

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of San Diego Gas & Electric
Company (U902E) for Authority to
Implement Optional Pilot Program to
Increase Customer Access to Solar
Generated Electricity.

Application 12-01-008
(Filed January 17, 2012)

And Related Matters.

Application 12-02-040
Application 14-01-007

**CLEAN COALITION COMMENTS ON ADMINISTRATIVE LAW JUDGE'S RULING
SETTING STATUS CONFERENCE AND REOPENING THE RECORD**

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I. INTRODUCTION

The Clean Coalition submits the following comments on the Administrative Law Judge’s Ruling (“ALJ Ruling”) Setting Status Conference and Reopening the Record, dated December 2, 2014.

The Clean Coalition is a California-based nonprofit organization whose mission is to accelerate the transition to renewable energy and a modern grid through technical, policy, and project development expertise. The Clean Coalition drives policy innovation to remove barriers to procurement, interconnection, and realizing the full potential of integrated distributed energy resources, such as distributed generation, advanced inverters, demand response, and energy storage. The Clean Coalition also designs and implements programs for utilities and state and local governments—demonstrating that local renewables can provide at least 25% of the total electric energy consumed within the distribution grid, while maintaining or improving grid reliability through community microgrids. The Clean Coalition participates in numerous proceedings in California and before other state and Federal agencies.

Summary

- The Clean Coalition supports the use of the Renewable Auction Mechanism for procurement for the Green Tariff Shared Renewables Program.
- Evaluation of benefits for the Green Tariff Shared Renewables Program should include locational value, as this will help meet statutory goals.
- The use of the renewable integration cost adder reflects a full accounting of the costs and benefits of a project; this cost adder should only be used if the locational value of a project is also evaluated.

II. COMMENTS ON ALJ RULING

a. Utilities Should Utilize the Renewable Auction Mechanism for the Green Tariff Shared Renewables Program.

The Clean Coalition welcomes the Renewable Auction Mechanism (“RAM”) process as an effective means of procurement for the utilities’ Green Tariff Shared Renewables (“GTSR”) programs. In other proceedings, the Clean Coalition has recognized that the RAM represents an important market in which smaller renewable projects may participate under simplified standard contracts and processes.¹ GTSR projects, limited to 20 MW in size, are just the type of smaller renewable projects that would benefit from this.

In D.14-11-042, the Commission ordered an additional RAM process, RAM 6, to be held by June 30, 2015. The RAM 6 auction was ordered by the Commission “as a transitional process, to provide smaller generation a procurement forum between now and the 2015 RPS solicitation”² The Commission found that general RPS statutory compliance was largely on track, with relatively little need for additional procurement. Thus, the RAM was not greatly needed for this purpose. Instead, the Commission found that the RAM should serve the needs of a more streamlined procurement tool, and as such, could be used for GTSR projects. The Clean Coalition welcomes a streamlined RAM application process and its use in GTSR procurement.

¹ See Amended Clean Coalition Comments on Administrative Law Judge’s Ruling Requesting Comments on the Renewable Auction Mechanism, filed on Jan. 31, 2014 in R.11-05-005, pp. 6-7.

² See D.14-11-042, p.91.

Such streamlining will benefit the utilities, which can be more nimble in utilizing RAM for their varied needs. The streamlining will also benefit project developers, who can more easily bid into the RAM auction.

However, we note that the RAM also has some significant disadvantages shared with the other market available for GTSR projects—the feed-in-tariff available through the Renewable Market Adjusting Tariff (“ReMAT”). Most significantly, neither process provides the market with a clear signal that they will be able to sell power at a predictable price that warrants investment in the project design, siting, interconnection, permitting and related steps required for bid qualification. ReMAT is limited to smaller projects, and under current rules allows too little procurement (one or two projects at a time) to define a market. In contrast RAM offers a larger market, but with little price visibility. Equally importantly, neither mechanism adequately considers locational value. A firm first come first served standard offer, with locational adjustment based on the price discovery achieved through the RAM and ReMAT market response, would allow more cost effective offers by reducing the very high uncertainty risk. Greater certainty will also support the separate goal of locating GTSR projects close to GTSR customers, increasing customer enrolment where it favors local investment.

