Informal Comments of Southern California Edison Company, Pacific Gas & Electric Company and San Diego Gas & Electric Company (the Joint IOUs) on the Bioenergy Market Adjusting Tariff (BioMAT) Program Review and Staff Proposal

December 7, 2018

I. INTRODUCTION/OVERVIEW

Southern California Edison Company, Pacific Gas & Electric Company, and San Diego Gas & Electric Company (the Joint IOUs) appreciate the opportunity to comment on the BioMAT Program Review and Staff Proposal that the Commission issued on October 30, 2018. The Commission raises some very important issues that, if not addressed, could harm IOU customers due to BioMAT costs that are much higher than procurement costs of solar or wind resources, and the lack of depth in the small-scale biomass market. The Joint IOUs recommend that the Commission hold a series of workshops to address these issues, with the goal of modifying the BioMAT program design to move to a more competitive solicitation process, while adhering to statutory program requirements and applicable law.

II. PRICING MECHANISM – THE FOLLOWING QUESTIONS PERTAIN TO QUESTIONS #1-7

A. Pricing Mechanism Executive Summary

The Joint IOUs appreciate the various Staff Proposals to fix the current BioMAT pricing mechanism. Current program rules have failed to generate competition, have allowed prices to climb without a realistic chance for price reductions despite the trickle of power purchase agreement (PPA) executions in the program, and have resulted in administrative inefficiencies.

Of the Staff Proposals presented, the Joint IOUs' first preference is a transition to a competitive solicitation (RAM) process. If a RAM process is not adopted, the Joint IOUs support a combination of the proposed pricing mechanisms outlined below. Finally, the Joint IOUs oppose a fixed-price Feed-in-Tariff for reasons explained below.

B. RAM RFO (Question #4)

The Joint IOUs primarily support the transition from the current price adjusting mechanism to a RAM process. If designed properly, the Joint IOUs believe that a RAM process will be a better mechanism to promote competition and lead to administrative efficiencies.

1. Competition

The Joint IOUs support a RAM process as it provides a mechanism for a blind auction competitive solicitation, which should help achieve competitive market pricing in the program. The RAM process would (a) enable facilities to offer a lower price as efficiencies in the projects are realized, (b) require the IOUs to quantitatively evaluate offers based on the Commission-approved Least Cost Best Fit (LCBF) methodology, and (c) allow for competition for the capacity offered in each solicitation.

The current pricing mechanism fails to provide IOU customers an opportunity to realize future benefits derived from BioMAT facilities as they begin to realize efficiencies in their projects as the program continues to develop. Facilities competing via a blind auction will provide an improved opportunity for the program to realize better market pricing, as opposed to the current

situation where they are currently price takers in a program where prices are "stuck" at high levels without a realistic chance of price decreases.

The Joint IOUs propose that offers be evaluated using the Commission-approved LCBF methodology. Using LCBF would allow the IOUs to quantitatively value offers based on the location and value of the energy to our individual portfolios in comparison to cost. LCBF would also create an incentive for participants to be competitive to improve their chance of attaining a contract. For example, two projects offering the same price could have different LCBF values based on their location and delivery profiles, giving one project an advantage over the other. Using LCBF would, therefore, provide a mechanism for projects to offer their best price along with other attributes such as location and delivery profile, resulting in benefits to the customers that will ultimately pay for their energy output.

Consistent with statutory requirements, there should be specific capacity targets for each BioMAT fuel resource category within each RAM solicitation. The Joint IOUs believe that the capacity target should be low enough to encourage competition, but not so low that it prevents active participation in the solicitations.

2. Administrative Efficiencies

The Joint IOUs support a RAM process as a means of attaining administrative efficiencies within the BioMAT program.

Currently, the IOUs conduct a deep dive review of all applications as they come in. This has led to a continual application review process, necessitating concurrent review of applications in different stages. This causes inefficiencies, and the IOUs can project scenarios where the process would become even more inefficient if activity in the program increases.

Alternatively, in a RAM process, the IOUs would only conduct a 'deep dive' review for those projects that are deemed winners in each solicitation and only during pre-defined time frames each year. This would allow for simultaneous review of applications and the ability to progress them through to each stage of review at the same time. This would provide more certainty in the planning process for IOU resource allocation during each solicitation cycle.

