

**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 RENEWABLES PORTFOLIO
STANDARD PROCUREMENT PLANS SUBMITTED BY THE LOAD-SERVING
ENTITIES**

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September 1, 2017

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I. INTRODUCTION

Pursuant to the California Public Utilities Commission (Commission) Rules of Practice and Procedure and the updated schedule in the Email Ruling issued on June 19, 2017 by Administrative Law Judge Robert M. Mason, the Clean Coalition submits these reply comments in response to the 2017 Renewables Portfolio Standard (RPS) Procurement Plans submitted by load-serving entities (LSEs) on July 21, 2017.

II. COMMENTS

A. The Clean Coalition agrees with other stakeholders that early procurement will allow the capture of tax credit savings and increase the stability of the renewable energy market.

The Clean Coalition agrees with the comments of AWEA California Caucus noting that early procurement of wind, solar, and storage would be able to capture tax credit savings that are likely to be smaller or unavailable in the future.¹ Where additional procurement will be needed beyond the next few years, the Commission should consider allowing long-term power purchase agreements that allow projects to capture the value of the federal Production Tax Credit and Investment Tax Credit.

Additionally, the Clean Coalition agrees with the Large-Scale Solar Association noted in its comments that a robust market requires stable, consistent procurement rather than boom and

¹ AWEA California Caucus comments at 6-7.

bust cycles.² This is particularly true of distributed energy resources, as smaller project developers are generally less capitalized and face higher risks. While uncertainty is not unique to any market, the Commission should value predictability in steady procurement. This will increase the ability of DER developers to remain in the market to provide cost-effective energy within communities.

B. Any RPS procurement should incorporate a market signal for transmission use in order to ensure that distributed energy resources are not unfairly disadvantaged.

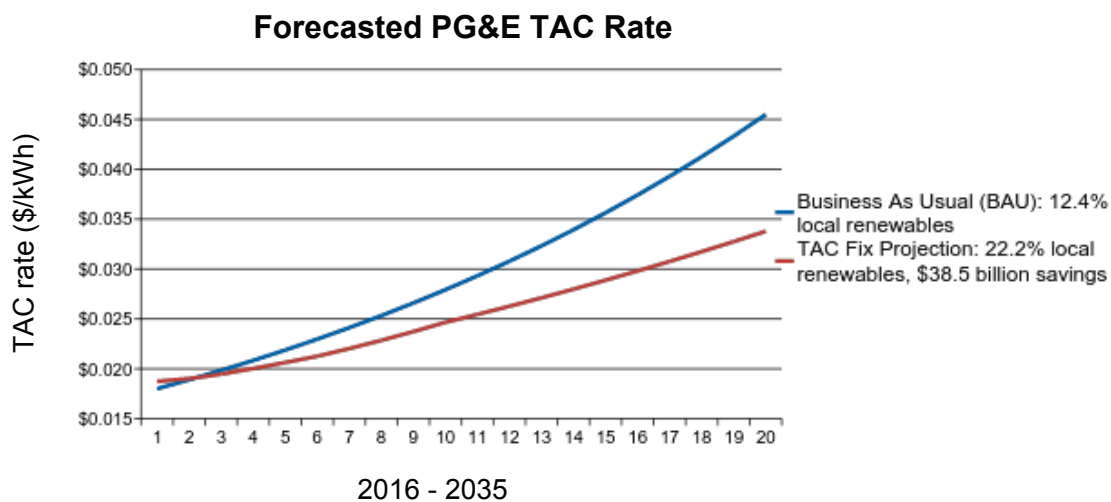
The comments from Shell Energy noted that excess RPS procurement in San Diego Gas & Electric territory produced a distortive effect on the Power Charge Indifference Adjustment (PCIA). Without commenting on the veracity of that issue, the Clean Coalition seeks to highlight another potential distortion in RPS procurement that may impact the LSE procurement plans: transmission access charges (TAC) on distributed energy resources. To address this distortion, the Clean Coalition urges the Commission to ensure that any RPS procurement approved through this proceeding incorporate a market signal for RPS-eligible resources that reduce, defer, or avoid expensive transmission investments.

