BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Integrate and Refine Procurement Policies and Consider Long-Term Procurement Plans.	Rulemaking 12-03-014 (Filed March 22, 2012)

CLEAN COALITON'S REPLY COMMENTS ON JOINT LTPP/ENERGY STORAGE WORKSHOP TOPICS

Whitney Richardson
Kenneth Sahm White
Clean Coalition
2 Palo Alto Square
3000 El Camino Real, Suite 500
Palo Alto, CA 94306
510-334-5890
831-425-5866
whitney@clean-coalition.org
sahm@clean-coalition.org

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In accordance with the Administrative Law Judge's ruling of September 14, 2012, the Clean Coalition provides these reply comments on the joint Long Term Procurement Planning (LTPP)/Energy Storage Workshop, held September 7, 2012.

The Clean Coalition is a California-based nonprofit organization whose mission is to accelerate the transition to local energy systems through innovative policies and programs that deliver cost-effective renewable energy, strengthen local economies, minimize environmental impacts, and enhance energy security.

To achieve this mission, the Clean Coalition promotes proven best practices, including the vigorous expansion of Wholesale Distributed Generation (WDG) — a market segment defined by renewable energy generation that connects to the distribution grid and serves local load. The Clean Coalition drives policy innovations that remove barriers to effective procurement, interconnection, and compensation. Furthermore, the Clean Coalition actively supports the deployment of Intelligent Grid (IG) market solutions — such as demand response, energy storage, forecasting, and communications — to complement higher levels of clean local energy generation.

The Clean Coalition is active in proceedings at the California Public Utilities Commission, the Federal Energy Regulatory Commission, and related federal and state agencies throughout the United States. The Clean Coalition also designs and implements WDG and IG programs for local utilities and governments around the country.

Discussion

I. Utility RFOs Should Explicitly Acknowledge the Loading Order

The September 14th ruling asked what changes parties would make to the IOU procurement process. The utilities have stated that in many cases, preferred resources do not win RFOs.[1] Other parties, including DRA and CEJA, replied similarly to the Clean Coalition that the preferred loading order must be reflected and further integrated into the procurement process. SCE notes however that procurement of preferred loading order products should reflect their ability to meet need and cost effectiveness. The Clean Coalition has consistently shared this view, as have other parties, and we continue to bring attention to the importance of expanded recognition of costs and benefits when evaluating cost effectiveness.

Set asides through an IOU portfolio process have not resulted in any significant increase in the number of preferred resources beyond the minimums required,[2] and do little to match resource characteristics with the locations where they offer the greatest benefit. The Commission should be looking to establish a metric for evaluating resources in RFOs which includes the benefits of preferred resources, as envisioned by policy makers. This would allow resources to compete more fairly without creating specific carve-outs, in response to reasonable concerns expressed TURN[3], DRA[4] and PG&E[5]. AB32 performs this role for the benefit of lower GHG emissions, but there are other attributes that are not currently valued. This sort of cost-effectiveness assessment is currently being performed in the Energy Storage proceeding, but the cost effectiveness metrics of other preferred resources such as energy efficiency and demand response should be.

The Clean Coalition agrees with parties such as CAISO that the preferred loading order should be respected and that the Commission should be focused on finding a way to ensure that these resources are procured with respect to a comprehensive Least Cost-Best Fit (LCBF) perspective. We agree with both TURN and DRA, among others, that the evaluation criteria currently used in RFOs may, in many circumstances, disadvantage one or more preferred resources by failing to comprehensively consider their benefits. As we have noted previously, such benefits include location, with targeted local distributed resources able to provide substantial locational advantages, including avoided energy losses, avoided upstream congestion, avoided system and network upgrades, reduced ramping and reserve requirements, and improved

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[1] Tr. 629: 6-9 (Cushnie, SCE).
[2] CPUC D. 12-01-033, *Decision Approving Modified Bundled Procurement Plans*, section 5
[3] Response of the Utility Reform Network to Post-Workshop Questions, p.3
[4] Response of the Division of Ratepayer Advocates to the ALJ Ruling Seeking Comment on Workshop Topics p.8
[5] Pacific Gas and Electric Company's Comments on September 7, 2012 Workshop Topics p.4-5

power quality and reliability; for instance, the avoided T&D investment costs during peak periods alone exceeds 3¢/kWh in many areas[6] with and additional 1¢ in avoided congestion losses.

Each technology offers a characteristic portfolio of services it can provide and failure to recognize and optimize such opportunities relative to location will undervalue the benefits of a resource and result in less cost effective procurement in total. While both SCE and CAISO note that all resources competing in an LCR RFO must meet defined requirements, this should not be taken to exclude mutually complementary resources or that each resource must meet the entire desired package of characteristics. In fact, frequently cited qualities such as flexibility and dispatchability are of little value for resources that consistently and predictably reduce the peak load as measured by the ISO – a characteristic shared by most preferred resources when located on the distribution grid, including efficiency, demand response, wholesale and customer sited (net metered) generation, and even energy storage when providing services other than bulk storage.

