BEFORE THE PUBLIC UTILITIES COMMISSION OF

THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Continue Implementation and Administration, and Consider Further Development, of California Renewables Portfolio Standard Program.	Rulemaking 15-02-020 (Filed February 26, 2015)

CLEAN COALITION REPLY COMMENTS ON THE RENEWABLE AUCTION MECHANISM PROPOSAL

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I. INTRODUCTION

Pursuant to the *Assigned Commissioner and Assigned Administrative Law Judge's Ruling Identifying Issues and Schedule of Review for 2017 Renewables Portfolio Standard Procurement Plans and Inviting Comments on Renewable Auction Mechanism Proposal* (Ruling), dated May 26, 2017, the Clean Coalition respectfully submits these reply comments on the Renewable Auction Mechanism (RAM) Proposal. The Clean Coalition appreciates the opportunity to reply to party comments on this topic and the work done by the California Public Utilities Commission (Commission) staff on this topic to date.

In summary, the Clean Coalition strongly supports the RAM Proposal to direct procurement for incremental resources at geographic locations with sub-optimal conditions. This proposal could increase opportunities for renewable resources to provide valuable energy services and may also lead to delay or deferral of costly grid upgrades. The Clean Coalition disputes the claim by utilities that the IDER proceeding activities makes this RAM proposal redundant. This is not the case because, while the IDER proceeding is investigating some sub-optimal grid conditions related to potentially unavoidable upgrades, it is not addressing curtailment and underutilization of other resources. Rather than being redundant, these two procurements would be complimentary.

II. Description of the Party

The Clean Coalition is a nonprofit organization whose mission is to accelerate the transition to renewable energy and a modern grid through technical, policy, and project development expertise. The Clean Coalition drives policy innovation to remove barriers to procurement and interconnection of distributed energy resources (DERs)—such as local renewables, advanced inverters, demand response, and energy storage—and we establish market mechanisms that realize the full potential of integrating these solutions. The Clean Coalition also collaborates with utilities and municipalities to create near-term deployment opportunities that prove the technical and financial viability of local renewables and other DER.

III. Reply Comments

A. The RAM Proposal is complimentary—not duplicative—to other solicitations, including IDER and RPS programs, while also addressing separate, pressing needs.

The ruling specifically calls for utilization of DER to address issues not targeted by other existing programs, including sub-optimal grid conditions and prevention of renewable curtailment. The proposal would direct procurement for 20 MW of incremental resources at geographic locations identified by each investor-owned utilities (IOU) that *provide the most value to the utility based on existing or future expected conditions on the electric grid*.[1]

This proposal is directed at consideration of total ratepayer value, including all costs and benefits. The proposal specifically includes opportunities to reduce the growing and projected curtailment of renewable resources as well as the subsequent loss of this contribution toward meeting mandated statewide renewable portfolio standard (RPS) targets for all load serving entities (LSEs). This is an appropriate investment for the utilities as owners and operators of distribution and transmission systems used to deliver energy to customers regardless of customer migration and choice between different energy providers.

While any energy associated with DER developed through this procurement should certainly be considered as one component of the value, it is only one component that contributes

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[1] *Assigned Commissioner and Assigned Administrative Law Judge's Ruling Identifying Issues and Schedule Of Review For 2017 Renewables Portfolio Standard Procurement Plans and Inviting Comments on Renewable Auction Mechanism Proposal* (May 26, 2017) at 21.

to the total value, but in no way defines the total value to be considered. Specifically, locational net benefit and any provided energy services should be considered, as appropriate.

The RAM Proposal is not duplicative to SCE's laudable Preferred Resources Pilot, which was focused on meeting Local Capacity Requirements associated with Resource Adequacy. In contrast to the small Integrated Distributed Energy Resources (IDER) pilot program, this proposal is not limited to avoiding distribution costs or to deferring distribution level grid upgrades, and it therefore serves a distinct, urgent need.

Current and projected levels of curtailment are significant, and are costing California money. A recent article in the L.A. Times noted that "In 2015, solar and wind production were curtailed about 15% of the time on average during a 24-hour period. That rose to 21% in 2016 and 31% in the first few months of this year."[2] Furthermore, California has needed to resort to negative pricing in order to send excess power to other states, comprising an average of 18% of all CAISO sales in 2017, compared to only 2.5% of CAISO sales in 2014.[3]

In the Ruling, the Commission already recognized and considered the IOU's contracted RPS capacity in relation to state mandated schedules, as well as the anticipated customer migration in relation to meeting these mandates.[4] With consideration of these facts, the Ruling determined that continued efforts are needed to decarbonize the state's electricity supply and maximize the value of existing and potential renewable resources, including reducing renewable curtailment and under-utilization of RPS-eligible resources.[5] Again, this is a patently different and broader scope than the pilot currently under development in the IDER proceeding, which is aimed at avoiding specific distribution upgrades. In their primary role as grid operators, the IOUs have a unique position and obligation to identify opportunities that will maximize the value of the existing portfolios of resources for all LSEs within their service territories and/or increase their own portfolio of renewable resources and DER to meet the State's goals.

