

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Southern California
Edison Company (U338E) for
Authority to Implement and Recover in
Rates the Cost of its Proposed Solar
Photovoltaic (PV) Program.

Application 08-03-015
(Filed March 27, 2008)

CLEAN COALITION REPLY COMMENTS ON ALTERNATE PROPOSED
DECISION

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The Clean Coalition respectfully submits these reply comments on the Alternate Proposed Decision filed by Commissioner Florio.

The Clean Coalition is a California-based nonprofit organization whose mission is to accelerate the transition to local energy systems through innovative policies and programs that deliver cost-effective renewable energy, strengthen local economies, foster environmental sustainability, and enhance energy security. To achieve this mission, the Clean Coalition promotes proven best practices, including the vigorous expansion of Wholesale Distributed Generation (WDG) connected to the distribution grid and serving local load.

The Clean Coalition drives policy innovation to remove major barriers to the procurement, interconnection, and financing of WDG projects and supports complementary Intelligent Grid (IG) market solutions such as demand response, energy storage, forecasting, and communications. The Clean Coalition is active in numerous proceedings before the California Public Utilities Commission and other state and federal agencies throughout the United States, in addition to work in the design and implementation of WDG and IG programs for local utilities and governments.

Our main points are as follows:

- The Clean Coalition supports SEIA's opening comments in full and we provide additional arguments below regarding points raised by other parties and in the APD
- SCE's cost savings projections rely on incorrect and out of date information; SCE presents no new data in its opening comments. SCE should instead be required to present relevant market data to allow the Commission and parties to make an informed decision about likely costs savings from transferring MW from the UOG portion of SPVP

- The APD incorrectly cites other procurement programs in terms of their ability to incentivize market development of 1-2 MW solar projects; the truth is that there is almost no procurement program available for projects in this size in SCE territory other than SCE's SPVP
- The default position should be a transfer of MW from UOG to IPP within the SPVP – not a transfer to RAM – because this kind of transfer supports the important goal of policy stability, which in turn allows developers to plan projects in time to utilize California's various procurement programs. Program stability and predictability is one of the most important policy principles and the APD violates this principle without adequate justification
- The APD incorrectly places the burden of proof on parties supporting a transfer instead to the IPP portion of SCE's SPVP. The APD's arguments that cost savings would be significantly higher with a transfer to RAM instead of the IPP portion of SPVP are based on highly implausible assumptions that don't at all reflect actual market experience in the last few years. Similarly, SCE's arguments rely on conclusory assertions with no data shared for parties to analyze and ensure that SCE's conclusions rely on apples to apples comparisons between procurement programs

I. Discussion

The policy objectives that the Commission must balance in this case are: 1) California's interest in stable renewable energy procurement programs in order to provide a clear and reliable policy/market signal to prospective developers; 2) ensuring that California's renewable energy and climate mitigation goals are achieved in the most cost-effective and efficient manner. The APD sacrifices the former in favor of a misguided view of the latter. Specifically, the APD harms the SPVP program yet again by transferring additional MW away from SCE's 500 MW SPVP to RAM, alleging cost benefits from doing so, but without actually conducting any substantial analysis regarding the alleged cost benefits, or subjecting SCE's assertions to the appropriate scrutiny. As we demonstrate below, the likely cost savings of such a transfer are minimal and far less than SCE argued in its PFM and other comments.

a. The Clean Coalition opposes the APD and supports SEIA's suggestion that the 34 MW be transferred to the IPP portion of the SPVP

The Clean Coalition supports SEIA's opening comments, and particularly SEIA's suggestion that the 34 MW be transferred to the SPVP IPP rather than to RAM. The Clean Coalition made similar arguments in comments submitted on SCE's PFM. We reiterate here that SCE's cost savings projections, and the Commission's reliance on these projections are based on faulty reasoning and the lack of appropriate and available market data. We describe further below why this is the case.

b. SCE's cost savings projections from transferring MW to RAM are highly inflated

The cost savings alleged by SCE are unsupported by actual market data and parties have been given no opportunity to conduct their own analysis of the data (because it hasn't been offered, despite requests for such data) or to ensure that SCE's assertions rely on apples to apples comparisons. SCE's opening comments on the APD provide no

additional information to back up their previous arguments. SCE's reply to party responses on the PFM (Sept. 6, 2012, p. 3) provides only an invocation of SCE's belief, with no additional data provided: "SCE fundamentally believes that its customers will obtain lower cost generation from RAM (which includes many SPV projects as well as other renewable generation from IPPs) as opposed to the IPP portion of the SPVP." SCE provides its analysis of SPVP IPP 2 and RAM 2 on page 4 of the same comments, concluding that RAM 2 was more competitive. However, no data is provided, again preventing parties from making their own analysis on an apples to apples basis. RAM projects can include transmission costs, which are not applicable to rooftop solar projects, so it is important to ensure an apples to apples comparison.

