

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 UTILITY REFORM NETWORK
CONCERNING EXTENSION OF THE
RENEWABLE AUCTION MECHANISM PROGRAM



Marcel Hawiger, Staff Attorney
Matthew Freedman, Staff Attorney

**THE UTILITY REFORM
NETWORK**

785 Market Street, Suite 1400
San Francisco, CA 94103
Phone: (415) 929-8876 ex. 311
Fax: (415) 929-1132
Email: marcel@turn.org

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**COMMENTS OF THE UTILITY REFORM NETWORK
CONCERNING EXTENSION OF THE RENEWABLE AUCTION
MECHANISM PROGRAM**

Pursuant to the December 31, 2013 Ruling of ALJ DeAngelis, The Utility Reform Network (TURN) submits these reply comments concerning the future of the Renewable Auction Mechanism (“RAM”). TURN previously submitted opening comments on January 30, 2014.¹

1. Responses to Comments of the Investor Owned Utilities (IOUs)

1.1. There Are Valid Reasons to Continue the RAM (Question 1)

The IOUs oppose continuation of a separate RAM based on the notion that there is no longer a need to have a separate program for expedited procurement of under 20-megawatt projects to hedge against failure of large-scale utility projects.² Both utilities urge the Commission to grant them procurement flexibility through the renewable portfolio standard mechanism. SCE does suggest that the Commission should approve a pro forma PPA as an option in the RPS auction, based on the existing RPS contract.

TURN appreciates the utilities’ concern that a stand-alone program with restrictions on size, online dates and other terms may increase procurement

¹ TURN received service from eight parties; however, since the comments were not posted on the CPUC website as of February 13, 2014, TURN cannot be certain whether we have evaluated all comments.

² SCE, p. 5; PG&E, p. 1-2.

costs. However, as pointed out by TURN and several other parties, there are specific legislative mandates in SB 43 and AB 327 for distributed generation and smaller-scale projects that can be effectively met by the RAM program. The RAM contract and project selection process provide a useful and successful avenue for project development to meet these legislative goals in a cost effective manner. Aggregate executed RAM contract prices have been in the range of \$80-90 per megawatt-hour.³ Such prices are competitive, especially when compared to other procurement programs such as the utility Solar Photovoltaic Programs, the ReMAT feed in tariff or the net energy metering program.⁴

Moreover, the RAM has proven to be a streamlined and timely mechanism for selecting and contracting with small-to-medium scale resources without the long delays typically observed in general RPS solicitations. The shorter timelines associated with RAM procurement (including Commission approval) allow new resources to be developed within 2-3 years after the commencement of solicitation. This feature offers ratepayer benefits particularly in situations where external factors (e.g. federal tax credit expirations) require shorter timelines in order to ensure project viability.

³ ALJ Ruling, 12/31/2013, Attachment A, p. 6.

⁴ The proposed starting price of the ReMat is approximately \$126/MWh. Presently, the average “price” under NEM for exports onto the grid from residential rooftop solar systems is about \$250/MWh. CPUC, California Net Energy Metering Ratepayer Impacts Evaluation, October 2013, p. 52, Table 15. This figure is for the “exports” only scenario.

1.2. Project Evaluation Criteria Are Appropriate, Though TURN Supports Including Congestion Costs in the Evaluation (Question 2)

The IOUs all allege that the RAM selection process is inferior to the RPS evaluation. SCE explains this in greatest detail, and goes so far as to claim that the “RAM auction currently requires selection of winning offers based solely on the offer price (adjusted for transmission and resource adequacy).”⁵ SCE’s choice of language is highly misleading. As SCE itself explains later, the RAM selection process does not include four of the seven components of the RPS least-cost/best-fit (LCBF) evaluation methodology.⁶ The “adjustment” for transmission cost and resource adequacy (i.e. capacity) includes the two most important quantitative factors used in LCBF, thus minimizing any alleged differences in the evaluation methods. It is unlikely that the other criteria would impact the selection ranking of projects using similar generation technologies.