The RAM process would not change much with respect to how BioMAT program participants submit applications, as the Joint IOUs propose continued use of the Accion platform to submit offers. The primary difference in the RAM process would be participants offering in a price rather than being price takers based on a tariffed price adjusting mechanism.

3. Program Design

The Joint IOUs' RAM proposal is predicated on sound program design regarding the number of solicitations per year, the capacity offered in each fuel resource category per solicitation, the continued use of the Accion platform for accepting offers in each solicitation, and mechanisms to mitigate manipulation of the blind auction process.

The number of solicitations to be held each year should be balanced with the number of MWs offered in each fuel resource category per solicitation. For example, if there was only one

solicitation per year, a greater number of MWs should be offered in that solicitation. If there were multiple solicitations held per year, the number of MWs offered in each solicitation should be lower.

Incentivizing competition would be a major RAM design component and mechanisms would need to be crafted to mitigate against uncompetitive solicitations. For example, there should be a minimum number of offers (market depth), a price cap mechanism like the one used in the Enhanced Community Renewables program, and the ability for the IOU to stop a solicitation if there is evidence of collusion or other market manipulation.

As of this writing, the IOUs are generally comfortable with running multiple solicitations per year and propose that details be discussed in the upcoming workshops so that all industry participants may have input into these design features.

C. Pricing Adjustment Mechanism (Question #1, Question #2, and Question #6)

If a RAM process is not adopted, the Joint IOUs support the price adjustment mechanism described in the CPUC's Staff Proposal #2 combined with the singular price movement described in Question #6.

The current BioMAT program pricing mechanism is based on a combination of the previous program period's subscription level and market depth. The current BioMAT market depth requirement was a concept built in the Renewable Market Adjusting Tariff (ReMAT) and later adopted in BioMAT to prevent "gaming" and to mitigate "an incentive for generators to purposefully withhold executing a contract in order to force a price increase."[1] Market depth in BioMAT is defined as three unaffiliated applicants for the first price acceptance in a category, and then five unaffiliated applicants after such first price acceptance. This setup has accelerated price increases and limited the opportunity for price reductions.

Given the low level of participation and program ownership diversity, there is now a "lock-in" effect for current prices given (a) the current market depth requirement of five and (b) the current program period subscription level rules.

The Staff Proposal #2's price adjustment mechanism presents a better opportunity to fix this problem by removing the market depth requirement for price decreases. In addition, Staff Proposal #2's determination of price adjustments based solely on project price acceptances rather than acceptances as a proportion of MWs made available during an auction will also provide better transparency into price adjustments for each program period.

The reduction of market depth from five to three unaffiliated applicants, however, will not improve the pricing adjustment mechanism and may increase opportunities for gaming. Therefore, the Joint IOUs do not support the reduction in market depth from five to three unaffiliated applications for price increases.

[1] D.12-05-035, p. 45.

Finally, changing the current system of $4, $8, and $12 to fixed incremental price adjustments of $4/MWh (suggested in Question #6) should be implemented if Staff Proposal #2 is adopted. This change, along with the combination of changes the IOUs support above, should aid and encourage transparency and provide better opportunities to control program pricing.

D. Should the Commission transition to a fixed price Feed-in-Tariff instead of the price adjusting mechanism? Why or why not? *(Question #3)*

The Joint IOUs oppose setting fixed prices for each fuel resource Category under the BioMAT program as it would eliminate any semblance of price competition, to the detriment of IOU customers, and further result in uncertainties in determining the market price.

If the Commission were to switch to a fixed price, it is unclear how these prices would be determined, what criteria would be used to periodically evaluate price adjustments, and how often the price would be evaluated and adjusted. A fixed price would likely rely on an administratively-determined calculation and would likely not establish a market-based price that adjusts for competitive pressures. This fixed-price method would weaken the ability for competition to control contract costs and would fail to ensure the maximum value to IOU customers.

As detailed above, the Joint IOUs favor a RAM approach for this program as it will increase competition and, as a result, more accurately determine a market price.

E. Should the Commission consider changes to the BioMAT definition of "unaffiliated applicants?" *(Question #5)*

The Joint IOUs believe the concept of "unaffiliated applicants" should be reexamined in the upcoming workshops. The BioMAT tariff currently defines the affiliation between projects based on "if an Application or its Affiliates have ownership interest in a Project."[2] The rule was intended to ensure that no single person or entity can exercise market power and drive up prices. Currently, however, several BioMAT projects share common developers and/or family members that are not counted as "affiliated." How the definition can be changed to mitigate gaming should be discussed at upcoming workshops.