DRA makes similar points, but also fails to rely on relevant market data, instead accepting SCE's unsupported cost savings projections. This lack of reliance on relevant and current data by SCE, the Commission and DRA is a major lacuna in what is generally a sharp eye by these entities for reliable cost data.

As we have noted in comments on SCE's PFM (which are cited in the PD and APD), SCE's refusal to respond to party queries, including the Clean Coalition, about the claimed savings significantly impedes the ability of the Commission and all parties to analyze this issue quantitatively. It should be a truism that this Commission relies on actual cost data where available – and actual cost data is available in this case. SCE has now conducted two SPVP auctions and it is imperative that the Commission rely on actual cost data that is available in judging likely cost savings from transferring MW from SPVP UOG to RAM or SPVP IPP.

The APD states (p. 7, emphasis added):

We partially grant SCE's petition to modify the SPVP by reducing the UOG portion of the SPVP from 125 MW to 91 MW and transferring 34 MW DC (31 MW AC) to SCE's RAM program. Other SPVP program and solicitation parameters remain unchanged. We do this to reduce costs, promote simplicity, and maximize program efficiency.

However, the case for reducing costs by transferring MW from SPVP UOG to RAM is extremely weak because no data has been shared. No cost data from SPVP has been made public yet. Prices for solar power projects bid into RAM in 2011 were around \$90/MWh, as evidenced by the \$89.23/MWh that the Commission has set as the starting price for Re-MAT (D.12-05-035), based on the average of the highest price accepted by each IOU in the first RAM auction in November, 2011. Prices have continued to drop significantly since then, based on quarterly market information provided by SEIA¹ and many other sources. It is likely that top-line prices for SPVP projects are a bit higher than for RAM projects because of economies of scale. However, as mentioned above, the top-line price comparison is not an apples to apples comparison because RAM prices may not include relevant transmission upgrade costs that don't apply to SPVP projects. Nor do such comparisons include "locational benefits" that may apply to SPVP projects, because they are located very close to load, and that may not apply to RAM projects, which can be located far from load on the transmission system.

Moreover, it is arguably simpler to keep the 34 MW in the SPVP by transferring to the IPP rather than transferring to the RAM program and harming the stability of the SPVP. Similarly, it is not at all clear how program efficiency is improved by transferring the MW to RAM rather than to the IPP portion since both RAM and the SPVP will remain active.

The APD states (p. 10, emphasis added):

The Clean Coalition questions whether any actual savings will result from the modifications, indicating that SCE's cost savings analysis is flawed because it is calculated based on the cost cap of \$260.00/MWh. (Clean Coalition Response at 3.) We disagree. Although it possible, or even likely, that the final cost of the rooftop PV installed under the UOG portion of the SPVP will be less than the authorized cap, there is no guarantee of this.

¹ <http://www.seia.org/research-resources/us-solar-market-insight>.

The APD is technically correct that there is no guarantee that actual costs for the UOG will be less than the cost cap of \$260/MWh but the chance of costs reaching this level in actuality are minimal to non-existent. As the APD itself notes, the RAM clearing price that has been set as the starting price for the pending Re-MAT program is \$89.23/MWh, which was almost two years ago, during which time prices have come down significantly more. But, again, the Commission must, to make an informed judgment in this case, rely on actual cost data available from the SPVP program. This data has been requested by the Clean Coalition but SCE has refused to provide this information.

Based on known RAM bid costs and costs of solar PV more generally it is highly likely that the actual costs to ratepayers from the UOG and IPP portions of SCE's SPVP will be under \$100/MWh – more than 60% less than the upper limit of \$260/MWh that the APD strangely relies on.

c. Other procurement programs are not available for 1-2 MW rooftop solar

The APD argues that SPVP will still, as modified by the APD, support the initial program goals of promoting medium-scale rooftop solar projects (p. 11):

SPVP, as modified, would still advance the specific projects at issue here by mandating 216 MW for projects in the one to two MW range, with SCE targeting 184 MW for rooftop projects.⁹ Furthermore, other programs have been created or modified, however, that provide support to the one to two MW Solar PV market segment, including rooftop projects. For example, the Commission is currently administering the FIT program, which involves the three largest IOUs. D.12-05-035 adopted a new pricing mechanism and program rules for the revised FIT program, increasing the eligible project size from 1.5 MW to 3 MW and creating the ReMAT, a mechanism that allows the FIT price to adjust every other month based on market conditions.

However, the SB 32 Re-MAT that the APD relies on is set to begin later this year with zero MW available for SCE's portion of this program, as the Clean Coalition has noted

in comments on the latest SB 32 PD.² This fact alone undermines the APD's argument.