In short, the proposal offers an opportunity for the state's regulated grid owners and operators to identify and pursue opportunities for the greatest ratepayer value while achieving the State's emission reduction and related goals. It also allows the IOUs to do so without

[2] Penn, Ivan. "California invested heavily in solar power. Now there's so much that other states are sometimes paid to take it." *L.A. Times* (June 22, 2017), available at www.latimes.com/projects/la-fi-electricity-solar.
[3] *Id.*
[4] *Assigned Commissioner and Assigned Administrative Law Judge's Ruling* at 22.
[5] *Id.*

seeking a new programmatic Decision from the Commission each time a new need is identified, while still requiring Commission approval of each contract.

B. Development of RAM Proposal should continue to be coordinated with other initiatives and activities, particularly in making use of existing cost-effectiveness and value assessment tools.

The Clean Coalition strongly agrees that such efforts should be coordinated with other initiatives and activities undertaken by the Commission, by utilities, and by other LSEs. The Ruling directly states that it is informed by proceedings currently underway and Commission efforts to meet system and local reliability requirements with the lowest emissions impact and the least cost, and proposes the use of the RAM mechanism for procurement in this context. Utility arguments in opening comments opposing the Proposal appropriately raise issues that should be considered, but do not provide evidence that the Ruling errs in stating that these have already been adequately considered.

The Commission has existing cost-effectiveness and Least Cost Best Fit methodologies that can contribute to ratepayer benefit analysis. However, these methodologies are broadly recognized to still need to incorporating more of the total ratepayer net benefits and have not been updated to capture the range of values envisioned in this proposal. Likewise, efforts are currently underway in active proceedings and CPUC sponsored working groups to establish and refine a Locational Net Benefits Assessment tool and other measures to fully capture the costs of sub-optimal grid conditions and the costs and benefits of alternatives.

C. Despite its very small size, the RAM Proposal provides a more flexible and integrated approach to increasing ratepayer benefits.

The Proposal establishes a very low minimum level quantity of procurement at only 60 MW across all three IOUs. This is equivalent to a rounding error in total RPS procurement, equaling 5% of prior proscribed procurement utilizing the RAM mechanism. This small level of procurement is likely well below the level of existing RAM contracts that will ultimately be cancelled for a variety of reasons.

While the proposed required procurement is small—equal to a single typically sized RAM project for each IOU—the Ruling offers great flexibility to each IOU in identifying the best value locations and project types, and in selecting the most appropriate projects. The proposal also provides great opportunity for the IOUs coordinate with and complement other existing but more restrictive pilots and programs by allowing this additional procurement to address a far wider variety of needs, a flexible and integrated approach that is necessary in their role as grid owners and operators.

D. The Commission should clarify that solicitations and contract approvals will be subject to appropriate determinations of net ratepayer benefit.

Rather than requiring an excessive minimum quantity of unwarranted procurement, of potentially greater concern is that the proposal may be seen to allow unlimited procurement, as there is no cap on how many projects each IOU may identify and pursue. *As such, we recommend that the Commission clarify that both solicitations and contract approvals be subject to appropriate determinations of net ratepayer benefit*. In this light, it is appropriate for the Commission to both (1) require assessment of net ratepayer benefit, and (2) to ensure that such assessment acknowledges the limitations of established methodologies, incorporating additional refinements and best available estimates as these become available.

E. The RAM Proposal offers opportunity to explore the full range of DER benefits, beyond the minimum capabilities already established and adopted by the IOUs.

Southern California Edison (SCE) simultaneously notes that it has been procuring distributed renewable resources (DERs) to meet local reliability needs, and that the ability of DERs to do so is unproven. While we collectively have yet to explore the full range of benefits associated with DERs and the maximum or optimal extent to which they can be employed to address multiple needs, this in no way implies that the minimum capabilities are not well established. This proposal allows the IOU distribution grid owners and operators to use the knowledge they have already gained over the past decade regarding the capabilities of DER, and to supplement this with additional information as it become available from the large number of active Commission and California Energy Commission (CEC) pilots in California, as well as data from other research and experience beyond California.

F. The RAM contract terms should be reviewed to ensure specific needs are supported, but do not impose inappropriate restrictions on IOU contracting ability.

SCE raises a legitimate issue regarding the applicability of the existing RAM contract terms in relation to solicitations designed to meet specific grid needs and operational performance. The Clean Coalition agrees that the terms should be reviewed and, if necessary, updated to ensure that the solicitations specific needs are ultimately advanced by the contract terms. It may be appropriate to tailor the standard RAM terms to each solicitation's particular aim, whether to address underutilization of RPS-eligible generation, prevent renewable curtailment, or provide frequency regulation, for example.

However, SCE errs in suggesting that freedom to individually negotiate bilateral contract terms is either necessary or appropriate. RAM was developed specifically to establish standard terms and conditions upon with respondents can rely, thereby avoiding uncertainty in these key factors, which discourages market respondents, reduces completion, and increases prices.

