

Energy Resources Conservation and Development

Commission of the State of California

1516 Ninth Street, Sacramento, CA

RE: A Feed-in Tariff can deliver preferred resources more quickly and more reliably than a Request For Offers.

October 18, 2017

Dear Commissioners,

We strongly commend the Committee assigned to the Puente Power project for the thoughtful rejection of the project. The rapid technological advances in solar and storage technologies have rendered this peaker obsolete. The reliability need in the Moorpark subarea can be met quickly and cost-effectively with a Feed-in Tariff to procure the necessary Distributed Energy Resources (DER).

Feed-in Tariffs are far faster, more reliable, and cheaper to operate than even an expedited RFO. Feed-in Tariffs have a solid record of success in delivering cost-effective preferred resources both in California and internationally. A properly designed market-adjusting Feed in Tariff can induce solid proposals from developers to deliver the needed resources on a cost-effective basis.

Feed in Tariffs have a proven record of rapidly deploying substantial renewable capacity well within two years from offer to final installation. As a leading example, Sacramento Municipal Utility District¹ received nearly enough bids to fill SMUD's entire 100 MW solicitation on the first day in January 2010. Within two years, 45 MW had been installed and within three years 98.5 MW had been successfully installed.² This time frame can be expedited to easily beat the schedule

¹ "Sacramento Municipal Utility District SMUD Feed-In Tariff Program," Clean Energy States Alliance, available at www.cesa.org/assets/Uploads/Resources-post-8-16/cesa-awardSMUD.pdf

² SMUD's Feed-In Tariff Queue (March 9, 2012)
<https://www.smud.org/assets/documents/pdf/FITQueue.pdf>

of even an expedited RFO. The 98.5% success rate with this Feed-in Tariff is vastly better than SCE's record with RFO-based programs such as the Preferred Resources Pilot.

Feed-in Tariffs are faster and less prone to contract failure because they are simpler for developers to respond to and simpler for the utility to evaluate. Feed-in Tariffs use standardized contracts and prices, cutting out the individualized negotiation process that delays RFO procurement. The regulatory process is vastly faster, because the Feed-in Tariff is subject to a single CPUC authorization for the program, rather than a full review of every individual contract after the RFO is authorized.

Feed in-Tariffs are far cheaper and faster for developers to respond to and much simpler for utilities and regulators to manage. Once the Feed-in Tariff offer has been issued, developers can respond quickly to the standardized conditions. Developers also are more likely to bid because they face much lower risk, because projects that meet requirements are guaranteed a procurement contract from the utility up to the total solicitation amount. From the utility side, the selection process is a simpler and provides a faster standard review of whether a project meets requirements without cumbersome negotiations.

Feed-in Tariffs can also be highly cost effective provided the initial offer is based on a robust analysis of market conditions. Prices can be contained with a market-adjusting Feed-in Tariff in which the offer price adjusts depending on the response in the prior round. Furthermore, desired elements such as storage capacity can be either included in project requirements or induced through adders to incentivize dispatchability of the project capacity.

In sharp contrast, the RFO process is expensive, slow, and cumbersome. The RFO itself must first be approved by the CPUC, followed by multiple rounds of submission and review. Under an RFO, developers prepare detailed and

individualized bids without the benefit of transparency of the possible contract price. This elevated risk and customization of the proposals reduces the number of bids an RFO would receive. Once the bids are received, the utility then reviews the individualized bids to develop a shortlist of bids. This shortlist is then reviewed to choose which bids receive offers. Once the utility makes offers to developers, the utility must wait for responses from developers, who may have abandoned their original bid or face changed conditions. Based on these responses, the utility and developer then negotiate individualized non-standard contracts. After successful negotiations, the utility then goes back to the CPUC for approval of the individualized contracts. Should the negotiations fail, the utility must then go back to the shortlist in hopes that the developers who did not receive initial offers remain interested. Since the offers only are made up to the total solicitation, this invariably requires multiple rounds of offers, responses, and negotiations. This uncertainty about the competing bids and uncertainty around the winning price strongly discourage developers from participation. Ultimately, responding to an RFO is far more expensive, and involves much higher risk than responding to a Feed-in Tariff.

California has the tools to deploy the DER needed to meet the reliability needs of the Moorpark Subarea and move away from expensive natural gas projects. We urge the Energy Commission to confirm the proposed rejection of the Puente Power Project and ask the Utility Commission to move forward with a streamlined Feed-in Tariff.

Respectfully submitted,



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