

**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 18-07-003

**CLEAN COALITION REPLY COMMENTS IN RESPONSE TO THE
ADMINISTRATIVE LAW JUDGE'S RULING AND STAFF PROPOSAL WITH
PROPOSED MODIFICATIONS TO THE RENEWABLE MARKET ADJUSTING
TARIFF PROGRAM**

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July 28, 2020

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I. INTRODUCTION

Pursuant to Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”) the Clean Coalition submits these reply comments on the Administrative Law Judge’s (“ALJ”) Ruling and Staff Proposal regarding proposed modifications to ReMAT, issued in the above captioned proceeding on June 26, 2020. The majority of parties that submitted comments found the Staff Proposal to be lacking for a number of reasons, including the skewed data used in the pricing methodology and the a departure of market responsive pricing that is central to ReMAT.

Summary

- Multiple parties commented on the skewed nature of the data used in the Staff Proposal to determine administratively set prices. The Clean Coalition is in firm agreement with these parties, especially a GPI comment that, “only distribution-interconnected projects be included.”¹ In addition to the clear differences in time-of-delivery (TOD) values current RPS contracts compared to previous RPS contracts, which GPI, the ReMAT Coalition, California Wind Energy Association (CalWEA), Vote Solar and the Public Advocates Office (Cal Advocates) are keen to point out, the difference in total project size (MW) of the data set compared to actual ReMAT project sizes makes for an unreasonable comparison. The Clean Coalition also agrees with ReMAT comments that astutely consider that ReMAT projects rely on additional revenue streams to become economically viable, including federal tax credits, which are decreasing in the next few years.

¹ GPI comments, page 2

- In addition to the Clean Coalition, multiple parties (GPI and ReMAT Coalition,) support a two-track proceeding to first re-open ReMAT and then to create the ideal ReMAT program in the long-term. This is important in part to sustain demand for the tariff, but also to consider issues that have not previously been a focus of the proceeding, namely the inclusion of co-located storage. The Clean Coalition supports assertions made by GPI and CESA about the need to consider storage, which has the potential to allow energy to be used in the most ideal fashion, rather than conforming to the baseload, peaking, and as-available electricity tranches mentioned in the Staff Proposal.² California Public Utilities Code section 399.20 (2) states that the Commission shall, “establish a methodology... in consideration,” which does not require the Commission to **actually use** those segments for ReMAT contracts, only to discuss them in the creation of a final methodology.³ A truly effective ReMAT program should not limit projects, it should promote the most economical projects to be deployed. In the current market clean energy, that necessitates a thorough consideration of paired storage.
- GPI, ReMAT Coalition and CalWEA all support the Commission re-opening the existing ReMAT program. Multiple parties, including the Clean Coalition support re-opening with modifications. It sets a dangerous precedent if the Commission chooses to create an entirely new ReMAT program, stranding existing projects, without the proper legal justification to do so, or any substantive guarantee that the “new” ReMAT will actually lead to the necessary amount of procurement to meet state-mandated goals.
- As GPI mentions, as part of due process in this proceeding, the Commission must consider existing Petitions for Modification (PFMs), of which the Clean Coalition has two. The Clean Coalition PFM of D.12-05-035 suggests expanding capacity, adding a locational adder, considering mitigation of local environmental compliance costs, changing the “strategically located” test to a bright line test, and shifting to an 18 month plus extension for circumstances outside of a developer’s control, and other (small and major) changes.⁴ The Clean Coalition PFM on D. 12-05-034 contains important changes

² § 399.20(2)(c)

³ § 399.20(2)

⁴ <https://clean-coalition.org/wp-content/uploads/2019/01/Clean-Coalition-and-CALSEIA-PFM-of-D.12-05-035.pdf>

and factual errors that should be corrected going forward.⁵ In both cases, the Commission refusing to consider these PFMs is skirting around existing procedure. Many of these issues continue to be raised in opening comments of parties besides the Clean Coalition (e.g. a locational adder and local environmental compliance costs to name a few).

Avoiding the policy concerns does not make them go away; if anything, they are more important than ever which must be raised in any discussion about an effective ReMAT.

- Cal Advocates, the ReMAT Coalition and CalWEA agree that the program does not need to comply with PURPA since the Commission already has a primary PURPA-compliant program (e.g. the SOC program for QFs 20 MW and under). Thus, the focus of this proceeding must be creating an ideal ReMAT, rather than a Staff Proposal focused on avoiding lawsuits.
- GPI and the ReMAT Coalition agree with the Clean Coalition that the Staff Proposal does not come anywhere close to representing a true avoided cost of energy. There is no focus on a value of resilience, locational costs, and properly calculating Transmission Access Charges (TAC). As such, the Staff Proposal must be denied.
- Any IOU proposal that focuses on comparing renewables pricing with fossil fuel generation must not be considered — it is out of the scope of this proceeding. To even consider comparing the pricing of distribution interconnected ReMAT projects (3 MW and under) to remote generation fossil fuel peaker plants and other related bulk fossil fuel generation would be an egregious error. It is entirely inconsistent with intention of SB 32 and antithetical to the purpose of RPS standards.

