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 12-04-020 Application 14-01-007

CLEAN COALITION OPENING COMMENTS ON RENEWABLES AUCTION MECHANISM AS AN ENHANCED COMMUNITY RENEWABLES PROCUREMENT TOOL

Brian Korpics
Staff Attorney
brian@clean-coalition.org

Kenneth Sahm White
Director, Policy & Economic Analysis
sahm@clean-coalition.org

Clean Coalition
16 Palm Ct
Menlo Park, CA 94025
(708) 704-4598

November 20, 2015

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 OPENING COMMENTS ON RENEWABLES AUCTION MECHANISM AS AN ENHANCED COMMUNITY RENEWABLES PROCUREMENT TOOL

I. INTRODUCTION

Pursuant to the California Public Utilities Commission's ("Commission's") October 26, 2016, *Administrative Law Judge Ruling (1) Adopting Comment Schedule on Senate Bill 793 and Renewables Auction Mechanism as an Enhanced Community Renewables Procurement Tool and (2) Revising the Schedule for Phase 4 Track B*, the Clean Coalition hereby submits the following opening comments in the Green Tariff Shared Renewables ("GTSR") proceeding. The comments below describe approaches to modifying the Renewables Auction Mechanism ("RAM") to procure resources in the Enhanced Community Renewables ("ECR") component of the program.

The Clean Coalition is a 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 and interconnection of distributed energy resources ("DER")—such as local renewables, advanced inverters, demand response, and energy storage—and we establish market mechanisms that realize the full potential of integrating these solutions. The Clean Coalition also collaborates with utilities and municipalities to create near-term deployment opportunities that prove the technical and financial viability of local renewables and other DER.

II. COMMENTS ON RAM AS A PROCUREMENT TOOL FOR ENHANCED COMMUNITY RENEWABLES PROJECTS

1. *Provide proposals on using the current RAM program for ECR procurement. Include details on how the current program may or may not work for ECR procurement and what minimal adjustments could be made to the RAM so that it provided a reasonable procurement tool for ECR projects. Proposals should address programmatic elements like project size, pricing, confidentiality, changes to the currently effective RAM contract, ECR bid evaluation, and approval process.*

The Clean Coalition continues to advocate for the use of a modified Renewable Market Adjusting Tariff ("ReMAT") solicitation for Enhanced Community Renewables ("ECR") projects.[1] Most of the alleged issues with ReMAT could be remedied by altering the tool for use with ECR projects. Like RAM, ReMAT benefits from standardized contracts that significantly lower costs. Further, ReMAT's bimonthly capacity caps could be modified or eliminated to accommodate ECR projects. Finally, the 3 MW size limit and the restriction to distribution-level interconnection should not be an issue for ECR projects because by design the projects should be smaller facilities serving local sources of demand.[2]

If the Commission decides to allow for the use of RAM to procure ECR projects, the Clean Coalition suggests a number of modifications to the mechanism that would enable a more efficient ECR procurement process. The Clean Coalition proposes that the Commission should utilize RAM without an auction and retain the existing standards and contracts of the mechanism. Once the sufficient subscription level for a project is reached, and the developer and subscribers have negotiated a rate, the developer should be able to submit the project to the utility through RAM for approval. Otherwise, the infrequency of RAM procurement and the uncertainty of securing a PPA through the reverse auction process would discourage bidder participation.

The price for the unsubscribed capacity should then be based on the location-specific avoided cost of comparable energy for the utility. This valuation should be based on the Default Load Aggregation Point ("DLAP") price, plus the value for the transferred REC, plus a predetermined adder, which should account for avoided transmission access charges and avoided

[1] *See* Clean Coalition Opening Comments on the Green Tariff Shared Renewables Program Phase IV Track B Issues (Nov. 9, 2015).

[2] *Id.* at 2–5; CAL. PUB. UTIL. CODE § 2833(o).

line losses. Accepting ECR projects in this manner would send a clear price signal allowing ongoing procurement as projects able to meet this price become available. In addition, an open procurement offer allows projects to proceed as soon as they meet eligibility requirements. Since interconnection processes commit applicants to a timeline unrelated to the RAM schedule, the ability to confirm a power purchase agreement ("PPA") without delay will address the common issue of having to commit to an interconnection agreement or withdraw from the queue while waiting to learn whether a PPA will be secured.

More broadly, predictability is important for market participation. If potential suppliers cannot estimate with some confidence whether they will be able secure a PPA at a viable price, their interest in participating will be low. This is especially true where there are substantial costs associated with simply becoming eligible to submit a bid, including securing a site, designing a proposed project, entering into the interconnection process, and preparing a bid. Once pricing is established, keeping the market open for continued assignment of PPAs at that price sends a clear signal to which market participants can respond.

