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November 15, 2010

Honesto Gatchalian and Maria Salinas
Energy Division
California Public Utilities Commission
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Subject: FIT Coalition Reply Comments on Draft Resolution E-4368

Dear Mr. Gatchalian and Ms. Salinas,

The FIT Coalition submits the following comments in reply to those submitted by parties on the 9th of November in relation to Draft Resolution E-4368 (Draft Resolution), which implements Pacific Gas and Electric Company's (PG&E) Solar Photovoltaic (PV) Program filed by Advice Letter (AL) 3674-E on May 24, 2010. AL 3674 addresses the independent power producers (IPP) competitive solicitation portion of PG&E's Solar PV Program for up to 250 Megawatts (MW) of long-term power purchase agreements (PPA).

The FIT Coalition is a California-based group focused on smart renewable energy policy. We advocate primarily for vigorous feed-in tariffs and "wholesale

distributed generation,” which is generation that connects to distribution lines close to demand centers. Our members are active in proceedings at the Public Utilities Commission, Air Resources Board, Energy Commission, California ISO, the California Legislature, Congress, the Federal Energy Regulatory Commission, and in various local governments around California.

Summary

1. The FIT Coalition disputes objections to the use of Rule 21 interconnection procedures raised by Pacific Gas & Electric (PG&E) and Southern California Edison (SCE) and notes that SCE’s CREST program currently requires developers to use Rule 21 for interconnection of AB 1969 feed-in tariff projects
2. The FIT Coalition concurs with the Interstate Renewable Energy Council’s analysis of Commission jurisdiction over distribution-interconnected QFs
3. The FIT Coalition urges the Commission to require additional grid transparency as part of PG&E’s solar PV program
4. The FIT Coalition supports the Division of Ratepayer Advocates’ recommendation to include Local Capacity Requirement (LCR) designation as a tie-breaking selection criterion in the solicitation process
5. The FIT Coalition disagrees with PG&E’s recommendation of a 500kW minimum size for facilities aggregated into a single project as arbitrary and without foundation
6. We also feel strongly that Resource Adequacy qualification should not be a requirement of this program because it would impose yet another significant hurdle for solar developers and make the large majority of applications to this new program unable to come online in time. RA qualification should, instead, be voluntary

Discussion

1. Feasibility of Using Rule 21

SCE's November 9th comments advance several arguments against the use of Rule 21 interconnection procedures. SCE and PG&E claim that Rule 21 has not been used for wholesale generation projects. However, SCE's own AB 1969 feed-in tariff program expressly requires generators to use the Rule 21 interconnection process.¹ There is, accordingly, an active and substantial precedent for using Rule 21 for wholesale generation.

SCE claims that use of Rule 21 would impose burdensome limitations on independent generators' ability to sell the energy they produce on the open market, while the use of WDAT would allow more flexible energy sale opportunities. However, all participants accepted into the SPVP will be under a standard twenty year full-sell contract that disallows any energy sales from these projects to third parties, so it is not clear how WDAT's additional flexibility will be relevant to this program.

Moreover, and more importantly, Rule 21 interconnection studies, where required, should be capable of completion more quickly than WDAT interconnection studies. Rule 21 is intentionally a more streamlined protocol than other interconnection protocols and with PG&E and other IOUs apparently committed to mirroring the CAISO's Generator Interconnection Protocol in their WDATs it is very likely that the study process under PG&E's WDAT would take two years or more. This is the case because CAISO's proposal (pending approval

¹ <http://www.sce.com/EnergyProcurement/renewables/crest.htm> and http://www.sce.com/NR/rdonlyres/B2FCAD66-5DD0-4447-8751-446F79EDC303/0/091005_GeneratingFacilityInterconnectionApplication.pdf.

by FERC²) would require 420 days for Phase I and II studies, 30 days for a meeting to discuss Phase II results, but also up to a year merely to enter the cluster study window each year, for a grand total of 815 days. If we average the time between cluster study windows, this total is reduced to 723 days.³

However, E-4368 would require completion of projects within 18 months of Commission approval of the PPA. There is an obvious and severe disconnect between an 18-month development timeline for a study process that takes two years or more to complete – let alone completion of any required distribution or transmission upgrades after studies are completed. Many projects will have entered the interconnection process prior to Commission approval of the PPA, but many others will not.

For this reason, the FIT Coalition feels strongly that the Commission must exert legitimate jurisdiction over interconnection of projects under PG&E's solar PV program and all other distribution-interconnected renewable energy generation in California and work vigorously to further improve the interconnection procedures under Rule 21. We have asked FERC, as part of our comments in the GIP proceeding at FERC, to require a third party audit of IOU and CAISO interconnection procedures. We urge the Commission to conduct a similar process for IOU Rule 21 interconnection procedures, with the end result being potentially dramatic improvements in the IOU interconnection study process. This audit could be completed as part of a single audit, to be conducted jointly with CAISO (assuming FERC agrees with our recommendation), or, to be more prudent, the Commission could of its own volition order a separate audit of Rule 21 interconnection procedures.

² http://elibrary.ferc.gov/idmws/docket_sheet.asp.

³ The FIT Coalition comments to FERC discuss these issues in detail: http://elibrary.ferc.gov/idmws/File_list.asp?document_id=13864193.