F. 'Are there any other program *pricing* proposals that the Commission should consider? If so, explain the proposal and how it would be consistent with Public Utilities Code section 399.20. *(Question #7)*

As stated above, the IOUs strongly prefer a RAM process as it is the best mechanism for achieving market prices. If a RAM is not adopted, the Joint IOUs would support a revised pricing adjustment mechanism. There are no other program pricing proposals that the IOUs believe the Commission should consider at this time.

[2] BioMAT Tariff, Section 8.4.a.

G. In summary

The Joint IOUs preference is to implement a RAM auction to incentivize competition in the BioMAT program.

If a RAM auction is not adopted, the Joint IOUs support the following guidelines for price adjustments under the revised program:

- Price decreases if (a) there are two price acceptances at a given offer price, whether in the same or different program period, and (b) no market depth requirement.
- Price increases if (a) there are no price acceptances for two consecutive program periods and (b) there is market depth of five or more unaffiliated applicants in the Fuel Resource Category queue.
- Price remains the same if neither of the two conditions above are met. For clarity, if there are no price acceptances for two consecutive program periods and there are less than five unaffiliated applicants in the category queue, the price would remain the same.
- Price changes in increments/decrements of $4/MWh as opposed to the current structure of $4, $8, $12 per MWh.

The Joint IOUs are opposed to a fixed price Feed-in-Tariff for reasons described above.

III. PROGRAM ADMINISTRATION – THE FOLLOWING QUESTIONS PERTAIN TO STAFF PROPOSALS 3-6

8. Do you support proposal 3 to adopt BioMAT queue management procedures for the BioMAT program? Why or why not?

The Joint IOUs support Staff Proposal #3 to apply the modifications that were approved for SCE's BioMAT queue management procedures to PG&E and SDG&E. These modifications will provide for consistent queue management procedures across all three IOUs.

9. Do you support the proposal to set a 30-day deadline to execute contracts after the program participant accepts the offered price and provides all necessary information to the IOU? Why or why not?

The Joint IOUs support the proposal to set a 30-day deadline to execute contracts after the program participant accepts the offered price and provides all necessary information to the IOU. The Joint IOUs stress that they only support the 30-day deadline if that timeframe begins once all submitted information has been evaluated and any cures required of the program participant have been completed.

The Joint IOUs have experienced instances in which program participants did not provide necessary information or cure outstanding items to move the contracts to execution in a timely manner. These cures include application items that have been updated since application submittal, for example project milestones, updated contacts listed in the PPA coversheet, or any other items that may have changed since application submittal. Therefore, if this proposal is

adopted, it should clarify that the 30-day clock does not begin until all necessary information is provided by the program participant and all outstanding items have been cured by the program participant.

In addition, the Joint IOUs propose that all information to be cured by a program participant must be provided within five business days of being notified by the IOU about deficiencies. This will resolve any deficiencies just mentioned and put some of the burden on program participants to be timely in the information the IOUs have requested to finalize the PPA.

The Joint IOUs' proposed curing requirements, in conjunction with the proposed Queue Changes addressed in Question #8, would provide a more streamlined process from application to execution.

10. Do you support the proposal to extend the current program end date for an additional five years, from February 2021 to February 2026? Why or why not?

The Joint IOUs do not oppose the proposal to extend the current program end date from February 2021 to February 2026 provided that the cost allocation contemplated in Staff Proposal #10 (and discussed below in Question #16) is implemented.

11. Do you support the proposal to extend a project's Guaranteed Commercial Operation Date by 12 months if it fails to interconnect by the PPA's Guaranteed Commercial Operation Date due to delays beyond the Seller's reasonable control? Why or why not?

The Joint IOUs understand interconnection risk is one factor program participants must consider when entering the BioMAT program. Therefore, to alleviate this risk, the Joint IOUs support the general approach to extend the project's Guaranteed Commercial Operation Date (GCOD) and propose that the GCOD timeline and concepts from the current RAM PPA be implemented into the BioMAT PPA. Under this approach, the GCOD would be 36 months from the Contract Execution Date with the potential for a 6-month extension due to (1) permitting delays, (2) transmission delays, and (3) delays due to force majeure. Any Seller request to extend past the project's GCOD must be made in a timely manner to the Buyer once a Seller is aware of a delay beyond their reasonable control.