1. The GTSR Program Is Separate from other Renewable projects, with Specific Objectives that Must Be Met.

As stated above, the Clean Coalition believes that the RAM process, currently used for RPS procurement, can also be used for procurement for the GTSR program. However, the GTSR program has specific standards and requirements, that project developers will need to address in order to establish eligibility for GTSR. These standards and requirements are distinct from the more general RPS requirements. Although the RAM program can be used for GTSR procurement, it would be appropriate to have additional requirements in order to meet the requirements of the GTSR program. Thus, despite the proposed streamlining of the RAM process, for procurement for the GTSR program, it is appropriate to establish standards required for eligibility to GTSR.

In D.14-11-042, the Commission ordered that the RAM 6 process continue to utilize the same valuation methodologies utilized for the RPS solicitation, in order to maintain a consistent

methodology within the overall RPS procurement process.³ The RAM bid evaluation was limited to the levelized post-Time of Delivery price with adjustments for transmission network upgrade costs and resource adequacy benefits. However, here we discuss the use of RAM for a more specific purpose: the procurement of GTSR projects. It is appropriate to utilize an evaluation process that more closely matches the standards and needs of the GTSR program.

In the RPS decision, the Commission considered changes to the evaluation methodologies proposed by several parties, including the Clean Coalition.⁴ While the Commission chose not, for the time being, to change its evaluation methodology for the RAM used in RPS procurement, it encouraged parties to review and improve on the valuation methodology in the RPS proceeding when the least cost best fit valuation is reviewed.⁵

The GTSR program has specific requirements, established by statute. One of these requirements is that: “[t]o the extent possible, a participating utility shall seek to procure eligible renewable energy resources that are located in reasonable proximity to enrolled participants.”⁶ The legislature also charged the Commission with reserving a portion of the GTSR program for small projects (no larger than 1 MW) that are located in areas that are most impacted and disadvantaged.⁷

It would be appropriate to establish a full cost and benefit accounting of GTSR projects that do not necessarily mirror the RPS evaluation methodology. Such an accounting of costs and benefits would advance specific goals and requirements of the GTSR program. Moreover, such an accounting could inform the RPS evaluation methodology once it was reviewed, as directed by the Commission.

³ See D.14-11-042, pp. 98-99.

⁴ See D.14-11-042, p. 98, citing Amended Clean Coalition Comments on Administrative Law Judge’s Ruling Requesting Comments on the Renewable Auction Mechanism, filed on Jan. 31, 2014 in R.11-05-005, pp. 19-28.

⁵ See D.14-11-042, p. 99.

⁶ Cal. Public Util. Code § 2832(e).

⁷ See Cal. Public Util. Code § 2832(d)(1)(a).

2. *The RAM Used for GTSR Projects Should Include a Full Valuation of Project Benefits, Including Locational Value.*

As the Clean Coalition has advocated throughout this proceeding, the GTSR program should include a full valuation of the benefits of a project, as described below:

In addition to protecting non-participating ratepayers from cost-shifting, the legislature intended for GTSR participants to “access the benefits of onsite generation.” These benefits should include the direct financial value of onsite generation, such as long-term price certainty benefits of GTSR renewable generation contracts and the locational value of distributed generation projects.⁸

In uncontested testimony in this proceeding, the Clean Coalition presented the reasons why locational value should be included in the valuation of GTSR programs.⁹ Locational value must be evaluated for the purpose of maintaining cost indifference of non-participating ratepayers. SB 43 provides that:

A participating customer’s rates shall be debited or credited with any other commission-approved costs or values applicable to the eligible renewable energy resources contained in a participating utility’s green tariff shared renewables program’s portfolio.¹⁰

The Clean Coalition has demonstrated in this proceeding, that the cost and values applicable to the renewable energy resources should include locational value.

The valuation of locational benefits also helps the utilities meet the statutory requirements of procuring energy from projects located near enrolled participants, as required by statute. The locational value of a project, as described by the Clean Coalition in testimony and comments in this proceeding, measures the value of a project in terms of matching generation to the load needs of a community. The value is largely in the form of avoided transmission costs and the need for transmission upgrades. This locational value will recognize a value for project located near enrolled participants. Thus, locational value advances a statutory requirement of the

⁸ Clean Coalition’s Reply Comments to Opening Comments and Testimony by San Diego Gas & Electric Company and Pacific Gas & Electric Company, filed Dec. 20, 2013, pp. 1-2.

⁹ See Clean Coalition Rebuttal Testimony Regarding Pacific Gas and Electric Company’s and San Diego Gas and Electric Company’s Applications to Establish the Green Tariff Shared Renewables Program (“Clean Coalition Rebuttal Testimony”), served on Jan. 10, 2014.

¹⁰ Cal. Pub. Util. Code § 2831(m).