The four “missing” criteria are integration cost, energy benefit, debt equivalence and congestion cost. Since the Commission has not authorized a positive adder for integration costs, this criterion is not really a difference between RPS and RAM.⁷ The main quantitative evaluation factor not included in the RAM evaluation is the “energy benefit,” which represents the avoided energy value (based on forecast market prices of energy) of energy deliveries from the project. However, inclusion of energy benefits would be unlikely to

⁵ SCE, p. 10.

⁶ SCE, p. 21.

⁷ SCE, p. 21, fn. 12.

change the selection ranking among projects of the same technology, which would have similar generation profiles. So, for example, inclusion of energy benefits would not affect selection among competing solar projects.

Aside from debt equivalence, the only other factor is congestion costs. Whether congestion costs significantly impact project ranking may depend on the project location. More importantly, congestion costs should favor the selection of projects that do not require energy delivery through constrained transmission corridors. Thus, including congestion costs in the RAM evaluation process should favor projects that are optimally located near the load center. Including congestion costs in the evaluation process should not require any additional information from the developer or delay the evaluation process. Indeed, SDG&E states that “accounting for congestion costs would not compromise the streamlined bid submission and valuation process provided by RAM.”⁸ TURN thus agrees with SDG&E that the RAM selection process should be modified to include congestion costs. Such a selection criterion advances the stated goal to have smaller distributed generation projects utilize existing infrastructure by locating closer to load.

2. Response to Joint Solar Parties – The Program Size Should not be Prescribed

The Joint Solar Parties explain why the legislative mandates for distributed community solar pursuant to SB 43 support maintaining a separate

⁸ SDG&E, p. 13.
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RAM. TURN largely agrees with these comments. However, the Joint Solar Parties recommend that RAM mandate procurement of 1000 MW over a three-year period.⁹ TURN suggests that such a mandated capacity target is incompatible with optimizing renewable power procurement to meet potential renewable energy needs identified over the course of the next three years.

In its opening comments, TURN explained that the Commission should expeditiously authorize another RAM solicitation for 2014 in order to promote solar projects that can take advantage of the 30% federal investment tax credits, which significantly reduce project prices and which may expire by the end of 2016. However, in the long run, the Commission should allow the IOUs to use RAM to meet their annual renewable procurement goals, based on a comprehensive analysis of the needs for RPS compliance and community solar enrollment. The Commission should authorize procurement targets annually through the renewable procurement plans, but not mandate in advance any specific megawatt target for the RAM.

3. Response to Joint Conservation Parties - Geographic Procurement Targets and Local Capacity Needs

NRDC recommends that more specific geographic procurement targets be developed based on local capacity needs.¹⁰ NRDC further recommends that:

[T]he Commission develop clear criteria for project location and generation profiles. Only projects that defer or eliminate the need for future transmission investments,

⁹ Joint Solar Parties, p. 7.

¹⁰ NRDC, p. 7.

provide system and integration benefits and can be sited without land use conflicts.¹¹

The Joint Conservation Parties focus even more on this issue of land use conflicts, and recommend that the Commission adopt a viability criteria to evaluate projects based on location in environmentally sensitive areas.¹²

TURN has not closely analyzed the issue of environmental land use impacts; however, we certainly agree that if useful criteria can be developed to guide project location to areas with minimal environmental impacts and fewer potential siting conflicts, such criteria should be developed and incorporated into project screening or evaluation.

TURN likewise supports targeted deployment of distributed generation. However, the Commission should not limit eligibility up-front. The utilities can use existing procurement authority to maximize such benefits. For example, the utilities could target RFOs to specific local reliability areas in order to meet specific local capacity requirements.

Projects located close to load can provide economic benefits of avoided transmission upgrades; however, such projects are likely to have higher contract prices due to increased land and siting costs and potentially higher distribution upgrade costs. Such tradeoffs are better addressed through the procurement and contract evaluation processes. As discussed above, the Commission should allow the IOUs to incorporate congestion costs into their evaluation process. The

¹¹ NRDC, p. 11-12.