G. The RAM Proposal appears to be technology-neutral, which would authorize procurement of any resource that meets the goals and standards.

CalWEA recommends the creation of a larger RAM program specifically targeted to encourage additional wind development. Because the current RAM Proposal aims to address specific needs rather than to advance any particular technology, it seems that there could be particular solicitations where wind resources would address specific goals and standards authorized by this program.

H. The RAM Proposal would not authorize unnecessary procurement; rather it broadens the scope of what is a need and could result in cost-effective solutions to existing grid and curtailment problems.

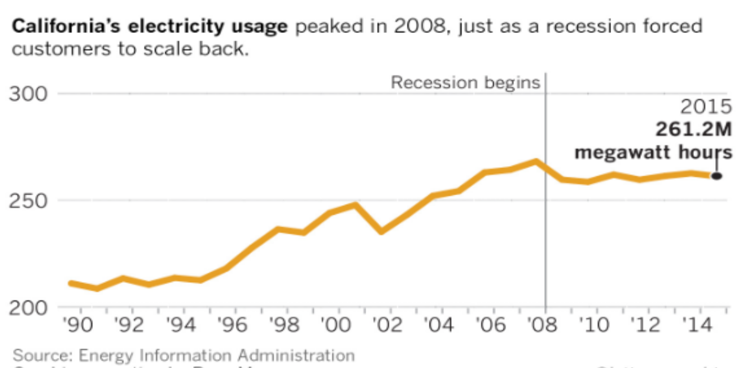
The Clean Coalition agrees with the Office of Ratepayer Advocates' (ORA) comments that additional RAM solicitations should occur only if specific system needs and deficiencies are identified and if procurement of additional resources is determined to be the optimal solution, but also notes that here the RAM Proposal simply authorizes a broader understanding of need by seeking to address sub-optimal grid conditions (not just limited to reliability) and renewable curtailment. The Clean Coalition agrees that there should only be procurement for additional renewables when there is a defined need, but the RAM Proposal notes an interest in ratepayer benefits and defined needs should not be restricted to reliability. Rather, RAM solicitations should move forward for defined needs considering the full range of grid impacts and ratepayer value.

As mentioned above, we note that the RAM Proposal would constitute a "mandate" of only 20 MW per IOU, an incredibly small amount of procurement, and does not only apply to renewables. It would be defined by needs and could apply to other DER, including storage, demand response, and other assets. The apparent goal of the RAM Proposal is to utilize preferred and zero emission resources to meet grid needs, where those needs or values have been demonstrated. The grid may meet reliability standards without these resources, but this proposal offers opportunities for net ratepayer benefit in efficiency and cost-effectiveness in meeting state goals.

San Diego Gas & Electric Company (SDG&E) and Pacific Gas and Electric Company (PG&E) both have unfulfilled MW capacity in their existing RAM requirements. If it is determined that additional renewables procurement is required, it would be reasonable to direct this unfilled available RAM capacity toward meeting specific additional needs rather than ordering additional RAM MW procurement. As a matter of public policy the Commission has supported and should continue to support stable market demand as this promotes efficient investment and competition by suppliers. This in turns supports the ready availability and participation by each market segment in responding to evolving needs, highlighting the attributes of each.

The Clean Coalition notes that RAM is a mechanism to be employed in procurement of large distribution scale resources (3-20MW) and is not a program in of itself. Rather, it is one tool available for targeted procurement as part of a broader toolkit. IOUs and other utilities remain at liberty to develop bilateral contracts for larger projects, ReMAT for 1-3 MW, and various rates, tariffs, as well as other compensation mechanisms likely to be developed in IDER for locational-targeted development incentives.

We agree with ORA that additional procurement should be scrutinized for necessity, but renewable procurement results in more transparent encapsulation of ratepayer costs than infrastructure investments and other kinds of investment aimed at reliability. California's total energy usage has remained flat for nearly 10 years, yet utilities keep investing in more transmission and conventional resources for "reliability." Additional procurement that claims to meet these needs tends to be large and expensive.



For example, CAM projects (utility capital investments) only reflect a portion of ratepayer costs. The utility's operations and maintenance costs associated with the facility plus their guaranteed Return on Investment (ROI) can more than double the total cost to ratepayers over the life of the project.

In contrast, a power purchase agreement (PPA) or similar contract to provide services is an "all in" costs representing the total cost to ratepayers. Any ratepayer cost comparison must include the ROI and O&M costs where these apply and where they are not already reflected in the contract price. Additionally, non-local facilities delivering energy through the transmission system will utilize limited transmission capacity and accelerate the need for additional transmission investment that may otherwise be deferred.

Given the potential for distributed energy resources to address grid issues, including reliability, there are cheaper and cleaner ways to proceed, and the new RAM Proposal should be used a potential tool to identify them.

IV. CONCLUSION

The Clean Coalition thanks Commission staff for their work on these issues to date and looks forward to further collaboration going forward.

Sincerely,
/s/Katherine Ramsey
Katherine Ramsey
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Clean Coalition

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