system RA capacity is shown to be needed, the model should test for the cost-effectiveness of making renewables deliverable through transmission upgrades as compared to buying more capacity (whether existing or new gas, distributed or central storage, or improved interties to improve imports – whichever is most cost-effective with the understanding that gas and storage resources can readily provide flexible capacity as well). The same test can be done if local or flexible resources are needed.

- The LTPP model will then determine the least-cost mix to meet both reliability and renewable energy goals.

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Respectfully submitted,



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