

**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.

R.13-12-010
(Filed December 19, 2013)

COMMENTS OF CALPINE CORPORATION ON PRELIMINARY SCOPING MEMO

Jeffrey P. Gray
Olivia Para
DAVIS WRIGHT TREMAINE LLP
505 Montgomery Street, Suite 800
San Francisco, CA 94111-6533
Tel. (415) 276-6500
Fax. (415) 276-6599
Email: jeffgray@dwt.com
Email: oliviapara@dwt.com

February 3, 2014

Attorneys for Calpine Corporation

**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.

R.13-12-010
(Filed December 19, 2013)

COMMENTS OF CALPINE CORPORATION ON PRELIMINARY SCOPING MEMO

Pursuant to the December 30, 2013 California Public Utilities Commission (“Commission”) *Order Instituting Rulemaking to Integrate and Refine Procurement Policies and Consider Long-Term Procurement Plans* (“2014 LTPP OIR”), Calpine Corporation (“Calpine”) submits these comments on the Preliminary Scoping Memo.

I. INTRODUCTION

The Preliminary Scoping Memo identifies several issues related to procurement policies and practices that Calpine believes must be addressed to better ensure that reliability needs and environmental goals are fulfilled with the least cost/best fit resource options. In particular, the Preliminary Scoping Memo addresses the need to consider changes to procurement rules to encourage competitive solicitations¹ and to simplify the regulatory approval of contracts with existing facilities of greater than five years.² Calpine strongly supports consideration of these issues and believes it is imperative that the Commission correct certain flaws in existing procurement policies that arbitrarily and unnecessarily limit forward contracting opportunities for existing resources.

Furthermore, as part of the Commission’s consideration of changes to procurement rules to encourage competitive solicitations, the Commission should also address how increased renewables will be considered by the investor-owned utilities (“IOUs”) in all-source and multi-

¹ 2014 LTPP OIR, mimeo at 12.

² 2014 LTPP OIR, mimeo at 12-13.

source solicitations. In light of Assembly Bill (“AB”) 327, the Commission may require renewable procurement in excess of the 33% Renewable Portfolio Standards (“RPS”) target.³ Conceivably, this procurement could occur pursuant to the procurement authority granted in LTPP. To the extent that renewables are procured pursuant to the procurement authority granted in LTPP, it may be necessary to clarify the rules for such procurement.

II. CHANGES TO PROCUREMENT RULES THAT WILL ENCOURAGE MORE ROBUST COMPETITIVE SOLICITATIONS ARE NEEDED

As suggested in the Preliminary Scoping Memo,⁴ Calpine supports the consideration of rules to encourage more robust competitive solicitations. Calpine has repeatedly advocated for revisions to existing procurement policies and practices that will better ensure more robust competitive solicitations. Among needed changes, the Commission should end policies and practices that allow the IOUs to exclude existing resources from participating in long-term resource solicitations. Policies and practices that arbitrarily differentiate among specific vintages of capacity (*e.g.*, new, existing, repowered, upgraded) are discriminatory, inefficient and ultimately raise customer costs.⁵ Accordingly, Calpine believes it is critical that revisions to existing procurement rules be adopted that consider and foster direct competition among all types of resources and infrastructure investments, including: new generation, existing generation

³ AB 327 modified Public Utilities Code section 399.15(b)(3), in pertinent part, as follows:

“The commission ~~shall not~~ may require the procurement of eligible renewable energy resources in excess of the quantities specified in paragraph (2).

~~A retail seller may voluntarily increase its procurement of eligible renewable energy resources beyond the renewable portfolio standard procurement requirements.”~~

⁴ 2014 LTPP OIR, mimeo at 12.

⁵ See The Brattle Group, *Resource Adequacy in California, Options for Improving Efficiency and Effectiveness* (October 2012) at 46 (concluding that discriminatory procurement practices make it impossible “to meet resource adequacy objectives using the lowest-cost mix of supply resources.”) A copy of the report is attached to Calpine’s Comments on Track 3 Procurement Rules, R.12-03-014 (November 2, 2012).

(including upgrades to add flexibility, increase capacity and/or extend the useful life of the resource), transmission; demand response, energy storage, and distributed generation. The goal of procurement should be to satisfy reliability needs with least cost/best fit resources and the most effective way to accomplish this goal is to not limit the universe of options to meet these needs.

III. THE COMMISSION SHOULD CONSIDER CHANGES TO THE REGULATORY APPROVAL PROCESS FOR LONG-TERM PROCUREMENT CONTRACTS WITH EXISTING RESOURCES

As noted in the Preliminary Scoping Memo, current procurement rules require the IOUs to file an application for approval of long-term contracts with existing resources.⁶ Existing resources, however, may not require the consideration of certain, often complicated, issues associated with the development of new resources (e.g., construction delays, cost overruns). Accordingly, Calpine supports the Commission's consideration of changes that would result in a more efficient and streamlined regulatory approval process for long-term contracts with existing resources.

IV. ISSUES RELATED TO THE PROCUREMENT OF ADDITIONAL RENEWABLES

Although the IOUs 2013 RPS procurement plans indicate that they have procured most of the renewable energy necessary to meet their respective RPS procurement requirements under the 33% RPS regime,⁷ AB 327 gives the Commission the authority to require the IOUs to procure renewable resources in excess of the 33% target.⁸ If the IOUs are directed to procure

⁶2014 LTPP OIR, mimeo at 12-13.

⁷ PG&E's 2013 Renewable Energy Procurement Plan (Public Version), Appendix 1A: Quantitative Information, at 1 (December 4, 2013); SCE's 2013 RPS Procurement Plan (Public Version), Appendix C.3. Quantitative Information – SCE's Renewable Procurement Need, at 1 (December 4, 2013); and SDG&E Draft 2013 RPS Procurement Plan (Public Version), Appendix 2. Quantitative Information, at 5 (December 4, 2013).

⁸ The Commission recently issued a new scoping memo in the RPS proceeding (R.11-05-005) to expand the scope of the proceeding to include consideration of AB 327.

additional renewable resources beyond the 33% as part of their LTPP procurement authority, the Commission must consider how such renewable resources will be evaluated in solicitations that may not be limited to renewables, including the treatment of integration costs for renewables, the manner in which the loading order would be applied in all- or multi-source solicitations, and the methodology for determining capacity and energy values of renewables. Ensuring costs and benefits are appropriately captured is critical to ensuring least cost/best fit procurement.

V. CONCLUSION

Calpine appreciates the opportunity to provide these comments on the Preliminary Scoping Memo and looks forward to working with the Commission and other parties to improve the long-term procurement process.

By: /s/

Jeffrey P. Gray

Olivia Para

DAVIS WRIGHT TREMAINE LLP

505 Montgomery Street, Suite 800

San Francisco, CA 94111-6533

Tel. (415) 276-6500

Fax. (415) 276-6599

Email: jeffgray@dwt.com

Email: oliviapara@dwt.com

Dated: February 3, 2014

Attorneys for Calpine Corporation