IV. PROGRAM ELIGIBILITY – THE FOLLOWING QUESTIONS PERTAIN TO STAFF PROPOSALS 7-9, AS WELL AS OTHER QUESTIONS SPECIFIC TO PROGRAM ELIGIBILITY AND EXPANDING PROGRAM PARTICIPATION

12. Do you support the proposal to remove the three MW cap on payments via BioMAT PPAs for facilities larger than three MW? Why or why not?

The proposal to remove the three-MW cap on payments and deliveries for facilities larger than three MW would require a statutory change as described in Question #12.a below and should only be considered if the IOUs can count the full capacity of a project towards their respective MW allocation.

If the delivery and payment cap were to be removed from statute, there would also need to be a related downward adjustment to the price these facilities are paid under the contract to allow customers to benefit from the economies of scale afforded to these facilities because they will be receiving more revenue for the cost of building the facility. The RAM solicitation process described above should help facilitate this benefit for customers.

12a. Do you believe that the Commission can implement this change under existing statutory authority, or would legislation be required to enable BioMAT PPAs for capacities greater than three MW?

The Commission cannot remove the statutory three-MW cap on deliveries of, and payments to, BioMAT facilities via the BioMAT PPAs. The Commission has the "authority to implement, interpret, make specific or otherwise carry out the provision of the statute," but no adopted regulation can be valid or effective unless it is "consistent and not in conflict with the statute."[3] So, this change would require legislation to change the BioMAT provisions of the Public Utility Code (PUC).

Generally, electric generation facilities eligible for BioMAT must have an effective capacity of no more than three MW.[4] Assembly Bill (AB) 1923 permitted certain larger generation facilities to participate in BioMAT, but limited deliveries to the grid, and hence payments made to these larger facilities, to no more than three MW of their total capacity.[5] Therefore, new legislation would be required if the Commission seeks to remove this three MW cap.

13. Do you support the proposal to allow incremental generation from existing units to be eligible for the BioMAT program? Why or why not?

The Joint IOUs oppose the proposal to allow for incremental generation from existing units into the BioMAT program. This opposition is based on two principal factors:

1) Interconnection/Operational complexity. Upon the implementation of PUC 399.20, enacted at first by AB 1969 and later through SB 1122, one of the five underlying policy guidelines adopted was to "ensure administrative ease...for the buyer, seller, and regulator.[6] Allowing incremental generation from existing units to be eligible for BioMAT adds unnecessary complexity to a program that is supposed to be easy to administer.

   If multiple contracts exist (*i.e.* one for the existing facility, another for the incremental generation), the project would have to be interconnected and metered separately.

   The incremental generation would likely be dependent on the existing facility's operational capabilities and at the mercy of the existing facility's curtailment or outage schedule. However, if the incremental generation were to be exclusive from the existing facility, it would require at the least separate interconnection facilities to schedule in the

[3] Cal Gov't Code § 11342.2.
[4] PUC § 399.20(b)(1).
[5] PUC § 399.20(f)(2)(F).
[6] D.12-05-035, p. 19.

CAISO markets. It would also require a separate meter so that the performance of the existing facility and the incremental generation could be settled properly.

The current BioMAT PPA pro forma does not contemplate incremental generation and the issues described above would require significant modifications to properly protect IOU customers.

2) The current pricing mechanism. If incremental generation from existing units were to be eligible within the current pricing mechanism, it could result in a windfall for developers executing PPAs with pricing contemplated for new facilities. IOU customers would be exposed to overpaying for an existing resource at pricing established to help mitigate development costs for new facilities.

The Joint IOUs also question whether the eligibility of incremental generation from existing units would violate the 'No Daisy Chaining' rule, which was considered and implemented via ReMAT Decision (D.) 12-05-035.[7] Under this scenario, it could be possible for large BioMAT-eligible facilities to break up into multiple incremental projects in order to participate in a higher priced program, resulting in a windfall for developers to the detriment of IOU customers.