The current market fails to realize this principle because TAC distort market signals for distributed resources. Distributed generation projects deliver energy to customers without using transmission capacity, whereas centralized projects use up transmission system capacity and incrementally increase demand for additional transmission build. However, the California Independent System Operator (CAISO) charges investor-owned utilities TAC on every kilowatt-hour of electricity that crosses their customers' meters—regardless of whether that energy is actually delivered via the transmission grid. By attaching a transmission cost to energy from distributed generation, CAISO's method artificially makes local energy appear more expensive, artificially decreases the true transmission costs of transmission-reliant centralized resources, and decreases the value of distributed energy resources.

In order to ensure that only the most cost-effective resources are procured and that only cost-effective infrastructure is approved, any RPS procurement should address or compensate for this market failure by including a market signal for the use of transmission capacity. Improving the accuracy of market signals for the cost of delivering energy would result in more efficient

² Large-Scale Solar Association comments at 5.

procurement outcomes and more distributed generation. The Clean Coalition estimates that improved market signals for avoided transmission use would save ratepayers over \$38.5 billion in avoided transmission investment and costs over the next 20 years. Below, we projected the increase in the TAC rate corresponding to the “business as usual” increase in transmission revenue requirements and contrast this with the estimated change in TAC rate under a corrected TAC methodology that provides more accurate market signals associated with cost causation. Correcting the market would result in more DER development and slowed growth in the demand for new transmission infrastructure. By avoiding or delaying transmission investments, correcting the market signals for transmission usage would save ratepayers billions of dollars in avoided transmission costs, represented by the area between the two curves.



In addition to the projections above, recent evidence already shows that distributed energy resources have provided major ratepayer savings from avoided infrastructure projects. For example, last year, the CAISO cancelled the \$115 million Central Valley Power Connect project on hold due to the rapid growth of solar power in the central San Joaquin valley.³ Similarly, Pacific Gas & Electric (PG&E) recently cancelled a \$192 million transmission project due to the impact of energy efficiency measures and the rapid growth in distributed generation.⁴ Track 1 of the Distributed Resources Plan proceeding (R.14-08-013) is addressing estimated

³ Sheehan, Tim, “Solar growth puts Fresno high-voltage line on hold,” *The Fresno Bee* (Dec. 20, 2016), available at <http://www.fresnobee.com/news/local/article122063189.html>.

⁴ Pyper, Julia, “Californians just saved \$192 Million Thanks to Efficiency and Rooftop Solar,” *GreenTech Media* (May 31, 2016), available at <https://www.greentechmedia.com/articles/read/Californians-Just-Saved-192-Million-Thanks-to-Efficiency-and-Rooftop-Solar>.

valuation assessment on this matter, as scoped for the LNBA Working Group for this year. CAISO recently launched a new stakeholder initiative to investigate this issue,⁵ and the California state legislature is also watching this issue in the context of proposed legislation Senate Bill 692 (Allen) to order CAISO to prioritize this issue.⁶

It is important to note that distributed generation provides these savings without market recognition of the value, and that a cost-efficient energy portfolio would incorporate significant DER and distributed generation in order to avoid or delay new infrastructure investment. Cost-effective infrastructure decisions rely on the correction of this market distortion, and we recommend that any new RPS procurement consider this distortion in determining market outcomes. We would encourage the Commission to require any RPS procurement to incorporate an adder for any resources that would require use of the transmission system to delivery energy and/or services to customers.

III. CONCLUSION

The Clean Coalition appreciates the opportunity to comment and looks forward to working with the Commission and stakeholders on these issues moving forward.

Respectfully submitted,



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Dated: September 1, 2017

⁵ Additional information is available on the California ISO's "Review transmission access charges structure" stakeholder initiative page at <https://www.caiso.com/informed/Pages/StakeholderProcesses/ReviewTransmissionAccessChargeStructure.aspx>.

⁶ See Senate Bill 692 (Allen); information available at https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180SB692.

VERIFICATION

I, Katie Ramsey, am the attorney for the Clean Coalition for this proceeding. I am authorized to make this verification on the organization's behalf. The statements in the foregoing document are true of my own knowledge, except for those matters that are stated on information and belief, and as to those matters, I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on September 1, 2017, at Redwood City.

Respectfully submitted,

A handwritten signature in black ink that reads "K Ramsey". The signature is written in a cursive, flowing style.

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Dated: September 1, 2017