The Commission should also reserve the ECR component for smaller projects sited near load—limiting project sizes to 3 MW with no minimum.[3] Some parties favor the cost efficiencies associated with larger projects' economies of scale. However, these larger projects would not satisfy SB 43's requirement to be sited near customer demand,[4] and they should instead bid into the program's Green Tariff component. Siting resources close to load in the built environment necessarily limits facility sizes. Further, restricting these projects to distribution-level interconnection should not limit procurement opportunities. An Energy Division report from 2013 expected the majority of RAM 1 to 3 contracts—within the program's prior 3 to 20 MW limit—to interconnect to the distribution system.[5] Smaller projects interconnected to the distribution grid also confer locational benefits,[6] and serving local load may result in significant

[3] *See* Clean Coalition Opening Comments on the Green Tariff Shared Renewables Program Phase IV Track B Issues at 2–3 (Nov. 9, 2015) (describing why a minimum project size would be detrimental to the program and responding to alleged issues with sub-500 kW projects).

[4] The legislature created the ECR component "to facilitate development of eligible renewable energy resource projects located close to the source of demand." CAL. PUB. UTIL. CODE § 2833(o).

[5] Administrative Law Judge's Ruling Requesting Comment on the Renewable Auction Mechanism, R.11-05-005, Attachment A: Energy Division Summary and Questions on Future of RAM at 10 (Dec. 31, 2015).

added savings if not subject to Transmission Access Charges.[7]

Finally, establishing appropriate viability milestones will be important to the success of the program. Currently, a developer must complete a Phase II Interconnection Study or its equivalent prior to participating in RAM.[8] The Clean Coalition recommends that this requirement be changed for ECR procurement to "evidence that an interconnection application has been deemed complete" for projects interconnecting under Rule 21. Requiring completed studies causes the applicant to not only incur the costs of studies but also commit to a Generator Interconnection Agreement and the associated development deposit timelines. Requiring an applicant to incur these costs and financial commitments before receiving any assurance of a PPA creates a substantial added financial risk on the part of the developer. While these project viability requirements may be warranted when a utility is contracting resources to comply with minimum portfolio requirements or to meet operational capacity and Resource Adequacy needs, less stringent and costly standards are appropriate for ECR projects. Under the proposed change, projects would still be subject to the same development milestones, but these would largely occur after the supplier is assured a contract.[9] Knowing that the costs of interconnection will only be incurred for contracted projects encourages greater supplier participation and competition, in addition to lowering the costs associated with greater pre-contract risk.

This change is consistent with Southern California Edison's ("SCE's") recent iteration of its Preferred Resources Pilot ("PRP"). SCE found the prior requirement for completion of even a Phase I Interconnection Study to be a barrier to successfully procuring local renewable resources in its initial PRP request for offers ("RFO"), and it made the above-quoted adjustment in its subsequent PRP RFO 2. While ECR projects may be developed in many areas, the Preferred

---

[6] *See, e.g.*, M.A. Cohen, P.A. Kauzmann & D.S. Callaway, Effects of Distributed PV Generation on California's Distribution System, Energy Institute at Haas working paper (June 2015), *available at* http://ei.haas.berkeley.edu/research/papers/WP260.pdf.

[7] The ISO is currently engaged in a stakeholder proceeding addressing the application of transmission charges. *See* Cal. Indep. Sys. Operator, Transmission access charge options, https://www.caiso.com/informed/Pages/StakeholderProcesses/TransmissionAccessChargeOptions.aspx (last visited Nov. 19, 2015).

[8] Decision Conditionally Accepting 2014 Renewables Portfolio Standard Procurement Plans and an Off-Year Supplement to 2013 Integrated Resource Plan, D.14-11-042 at 99 (Nov. 20, 2014).

[9] Allowing projects to obtain a PPA before proceeding through the study process also helps ensure that only contracted projects will pursue interconnection studies, thereby unburdening the study process and reducing the number of withdrawals.

Resources Pilot is indicative of the factors related to siting projects close to loads associated with more populous regions. The PRP is an area of Orange County exceeding 100 square miles and serving 234,000 customer accounts with a peak demand of 1,176 MW—but with very limited land available for siting larger generation.[10] Therefore, solar growth is expected to occur as a secondary use in the developed landscape. The Clean Coalition conducted a Solar Siting Survey of the region and identified over 300 viable sites capable of supporting 163 MW of solar capacity that could be developed for ECR projects located close to load and potential subscribers.[11]

III. CONCLUSION

The Clean Coalition appreciates the opportunity to submit opening comments on utilizing RAM as an ECR procurement tool.

Respectfully submitted,

/s/ Brian Korpics_____
Brian Korpics
Staff Attorney
Clean Coalition

Dated: November 20, 2015

[10] The PRP encompasses a large part of the cities of Irvine, Tustin, Santa Ana and Newport Beach, as well as all or parts of the cities of Aliso Viejo, Corona del Mar, Costa Mesa, Laguna Beach, Laguna Woods, Laguna Hills, Laguna Niguel, Lake Forest and Mission Viejo. The area comprises approximately 204,000 residential utility customers and 30,000 commercial and industrial utility customers.

[11] Clean Coalition, Solar Siting Surveys, http://www.clean-coalition.org/resource/solar-siting-surveys/ (last visited Nov. 19, 2015).