14. Do you support the proposal to temporarily set an 80% HHZ fuel requirement for Category 3? Why or why not?

The Joint IOUs support the proposal to temporarily set an 80% HHZ fuel requirement for Category 3. Currently, there is a HHZ fuel requirement for Category 3 projects that attest to using 60% HHZ fuel as a condition to accept a price higher than the temporary price cap at $197.72/MWh.[8] Setting a requirement for all Category 3 projects would better align the BioMAT program with the state's priority to mitigate wildfire risk and would better justify the already high price of BioMAT Category 3 contracts. The Governor's Emergency Proclamation on Tree Mortality in 2015 ordered the CPUC to support "forest bioenergy facilities that receive feedstock from high hazard zones" through the BioMAT program.[9] Setting an HHZ fuel requirement will further support the BioMAT program's role in meeting the Emergency Proclamation's intention to reduce wildfire risk.

[7] D.12-05-035, pp. 66-67.
[8] A letter sent by Ed Randolph letter to IOUs on November 27, 2017 implementing a HHZ fuel requirement.
[9] The Governor's Emergency Proclamation may be found at www.gov.ca.gov/docs/10.30.15_Tree_Mortality_State_of_Emergency.pdf.

15. Should the Commission also consider a geographic component to the requirement that facilities be "strategically located" to better ensure that BioMAT projects are optimized to meet the state's wildfire and greenhouse gas reduction goals (e.g. require Category 3 projects to be located in areas of the state most in need of hazardous fuels treatment, with the highest levels of tree mortality, or located in areas of state that do not already have other nearby facilities that could utilize the wood)? Please explain.

Yes, the Commission should consider a geographic component to the requirement that facilities be "strategically located." One of the intentions of Category 3 of the BioMAT program was to site small projects near the fuel source to avoid long haul drives to existing biomass projects and excessive greenhouse gas (GHG) emissions linked to the truck fuel. Currently the "strategically located" requirement is implemented by setting a cap on refunds for a project's network upgrades. Often, however, projects already have a cap on refunds for a project's network upgrades administered through the specific interconnection process, rendering the BioMAT program refund cap meaningless given a refund cap would already apply. Further, the cap on costs does not necessarily correlate to the actual location of a project.

Exactly how the definition of "strategically located" could be changed to reflect the intent of the requirement should be discussed at upcoming workshops.

V. OTHER – THE FOLLOWING QUESTIONS PERTAIN TO STAFF PROPOSAL 10, AS WELL AS OTHER GENERAL QUESTIONS ABOUT BIOMAT

16. Do you support the proposal to allocate BioMAT procurement costs through a non-bypassable charge to all California ratepayers? Justify your response with statutory or other legal reasoning. a. If yes, how should BioMAT procurement costs be allocated? Provide explanation and justification for your proposal.

The Joint IOUs support the proposal to allocate all BioMAT procurement costs through a non-bypassable charge to all retail customers who benefit from the public purposes of BioMAT. The purpose of the BioMAT program, among other things, is to capture methane emissions, to reduce waste from agricultural and sustainable forestry activities, and to address wildfire threats and tree mortality, all of which are intended to benefit *all* California customers, not just IOU bundled service customers. However, the individual IOUs - not the broader category of load serving entities - were allocated BioMAT capacity procurement targets to achieve this goal. As discussed above, these net costs and benefits should be spread to all retail customers who receive these benefits, and such allocation can be accomplished through a mechanism for allocating net costs and benefits using the Public Purpose Program (PPP) charge.

17. As noted in Staff's observations on pages 11-12, BioMAT is connected to the policy efforts of other State and Federal agencies. How could the Commission coordinate more closely with other agencies to streamline bioenergy development, increase consistency across related programs, and reduce costs for market participants and ratepayers?

a. What actions should the Commission take to better coordinate/maximize funding from federal agencies to support BioMAT program goals?

The Joint IOUs propose that workshops, joint calls, and/or other applicable stakeholder engagement be implemented to improve the IOUs' understanding of coordination activities currently being undertaken by the Commission. Such actions would facilitate better coordination among the parties to streamline bioenergy development, increase consistency across related programs, and reduce costs for market participants and customers.

18. Achieving pollution and GHG reductions was an original goal of BioMAT. However, whether or not individual projects reduce net lifecycle emissions depends on project-specific factors. Do you think that the Commission should establish a requirement that facilities reduce emissions as a condition for BioMAT eligibility? In your response, please explain how such a program requirement would complement or not complement the work of other state or local agencies that regulate or provide grants to BioMAT-eligible facilities.

a. Would you support a proposal requiring that in order to be eligible for BioMAT, a project must demonstrate that it will result in net GHG emissions reductions based on the GHG quantification methodologies and accompanying calculator tools developed by CARB that are discussed on pages 12-13, or a customized calculator tool developed by the CPUC? Please explain.