Other parties, including CEJA and DECA also outlined proposals that seek to better incorporate the loading order into the RFO process. CEJA's proposal[7] of a phased RFO approach merits further consideration. This proposal may allow for the best portions of an all-source RFO and a portfolio approach. Developers of preferred resources have the first opportunity to present, but know that if their projects are not available or comparable in costs to other preferred resources, that the utility will quickly move on to other resources. Of course, metrics for this approach will have to be developed, as CEJA has mentioned.

We recognize that precise evaluation of cost effectiveness associated with multiple criteria over extended timescales can be impractical. Such values may be well known on average but difficult to assign individually, or may be known to exist under current circumstances but difficult to project over the term of a contract. However, failure to incorporate uncertain value ensures undervaluation. Preferred resources may be assigned categorical weighted value in the absence of precise determination as needed to ensure that LCBF incorporates comprehensive criteria.

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[6] CPUC R.06-02-12, *Rulemaking to Develop Additional Methods to Implement the California Renewables Portfolio Standard Program, Pre-Workshop Comments of GreenVolts, Cleantech America, and Community Environmental Council on the 2008 Market Price Referent,* March 6, 2008, p. 15. Table—E3 Model T&D Values (levelized 20-year in 2008$).

[7] California Environmental Justice Alliance's Comments Related to the Loading Order, p2-4

We agree with CESA in requesting that energy storage should be explicitly stated as being able to compete in RFO's and that, like FERC's pay for performance adder, the ability of energy storage to provide multiple benefits, such as reducing congestion costs, improving system efficiency and integration of renewable generation should be recognized in bidding processes. We would go further and emphasize that energy storage should be included in the loading order.

II. Preferred Resources and Energy Storage Should Not Be Required to Conform to Standards Intended for Gas-Fired Generation

The Clean Coalition disagrees with SCE's proposed mechanism for determining the net qualifying capacity (NQC) of energy storage.[8] 3 or more hours of capacity is unreasonably oversized for anything but bulk energy storage on the transmission grid. Preventing such a device from discharging or performing multiple functions ignores the multiple benefits that energy storage can provide for renewable integration and other grid services. Energy storage should not be made to fit into a box created for traditional generation. We would like to reiterate, in agreement with many other parties including CESA, that the Resource Adequacy proceeding, where issues of NQC are decided, should release a new schedule as soon as possible and address the matter of NQC for these resources.

Similarly, we agree with EnerNOC, CAISO, CEERT, PG&E and DRA that there is absolutely no need for long lead times for demand response programs as SCE has asserted and that 3-5 year contracts for demand response should be considered. The long lead times that are required to establish financing and construction of traditional generation are inappropriate for demand response and one of the chief benefits of demand response is its flexibility and speed of deployment.

III. Preferred Resources Should Be Allowed to Serve Local Capacity Resource (LCR) Needs

Although parties generally seemed in agreement that preferred resources should be able to compete wherever they are able to, there is some disagreement on whether they can contribute to LCR needs. The Clean Coalition believes that a wide variety of resources can contribute to LCR needs, whether through capacity or peak shaving. CAISO's comments that demand response should not be counted in Local Capacity Areas (LCA) unless they are auto-demand

[8] Comments of Southern California Edison Company on the Joint LTPP/Storage Workshop, Held September 7, 2012, p.15-16

response and EnerNOCs comments that demand response meets LCR need in other markets along with their assertion that 1200 MW of dispatchable demand response exists in the LA Basin[9] should be compared. If demand response can meet LCR need in other markets without necessarily being auto demand response, CAISO should examine these programs to see how they might be implemented in California instead of dismissing them.

The Clean Coalition also disagrees with SCE's assertion that introducing an LCR element to RAM-type mechanisms would only benefit developers seeking incentives based on location. While these procurement processes may not be the only venue for procuring preferred resources, we agree with DRA, TURN and CEJA that if these procurement mechanisms are able to contribute to meeting LCR need, they should be allowed to. Moreover, if the more urgent needs or long term resource development goals point toward locating resources where LCR needs exist, it is hardly inappropriate to allow current procurement programs to contribute; as the demand is met competitive adjusted pricing will support the overall LCBF balance in procurement. We also agree with DECA that distributed photovoltatic solar generation can compete most effectively against traditional generation in transmission constrained areas. The Commission should see once-through-cooling retirement driven procurement and the possible retirement of the San Onofre Nuclear Generating Station as an opportunity to allow distributed photovoltatic solar generation to contribute where it is most cost-effective.

IV. Conclusion

We hope that the Commission will keep these recommendations in mind for the progression of the LTPP proceeding.

Respectfully submitted,

/s/ Kenneth Sahm White
Kenneth Sahm White

/s/Whitney Richardson
Whitney Richardson

Clean Coalition
2 Palo Alto Square

[9] Comments of EnerNOC, INC. on Workshop Topics Identified in ALJ's Ruling of September 14,2012, p.2

3000 El Camino Real, Suite 500
Palo Alto, CA 94306
831-425-5866
510-334-5890
sahm@clean-coalition.org
whitney@clean-coalition.org

Dated: October 23, 2012