



Clean-Energy Group Eyes Bill To Revise California 'Interconnection' Rules

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Renewable energy advocates are eyeing a legislative push next year in California that would allow the state to take away responsibility from the federal government for regulating the interconnection of certain distributed power generators, a move that proponents say would encourage the development of small solar, wind and other clean-energy projects that are being thwarted under the current regulatory system.

Bolstering renewable energy is a cornerstone of California's effort to reduce greenhouse gas (GHG) emissions to 1990 levels by the end of 2020, with the state having recently adopted a 33% -by-2020 renewable portfolio standard (RPS). Backers of small-scale renewable energy projects argue that changes to the state's regulatory system could provide for the swift approval of numerous projects that are critical to helping the state meet its RPS. California Gov.-elect Jerry Brown (D) has also made substantial increases in distributed generation a high priority for his administration.

The FIT Coalition, which supports a nationwide "feed-in tariff" to promote renewable electricity generation, intends to sponsor California legislation next year that would dramatically change the rules governing how utilities deal with electricity from smaller, distributed generators. A key element of the legislation would be to shift oversight of utility interconnection with in-state power projects from the Federal Energy Regulatory Commission (FERC) to the California Public Utilities Commission (CPUC), said a coalition source. The coalition's proposals are intended to set a firm price, or tariff, for utilities to purchase electricity from smaller renewable energy producers.

The legislation is being considered in response to an interconnection plan being developed by major utilities that the coalition says would favor large renewable energy producers.

The state's investor-owned utilities are currently drafting a proposal for FERC to change interconnection procedures to speed up the approval of new projects. This effort follows a Dec. 16 FERC order approving new generator interconnection procedures (GIP) sought by the California Independent System Operator (CAISO) that is supported by the state utilities and was

spurred by a spike in applications by companies wanting to connect smaller projects to utility distribution grids. *A copy of the FERC order is available at InsideEPA.com.*

The new procedures will allow CAISO and utilities to concurrently consider small and large project applications in a "cluster," rather than the current process of separating these two different types of projects for review and considering them in the order they were received, according to a FIT Coalition source. The utilities are now seeking even more specific provisions for how they consider and process these distributed generation projects, according to the source. This proposal is expected to be submitted to FERC by the end of January.

FIT Coalition sources say the utilities' evolving plan is deeply flawed and will favor very large renewable projects that utilities prefer to back, which take far too long to permit and build. As a result, the smaller renewable projects will for the most part be lost in the shuffle because of delays and a resulting lack of capital backing, further hurting the state's chances of meeting its RPS mandate, said the source.

Several representatives of the state's major investor-owned utilities did not return requests for comment on the proposal.

FERC's rulings on the new GIPs is paramount for several reasons, the FIT Coalition source said. First, the FERC rules will set a precedent around the country. Second, the FERC rules will dramatically affect small renewable projects aiming to connect to the distribution grid. While FERC's Dec. 16 order does include some conditions to ensure more strictness for how utilities approve or reject projects -- including review of potential conflict of interests -- the California utilities' forthcoming proposal to FERC to clarify these procedures could further thwart approval of new smaller scale renewable energy projects, the source said.

There is a great deal of confusion and complexity over how utilities' GIPs are overseen and when projects being reviewed are subject to state-only provisions and when they are subject to FERC oversight, the source said. There is often jurisdictional questions over whether these smaller renewable energy projects should be dealt with under FERC or CPUC procedures. "It has to deal with wholesale energy -- in general, wholesale is federal jurisdictional," the source said. "But what's supposed to be true is that if [an entity] is selling wholesale energy but it's going to a utility interconnected to an in-state transaction, it's not FERC jurisdictional. There is a lot of confusion or mess around the whole jurisdictional [issue]" and "process small developers go through when" seeking interconnection.

For example, CPUC does have a process called Rule 21 where a developer can seek a state-overseen review process, the source pointed out, but this is rarely used for the types of projects the FIT Coalition is advocating.

As a result, the group will be pursuing a bill in the California Legislature next year to overhaul the entire GIP process, the source said. Dubbed the "Freeing The Grid" bill, the legislation aims to "clear up" the process "so everyone knows what the procedures are and the investor-owned utilities are held accountable to them."

A cornerstone of the bill would be to specify that small-scale renewable distributed generation projects aiming to connect to utility distribution grids should always be placed under CPUC jurisdiction, and that CPUC must reform its Rule 21 to be more streamlined, clearer and prohibit utilities from using the "cluster" method of reviewing project applications, the source added.

Another major piece of the legislation would be to establish an independent oversight body to examine how the investor-owned utilities are processing the applications, and to provide periodic reports to state officials. If the utilities are failing to follow the new rules properly, fines should be levied, the source said.

Backers say they are optimistic about the bill's chances in part because Gov.-elect Jerry Brown (D) has made ramping up distributed generation in the state a high priority. According to his campaign material, Brown wants the state to produce 20,000 megawatts of new renewable energy by 2020, with 12,000 coming from distributed generation and 8,000 from large scale renewable projects like solar and wind farms.

FIT Coalition and other clean-energy advocacy organization sources say that, in general, utilities are resistant to accepting applications for interconnection from independent power producers selling smaller scale wholesale distributed generation for several reasons. First, the utilities have less control over smaller-scale projects than they have over the larger facilities, and they cannot raise customer rates to upgrade networks, the FIT Coalition source said. In contrast, if they pursue their own generation projects, they can recoup expenditures through rate increases. "So they have an incentive" to pursue their own projects, "even though legally they're barred from having those two sides of their houses interact with each other; there's supposed to be a firewall."

A spokesman with San Diego Gas & Electric, one of the state's major investor-owned utilities, said the organization "cannot provide an informed comment on the rather complex issue you've raised until after we have had a chance to study some specific proposed legislation on the topic."