The Joint IOUs believe that it is important to demonstrate lifecycle GHG emissions reductions to justify the additional costs of BioMAT procurement. In the tree mortality example, the assumption is that if the dead and dying trees are not used as fuel, they would (1) decompose or burn in a fire releasing GHGs, or (2) potentially spread disease to other healthy trees, which in turn may also increase GHG emissions or fire risks for other trees and thus potentially release incremental GHG. The California Climate Investments (CCI) quantifier may touch on factors such as those identified in the example above; however, these and other potential factors would likely need to be fully considered to ensure the appropriateness and accuracy of resulting quantification methodologies and calculators.

b. Are there other established emissions quantification tools or methodologies that the Commission should consider to establish that BioMAT projects will result in net emission reductions? Please explain.

As stated above, the Joint IOUs support a proposal requiring quantification of facilities' emissions reduction as a condition for BioMAT eligibility. The Joint IOUs propose joint efforts

to investigate emissions quantification tools or methodologies (both those referenced in the Program Review and Staff Proposal and others not currently known to IOU subject matter experts) to establish which BioMAT projects will result in net emission reductions. To this end, the Joint IOUs propose workshops and other applicable stakeholder engagement that will assist IOU understanding of emissions quantification tools or methodologies that could facilitate net emission reduction analysis and resulting benefits from BioMAT facilities.

19. Are there additional actions the Commission should take to address program barriers and expand program participation? Please explain your proposal(s) and provide rationale.

A. Category Discrepancies

In D.14-12-081, the CPUC explains that to implement BioMAT in an "efficient, fair, and transparent way, it is necessary to have clear and specific characterization of each element of the categories of bioenergy resources set out in the statute."[10] As the BioMAT Tariff is currently written, however, there are a number of grey areas between the fuel resource categories making it difficult to clearly delineate between them. In addition, key terms are not clearly defined, making it difficult to determine what category a project is eligible for.

For example, the definitions of Category 1 and Category 2 (Other Agricultural) Fuel Resource Categories cause confusion. Category 1 is limited to *biogas* projects, however there are *biomass* facilities that use Category 1 feedstock, like food processing or "organic solid wastes generated by residential, commercial, and industrial sources," and are located on agricultural premises. Based on Fuel Resource Category definitions, this type of project would not be eligible for BioMAT unless the project were to convert to a biogas facility.

Further, the definition of "agricultural premise" can only be deduced from language in the Tariff defining Category 2, which states the facility must be "located on agricultural premises and utilizes the waste, residue or by-products of growing crops, raising livestock, or growing horticultural products." The feedstock is defined; however, the definition of agricultural premise can only be inferred as locations in which the activities on the project's site include "growing crops, raising livestock, or growing horticultural products."[11] Questions are often raised regarding the definition of "agricultural premises" and how it is determined for a particular project.

B. Directed Biogas

One of the IOUs received a proposal from a project, scheduled to come online in mid-2019, to use a minimal amount of "directed biogas" for start-up, with the possibility of an additional project entering the BioMAT queue using 100% "directed biogas" as fuel.

Directed biogas is not a renewable fuel; it is fuel from a common use pipeline carrying natural gas that generally comes from out-of-state. When using directed biogas, energy sellers purchase

[10] D.14-12-081, p. 8.
[11] BioMAT Tariff, 14.3.b(2).

a certain amount of biogas somewhere (often out-of-state) and withdraw that same amount of natural gas off the local pipeline. Thus, while one could account for the biogas placed in a common use pipeline, one cannot be sure that this biogas (which is commingled with natural gas) is the fuel burned by a particular project. On the other hand, dedicated pipelines that transport an eligible category of biogas from its site to the qualifying facility for use as fuel, with no commingling of other gases, is permitted in the BioMAT program.

The Commission should determine whether "directed biogas" should be eligible under the BioMAT program. The Joint IOUs maintain that directed biogas is not consistent with BioMAT program goals. Specifically, directed biogas projects are not utilizing onsite biogas, or even California-sourced renewable fuel. More importantly, these projects are not actually burning biogas – they are burning natural gas in an amount equal to biogas that was placed in a common use pipeline. Lastly, the added complexity of verification of directed biogas fuel sources and nominations runs counter to the "keep it simple" tariff-based program concept. For these reasons, the Joint IOUs recommend that "directed biogas" remain ineligible under the BioMAT program.