GTSR project, while also measuring real benefits of a project to the energy grid. Valuation of locational benefits will incent projects to be located near the need for energy load while keeping program portfolio costs low enough to attract high customer participation. If locational value is not accurately reflected in the valuation of the GTSR programs, projects located near communities will face great difficulty competing against the unweighted bid price of non-local projects.

Recognition of locational value also helps achieve the statutory requirement of locating smaller projects within disadvantaged communities. Part of the value of smaller projects is that they can be tailored to meet the load needs and siting constraints of a local community. Locational value consideration balances these factors. Otherwise, smaller projects will need to compete against the economies of scale of larger projects on busbar price alone without weighing the cost of delivering that power to load or other more qualitative goals. Recognition of locational value will advance the state and Commission goal of locating small projects within disadvantaged communities through a process that accurately reflects the actual benefits of a project to the energy grid.

As stated above, the locational value of projects is part of the true accounting of a project's benefits to the energy grid. These values should be included in a project's valuation. The locational value of projects that Clean Coalition identified included: 1) Avoided Transmission Access Charges;¹¹ 2) Avoided Future Transmission Increases;¹² 3) Local Capacity Value;¹³ 4) Avoided Transmission System Impact Costs;¹⁴ and 5) Avoided Line Losses.¹⁵

In addition to locational value of a project, the testimony also identified other benefits of a project that should be considered, including Avoided Conventional Integration Costs¹⁶ and

¹¹ See Clean Coalition Rebuttal Testimony, pp. 5-6.

¹² See *Id.*, pp. 7-8.

¹³ See *Id.*, p. 8.

¹⁴ See *Id.*, p. 9.

¹⁵ See *Id.*, p. 9.

¹⁶ See *Id.*, pp. 9-11.

Avoided New Generation Costs.¹⁷ As the Clean Coalition testimony describes, all of the values and benefits provide measureable benefits to the energy grid and to non-participating ratepayers. These values should be evaluated and credited to determine the true costs and benefits of a GTSR project.

b. The Renewable Integration Cost Adder Should Only Be Used if the Full Cost and Benefits of a Project Are Considered.

In D.14-11-042, the Commission adopted an interim value for the renewable integration cost adder. The renewable integration cost adder is supposed to “reflect the cost of integrating renewable resources onto the grid.”¹⁸ The Commission reasoned that this cost adder is needed because “[i]ncreases in intermittent renewable generation may require the grid system to be more operationally flexible to ensure adequate system reliability.”¹⁹

The Clean Coalition does not necessarily agree with the use of a renewable integration cost adder in valuing projects. However, in developing the renewable integration cost adder in D.14-11-042, the Commission moved towards a fuller accounting of the costs of projects. The need to increase the operational flexibility of the grid system—the reason the Commission establishes for the cost adder—is a fairly indirect cost arising from the increase of renewable generation to the grid. If such attenuated costs are to be considered, then benefits of the project—benefits that are much more direct and measureable—should be evaluated as well. If the Commission is to utilize such a full accounting of the costs of a renewable project, it should also utilize a full valuation of the benefits of a project.

A full valuation of the benefits of a project would take into account locational value, including 1) Avoided Transmission Access Charges; 2) Avoided Future Transmission Increases; 3) Local Capacity Value; 4) Avoided Transmission System Impact Costs; and 5) Avoided Line Losses, as described above, as well as other benefits in the form of Avoided Conventional Integration Costs and Avoided New Generation Costs. These benefits are present and

¹⁷ See *Id.*, pp. 11-14.

¹⁸ See D.14-11-042, p. 53.

¹⁹ *Id.*

measurable for each GTSR project, and provide a more accurate measure of the value of a project. Locational value considers the impact that a project has in reducing or eliminating transmission costs. Such costs can be directly traced to the addition of a GTSR project close to the coincident load within the grid. Thus, accounting for such benefits should be part of the accounting of a project.

If the Commission seeks to evaluate the full cost of a GTSR project by utilizing the renewable integration cost adder, then it should also include a full valuation of the benefits of the project. Alternatively, if the Commission will not presently consider the full evaluation of the benefits of a project, including the locational benefits, then it should not presently use the renewable integration cost adder. If applied without the balancing cost savings considerations that may be achieved by properly sited generation, the renewable integration cost adder would make GTSR projects more expensive, making them less attractive to customers, and reducing the rates of participation.

III. CONCLUSION

The Clean Coalition appreciates the opportunity to comment on D.14-11-042 and the GTSR program.

Respectfully submitted,

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