The APD also states (p. 11): "D.12-05-035 also increased the overall statewide size of the FIT program to 750 MW, divided between the IOUs and the public-owned utilities."

This statement is also technically correct but highly misleading. Even though SB 32 increased the statewide figure from 500 MW to 750 MW, SB 32 also included POUs and the net impact was to actually reduce the size of the IOU FIT allocations under SB 32.

But, as just mentioned, SCE will have zero MW in its SB 32 program when it commences (unless the Commission acts to increase the FIT allocation under its inherent authority), mooted this argument. Accordingly, this argument also fails.

The APD also states, in arguing for the availability of other programs for rooftop solar (p. 12): "Also, rooftop Solar PV projects in the one to two MW size may participate via other programs and methods, such as RAM, annual RPS solicitations, Qualifying Facility, and bilateral negotiations. Additionally, the NEM caps have been raised (allowing for more development of behind the meter solar installations), and opportunities improved for customers to sell excess power to the utility at a reasonable rate (if unable to use all the Solar PV generated on-site)." However, this statement contains many errors. RAM only allows projects above 3 MW to bid into the program, and even if 1-2 MW solar projects could bid into RAM it is highly unlikely that these relatively small projects could compete with projects up to 20 MW, which comprise the majority of bids into RAM. Similar concerns weigh even more heavily regarding the RPS program because the RPS program is available to any size solar projects, which concerns were expressly the motivation for creating the RAM program. Qualifying Facilities programs under PURPA provide pricing that is wholly insufficient (SRAC pricing) to support new solar PV projects between 1-2 MW because they don't consider avoided transmission costs or other locational benefits from projects located very close to load. With respect to bilateral negotiations, the Commission and the IOUs are heavily

² Due to the full subscription of SCE's AB 1969 program, which leaves nothing left for SCE's SB 32 program. (Clean Coalition Opening Comments on Proposed Decision and Alternate Proposed Decision, April 8, 2013.)

against bilateral negotiations for projects where a procurement program already exists, mooted this option for 1-2 MW rooftop solar. NEM projects are only allowed to net meter up to 1 MW and the NEM market is very different than the wholesale market. Last, the excess sales options that the APD cites are only for NEM projects and are extremely limited in their options for selling excess power. For example, AB 920 only allows NEM projects that are designed and sized to on-site load, but that incidentally produce more power than is required on-site, to sell a limited amount of power back to the utility. Accordingly, the APD's reliance on the availability of other procurement programs for 1-2 MW rooftop solar PV projects is wholly misplaced.

In sum, there is no other program in SCE territory that will be available and effective for 1-2 MW rooftop PV projects. This fact should weigh heavily against the Commission's approval of the APD. We again urge the Commission to instead transfer the 34 MW to the SPVP IPP.

d. The Commission should transfer the 34 MW to the IPP portion of the SPVP instead of RAM

The APD rejects SEIA's and the Clean Coalition's suggestion that the 34 MW be transferred to the IPP rather than to RAM (p. 14):

SEIA and the Clean Coalition argue that the reallocated 34 MW should be transferred to the IPP portion of SPVP rather than the RAM program because this would support the SPVP goal of robust competition for rooftop projects near load centers. We disagree. The requested 34 MW reduction consists of an 18 MW reduction of ground-mount PV and 16 MW of rooftop PV. Parties have not provided compelling evidence that the relatively small reduction in rooftop PV in the UOG portion of the SPVP will materially affect the level of competition for rooftop projects near load centers. Even if the petition for modification is granted, a minimum of 173 MW of rooftop PV is still mandated under the SPVP, with SCE indicating that it intends to have 184 MW.¹³ This amount of rooftop PV in the program should continue to support robust competition, especially when considering that other programs (FIT/ReMAT, RAM, NEM, Qualifying Facility, and bilateral negotiations) available to rooftop PV projects will also support robust competition.

The default position should be, if the Commission is convinced of potential cost savings from reducing the UOG portion, to transfer MW to the IPP rather than to RAM. This is the case because such a transfer would preserve program integrity and long-term planning far better than a transfer to RAM. As the default position, the burden of proof rests on the IOUs to demonstrate why the hoped-for cost savings can't be achieved in the IPP rather than in RAM. They have not met this burden because they have shared no actual data to support their assertions. The APD's statement just quoted places the burden of proof on parties opposing the transfer to RAM. The Clean Coalition feels that it has met this burden already, but the APD still disagrees with our analysis. We urge the Commission to reconsider the applicable burden of proof and the weight of the evidence we have provided herein and in previous comments - and particularly the fact that SCE has consistently refused to provide basic cost information to allow the Commission and parties to make an informed judgment about likely cost savings on apples to apples basis.

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