C. Seller Terminations

Another topic to consider is to set clear guidelines on BioMAT program participation for a facility with a terminated BioMAT contract. Currently, there are no rules in either the Tariff or PPA prohibiting a facility from terminating a BioMAT contract and reentering the queue. This could, hypothetically, allow for facilities to terminate a PPA and reenter the queue when higher prices are available. To avoid such scenarios, the Joint IOUs recommend forbidding a facility that terminates a BioMAT PPA from reentering the BioMAT queue for a designated period of time, such as 24 months.

D. Deliverability

The Joint IOUs have a strong preference for facilities under contract to have Full Capacity Deliverability Status (FCDS), including facilities in the BioMAT program. FCDS identifies the required deliverability network upgrades to be constructed to allow a project to deliver energy to the aggregate of system load during peak system loading and other stressed conditions. There are additional customer benefits arising from projects having FCDS:

1. FCDS allows the utility to get a Resource Adequacy (Net Qualifying Capacity) value from the project and ensures that the CAISO has access to sufficient generation to ensure reliability.

2. Network upgrades associated with obtaining FCDS enhances grid reliability.

3. FCDS helps assure higher local market prices for the energy delivered by projects. Projects lacking FCDS, i.e., "energy only" projects, can create localized low or negative energy prices, which lowers the market revenues these projects provide to customers, in spite of the projects' high contract prices. Energy only projects can also drag down the market revenues of other generators that are on the same portion of the grid, lowering their value to customers.

4. Requiring FCDS provides an incentive for developers to search for good locations that require low deliverability upgrade costs, to the benefit of customers.

If the CPUC adopts a RAM type process, the Joint IOUs would include consideration of the costs of deliverability upgrades imposed on transmission customers in the valuation process, as is done in our other RFOs.

E. Updates to the PPA

As the California energy market continues to evolve, it is necessary to review how energy resources are operationalized and bid into CAISO Day Ahead and Real-Time markets. Given that, the Joint IOUs would like to initiate some changes to the current BioMAT PPA so that, as the Scheduling Coordinator, we can be more efficient in scheduling these facilities.

At a minimum, the Joint IOUs would like each facility to be required to install the CAISO Automatic Dispatch Systems (ADS) with an automated interface, similar to the requirements implemented in the RAM pro forma PPAs resulting from FERC 764, so that the resource is able to follow CAISO dispatch signals to curtail for reliability or economic reasons, along with Buyer's ability to pass through financial impacts resulting from the resource's deviations to the Seller (i.e., CAISO imbalance charges in settlement intervals when the resource fails to comply with the ADS instruction). Resources are required to follow CAISO instructions, and without ADS, it is difficult for resources to receive and follow such signals resulting in additional costs incurred by not being able to respond timely to CAISO operational and market instructions.

20. Do you anticipate any challenges transitioning from the existing BioMAT program to a program that incorporates any of the changes under consideration? Explain the challenge(s) and provide a proposal to address the challenge(s).

The Joint IOUs recommend that the Commission seek stakeholder input at workshops concerning what, if any, barriers might exist to optimizing the BioMAT program design consistent with these comments.

The current BioMAT program has clearly defined Program Periods during which most procurement activities from each period are anticipated to be accomplished. Any new program implementation could occur shortly after the end of the last Program Period under the existing program rules, allowing for a short pause to notice program changes and provide time for market participants to adjust. For example, transitioning to a program that incorporates RAM-like auction rules in the solicitation process would require the IOUs to issue announcements of tariff changes and educational opportunities for market participants (*i.e.* joint IOU bidders' conferences), to facilitate better success of the modified program.

For projects that have a BioMAT queue position at the time of transition to new program rules, it will be important for the IOUs to consider the impacts of such program changes. It would be confusing for projects to participate in, and for IOUs to administer solicitations under the previous rules for the queued projects while administering a new BioMAT program under the

new rules. These and other impacts should be carefully considered when developing additional rules to promote program success while protecting customer interests.

Respectfully submitted,

/s/ Ellen N. Adler
Ellen N. Adler

Attorney for:
SAN DIEGO GAS & ELECTRIC COMPANY
8330 Century Park Court, CP32D
San Diego, CA 92123
Telephone: (858) 654-0220
E-mail: eadler@semprautilities.com

cc: R.18-07-003