¹² Joint Conservation Parties, p. 9-11.

Commission should continue to direct the utilities, within the RPS procurement rulemakings, to refine the circuit capacity maps and transmission cost adders for purposes of locating and evaluating projects.

The issue of locational targeting is an important topic of concern in a variety of proceedings addressing avoided cost calculation and project selection. Additional information on the efficacy of targeting preferred resources for local area capacity needs will hopefully be obtained through SCE's ongoing Preferred Resources Pilot program. TURN recommends that the Commission continue coordinating among the various proceedings to ensure that evaluation criteria, eligibility rules, and utility public data disclosure all promote the goal of optimal siting of distributed generation.

4. Product Set-Asides

The IOUs argues against product set-asides as counter to selecting the most cost-competitive projects.¹³ The Joint Solar Parties likewise argue against product set-asides and advocate for relying on TOD and capacity values to provide best value to consumers.

In principle TURN does not favor unnecessary conditions or restrictions that may increase procurement costs, and TURN does not recommend that the Commission at this time adopt any quantitative targets based on product type. TURN recommends that, as part of the annual renewable procurement plan, the

¹³ SCE, p. 8.
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utilities should evaluate their need for different product types based on consideration of energy and capacity (both for reliability and flexibility) needs, and the Commission could adopt targets if warranted for each annual RAM solicitation.

TURN appreciates that different solicitations may be necessary for very different products, but different renewable technologies offer capacity, energy as well as storage services. The utilities should attempt to coordinate the different needs as much as possible to optimize renewable project selection, even if that means adopting product targets within a particular RAM solicitation.

For example, SDG&E succinctly explains that the changing net load profile and need for LCR will dramatically change utility procurement needs.¹⁴ SDG&E notes that most RAM projects have been solar peaking projects, and that “the requirement to procure a peaking product that will not be available at the time of incremental resource need makes little sense from a policy and ratepayer protection perspective.”¹⁵ SDG&E also notes that “as a practical matter, very few projects bid into SDG&E’s RAM solicitations are located in SDG&E’s service territory due to the expense of building in San Diego County.”¹⁶

SDG&E’s solution is to eliminate RAM and procure through the existing RPS and conventional procurement processes. However, there is no basis on

¹⁴ SDG&E, p. 6.

¹⁵ SDG&E, p. 6.

¹⁶ *Id.*

which to conclude that utility-scale procurement through the RPS is necessarily better than RAM solicitations at promoting projects that can address flexible ramping needs or local capacity needs.

TURN suggests that, instead, the Commission continue RAM, with additional RPS utility-scale RFOs only as needed. However, TURN agrees that renewable projects should be evaluated on their ability to meet future locational and flexible capacity needs. Capacity needs can be addressed by favoring procurement of resources that provide greater dispatchability, either because they are baseload renewable resources or because they utilize some type of associated storage. Such needs can be addressed by up-front specifications prior to solicitations. TURN suggests that if such specifications require changes to the RAM streamlined process, those changes be proposed in annual procurement plans.

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Respectfully submitted,

_____/S/_____
Marcel Hawiger
Matthew Freedman
Attorneys for
The Utility Reform Network
785 Market Street, Suite 1400
San Francisco, CA 94103
Phone: 415-929-8876 x311
marcel@turn.org

VERIFICATION

I, Marcel Hawiger, am an attorney of record for THE UTILITY REFORM NETWORK in this proceeding and am authorized to make this verification on the organization's behalf. The statements in the foregoing document are true of my own knowledge, except for those matters which are stated on information and belief, and as to those matters, I believe them to be true.

I am making this verification on TURN's behalf because, as an attorney in the proceeding, I have unique personal knowledge of certain facts stated in the foregoing document.

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

Executed on February 14, 2014, at San Francisco, California.

_____/s/_____

Marcel Hawiger
Staff Attorney