

California Public Utilities Commission

RE: A Feed-in Tariff can 1) deliver preferred resources identify resources to meet the needs of the Moorpark area quickly and reliably and 2) address the environmental justice needs of California.

October 31, 2017

Dear Commissioners,

In light of the potential rejection of the Puente Power Project by the Energy Commission, we urge the Commission to adopt a Feed-in Tariff in order to quickly and efficiently solicit renewable Distributed Energy Resources (DER) to meet the reliability need in the Moorpark subarea. In addition, a Feed-in Tariff can also be used to address the Commission's goals of addressing environmental justice needs.

This letter is properly submitted as an ex parte communication under CPUC Rule 8.3

Feed-in Tariffs are fast, reliable, and efficient

Where California needs a fast approach with a high success rate, Feed-in Tariffs are far faster, more reliable, and cheaper to implement than expedited RFOs. 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

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

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 of even an expedited RFO. Similarly, the ReMAT/AB 1969 programs have successfully procured over 100MW of solar for SCE despite some design flaws with that tariff. The 98.5% success rate of the SMUD Feed-in Tariff and the more than 100MW of ReMAT procurement is vastly better than SCE's record with RFO 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. 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. The regulatory process is also faster, because the Feed-in Tariff is subject to a single CPUC program authorization, rather than individualized review of every RFO contract.

Feed-in Tariffs can meet cost requirements

Feed-in Tariffs can also be highly cost effective. The key to cost effective procurement is to start with an initial price that meets the cost requirements and adjusts according to the response to the initial offer. For the Moorpark Subarea FIT, the initial price could be set to meet or beat the per kWh price of Puente, or be based on a robust analysis of market conditions. Given the limited capacity factor of the Puente (and Ellwood) plants, offering an initial price per kWh to match Puente's

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

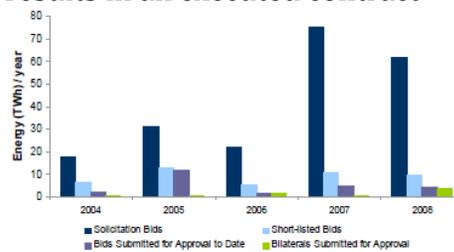
price would all but guarantee a robust response. Even with a more modest initial offering price, costs can be contained with a market-adjusting Feed-in Tariff in which the offer price adjusts depending on the response in the prior round. (Please see the accompanying Environmental Justice Feed-in Tariff description.) 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 order to ensure that the resulting offers can meet the entirety of the Moorpark.

The RFO process is too slow, too cumbersome, and prone to failure.

In sharp contrast, the RFO process is expensive, slow, and cumbersome and highly prone to failure. For example, a review of the RPS auction shows that fewer than one in ten bids result in executed projects, while the Renewable Auction Mechanism has recorded an abysmal success rate of 28 executed bids out of 552 bids (see Figure 1 and 2). Similarly, SCE’s Preferred Resources Pilot also had a much poorer record than the RFOs conducted in California.

The issues are entirely predictable given the cumbersome administrative process of an RFO for both developers and the utility. First, 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 or any certainty of offer acceptance. This elevated risk and customization of the proposals reduces the number of bids an RFO would receive and increases the

Figure 1 Fewer than 1 in 10 bids results in an executed contract



Source: California Public Utilities Commission, 2nd Quarter 2009

Figure 2 – RAM has resulted in a high failure rate.



price as administrative costs are folded into bids. 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 discourages developers from participation and drives up the final costs of the projects. Since the risks for developers from an RFO are substantially higher compared to a Feed-in Tariff, recruitment will be weaker and the prices will need to include a risk premium to induce developers to submit bids.

SCE does not have a strong record of success in DER RFO procurement.

Finally, an RFO would be particularly ill-advised in this context, since SCE's record of RFO-based programs is much weaker than the record for Feed-in Tariff procurement. In its testimony before the Energy Commission, SCE admitted that it had performed quite poorly in executing its Preferred Resources Pilot, in part because of the onerous conditions SCE imposed and process that the RFO process involved. Furthermore, the lack of transparency in an RFO process would be unwise, because SCE faces a conflict of interest between pursuing a project in which substantial costs have been sunk and procuring clean renewable resources. The request that the Energy Commission suspend rather than reject the Puente Power Project suggests that SCE and NRG retain an interest in Puente. This creates a potential conflict of interest that may jeopardize the success of the procurement,

resulting in increased pollution and carbon emissions. These issues can be substantially ameliorated with a transparent Feed-in Tariff in which bids are compared to concrete and transparent performance standards. Where the success of the renewable procurement is absolutely critical, a Feed-in Tariff has a much stronger record, would be cheaper to conduct, and has vastly lower risks of failure than an RFO.

A Moorpark Feed-in Tariffs can recruit the needed resources.

As we have shared previously with the Commission, the Clean Coalition adapted CAISO's model of the Moorpark subarea to determine that some 210 MW of solar and 560 MWh of storage capacity could replace the capabilities of Ellwood and Puente. These quantities could be easily procured with a scheduled, market-adjusting Feed-in Tariff with a dispatchability adder as described in the attached proposal. This Feed-in Tariff would procure the full range of solar, storage, and solar+storage projects needed to have the full reliability need met by the time the existing plants must be retired. Thus, such a FIT program for solar with a dispatchability adder and/or for energy storage would be an effective and efficient tool for procuring the necessary resources cost effectively.

Feed-in Tariffs can address environmental justice concerns

Finally, using a Feed-in Tariff in the Oxnard area would be a strong precedent for similar approaches in other environmentally disadvantaged communities. An Environmental Justice Feed-in Tariff (EJ-FIT) approach could be an effective tool for meeting environmental justice needs and spreading the benefits of renewable energy more widely. For example, a 300 MW program with a market adjusting tariff design could stimulate jobs and millions of dollars of economic activity while allowing environmentally disadvantaged communities to participate in the renewable energy revolution. Such a program could also serve to obviate the need for natural gas plants in other communities like Oxnard to avoid the next proposal that would harm our most vulnerable communities. Such a program would fully

align both California's climate goals and with California's desperate need to address inequalities within our state.

Ultimately, the CPUC has the tools to deploy the DER needed to meet the reliability needs of the Moorpark Subarea and move away from expensive and polluting natural gas projects. We urge the California Public Utility Commission to move forward with a streamlined Feed-in Tariff to meet the needs of the Moorpark Subarea and to develop an expanded EJ-FIT to solve similar problems in other areas of the state.

Respectfully submitted,



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Clean Coalition

Attachments:

- 1) Clean Coalition EJ FIT proposal for CPUC
- 2) Puente Scenarios Cost Models (Supplemental Testimony of Dr. Doug Karpa re CAISO Study, Puente Power Project Application for Certification, Exhibit 7035, TN# 220961)