2. Grid Transparency

There is a fundamental difference between generation interconnections that ease grid capacity and those that stress capacity. In our prior comments we recommended the release of interconnection availability data that would clearly identify line, load, and queue information such that projects could be sited and sized specifically to optimize use of existing system facilities, capture locational advantages, meet interconnection review screens, and avoid extensive study procedures and their related delays and costs. With this information available to independent power producers, the need for complex interconnection studies may often be obviated. PG&E and other operators of distribution systems should provide additional information to allow for identification of specific interconnection opportunities that are available for rapid, even immediate, approval with minimal cost. As Draft Resolution E-4368 notes, PG&E's current map appears to provide interconnection capacity estimates at the substation level and does not list current interconnection requests for each substation. More fine-tuned data, at the circuit level, would be very helpful for developers.

Additionally, PG&E should ensure that a feasibility study option is available at all times for developers, at any time of year, for a reasonable fee. Feasibility studies should provide a reasonable estimate of likely interconnection costs without having to enter any formal study process.

SCE and PG&E have both made very positive initial efforts in making interconnection information available. Further grid transparency efforts will

allow projects to predetermine their ability to meet screening criteria, identify least cost opportunities, increase development cost certainty, reduce ratepayer impact, reduce the number and complexity of interconnection studies, and speed interconnection approval and system deployment.

3. Jurisdiction

Participants in PG&E's proposed competitive procurement process will be eligible for QF status, and all participants will sell their full output to PG&E. Thus, this Commission may assert jurisdiction over the interconnection of QF participants in PG&E's competitive procurement program, as recent FERC guidance indicates.⁴ The FIT Coalition will not delve further into interconnection jurisdiction issues other than to note that we are in full agreement with IREC's comments in this proceeding.

4. Locational Benefits

The FIT Coalition supports the Division of Ratepayer Advocates' recommendation to include Local Capacity Requirement (LCR) designation as a tie-breaking selection criterion in PG&E's solicitation process (see more below on this issue).

5. Aggregation Thresholds

In section 5 of their November 9th comments, PG&E proposes a minimum threshold of 500 kW for any facilities aggregated to meet the 1 MW project size, but presents no rationale for this requirement. Since aggregated facilities will be

⁴ *Florida Power & Light Company*, 113 FERC ¶ 61,121 (Issued Nov. 3, 2010).

required to connect at a single p-node and bear associated costs, this additional restriction appears arbitrary, unnecessarily restrictive, and without merit. If smaller installations can be aggregated into competitively-priced projects that meet all relevant criteria, we see no reason to exclude those that make efficient use of smaller siting opportunities and may yield significant locational benefits.

6. Resource Adequacy Requirements

PG&E suggests that Resource Adequacy qualification should be required for applicants to the new solar program. Page 5 states:

PG&E proposes to: (1) modify its Solicitation Protocol to require Sellers to seek qualification as an RA resource in order to maintain eligibility to participate in the solicitation; and (2) modify its form PPAs to clarify that the Seller is obligated to seek a finding of full capacity deliverability to qualify for RA and to pay any costs associated with obtaining that finding, including, but not limited to, paying CAISO and related study costs, metering and equipment costs, and any network upgrade costs.

The FIT Coalition strongly objects to this suggestion because obtaining Resource Adequacy qualification will very likely be a cumbersome and highly time-consuming process that will result in the large majority of projects being unable to come on-line in time to qualify for PG&E's solar PV program. This is the case because RA certification would require a full study process under the new IOU WDAT process or CAISO's process. If we are to assume that PG&E will follow SCE's lead on the matter, its WDAT will follow very closely the CAISO Generator Interconnection Procedure proposal ("GIP Proposal") recently submitted to FERC for approval.⁵

As the FIT Coalition described in extensive comments to FERC, the GIP Proposal

⁵ http://elibrary.ferc.gov/idmws/docket_sheet.asp.

will result in two years or longer merely for interconnection studies to be completed, let alone any required upgrades after study completion (as discussed above).⁶ We fully support developers' ability to apply for Resource Adequacy benefits - but this should NOT be a requirement of the PG&E solar PV program. The resolution requires that projects come on-line within 18 months of Commission contract approval. But with two years or more merely for interconnection studies to be completed under the new WDAT (if approved by FERC as a similar procedure to the GIP Proposal), or CAISO procedures, this would not be possible in the large majority of cases.

7. Miscellaneous

The FIT Coalition also supports PG&E's suggestion that the word "primarily" be added to the final resolution with respect to "ground-mounted" solar systems. While ground-mounted systems are the focus for this new program, there is no good policy reason to exclude roof-mounted systems from the program, which can be built more quickly due to less environmental review - potentially offsetting the loss of capacity factor that results from the lack of tracking systems for roof-mounted solar systems.

Submitted November 15th, 2010

/s/

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⁶ http://elibrary.ferc.gov/idmws/File_list.asp?document_id=13864193.

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CERTIFICATE OF SERVICE

I certify that I have electronically served a true copy of these comments to all persons named on the service lists of A.09-02-019, R.06-02-012, R.08-08-09 and R.10-05-006 who are listed as "Information Only" or "State Service" on this date via electronic mail and by first class mail for those listed as "State Service" who have not provided an electronic mail address.

Palo Alto, California, November 15th, 2010

/s/

VIA EMAIL

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Persons listed as "Information Only" and "State Service" on service lists A.09-02-019, R.06-02-012, R.08-08-09 and R.10-05-006