II. DESCRIPTION OF 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 (“DER”) — such as local renewables, demand response, and energy storage — and we establish market mechanisms that realize the full potential of integrating these solutions for optimized economic, environmental, and resilience

⁵ https://clean-coalition.org/wp-content/uploads/2019/01/Clean-Coalition-PFM-of-D.13-05-034-th_10-June-25-2013.pdf

benefits. The Clean Coalition also collaborates with utilities, municipalities, property owners, and other stakeholders to create near-term deployment opportunities that prove the unparalleled benefits of local renewables and other DER.

III. PARTY COMMENTS

a. Green Power Institute

i. The Clean Coalition supports the GPI-proposed methodology of reforming ReMAT in 2020 and expanding the program in 2021.

In a two-track system, Track 1 “2020 ReMAT”, as GPI deems it, would allow existing projects in the interconnection queue to successfully contract after years of waiting, in a manner consistent with federal orders.⁶ This aligns with Clean Coalition opening comments, which remarked on the importance of temporarily applying ReMAT, in part, to assure that demand will be met and will continue to exist to sustain a future tariff. More importantly, as the Commission notes in the Staff Proposal, each of the three IOUs is already ahead of targeted goals for RPS procurement. Without a strict order from the Commission, there is no reason for them to continue focusing on small distributed generation projects as would be deployed via ReMAT; the focus has been and continues to be on remote generation.

The Clean Coalition also supports GPI proposals for Track 2 that would include, “a more extensive re-visit and expansion of the program, also compliant with the federal orders but designed to provide a comprehensive procurement program for DERs under 3 megawatts.”⁷ Under the original ReMAT program, it does not appear that the IOUs will reach their target procurement goals without some sort of expansion, especially if there is an option to shut the entire program in an IOU’s service territory after one tranche is filled (as demonstrated by SDG&E comments). Regardless of this intention by the IOUs, the fact remains that under the law and CPUC regulation, there is a requirement to fulfill a certain amount of renewable procurement via ReMAT that will not occur without revisions to the program and an expansion. The *Winding Creek order* stated that program caps were not legal; the Clean Coalition agrees in part with GPI’s statement about the total program cap, especially if it is required for compliance.

⁶ GPI comments, page 1

⁷ GPI comments, *ibid*

While we would not currently go as far as to say that the program cap should be removed entirely, it is worth considering in a Track 2 discussion.

ii. The Clean Coalition agrees that only projects interconnected to the distribution grid should be considered in a data set.

ReMAT projects are 3 MW and under; the data set that determines prices should be representative of that fact, which the Staff Proposal is not. That should be reason enough to reject it and consider alternatives as mentioned in opening comments. GPI mentions, as the Clean Coalition did in its opening comments, that a limit of 3 MW and under is synonymous for projects interconnected to the distribution grid and thus the contracts used to determine prices should reflect that. Importantly, realizing this also provides an important rationale for properly calculating TAC on all ReMAT projects and the addition of a locational adder (both of which GPI supports). If ReMAT projects do not use the transmission grid, they should not be charged for it.

iii. The Clean Coalition supports GPI's suggestion about volumetric pricing and believes it merits a serious discussion.

In the original ReMAT proceeding, the Clean Coalition favored a FIT with market responsive pricing, and ideally, a dispatchability adder. With no discussion about including storage, there was not any consideration about a dispatchability adder. In the view of the Clean Coalition, the ideal pricing mechanism continues to be a FIT with four adders, which can be viewed in Appendix A of the Clean Coalition's opening comments, a FIT the Clean Coalition developed for the City of San Diego.⁸ That being said, the GPI recommendation that, "the Commission mimic the positive example of the CSI and enact a declining volumetric ReMAT price mechanism," achieves a market responsive tariff in a way that the Staff Proposal simply does not (and cannot).⁹ GPI's proposed mechanism, a, "declining volumetric pricing approach where price would decline by 10 percent for every 50 MW step, settling after ten steps at an uncapped step," would be most effective if ReMAT were to be expanded (or the cap removed) to guarantee no IOU shuts down a program before the pricing mechanisms takes effect.¹⁰ It is possible to utilize volumetric pricing and still include adders (e.g. a locational adder, a

⁸ <https://clean-coalition.org/san-diego/>

⁹ GPI comments, page 13

¹⁰ GPI comments, page 3

dispatchability adder, or proper TAC calculations). Both these pricing mechanisms deserve ample time for discussion and debate. A track 2 of the proceeding would be the perfect stage for such an expanded discussion; solutions developed would create the framework for a ReMAT that is both *efficient and effective*.

iv. The Clean Coalition agrees that there is a definite need for considering the merits of co-located storage.

To maximize the resilience benefits a ReMAT project can offer to the local distribution grid, it is essential that this proceeding considers co-located storage. The Clean Coalition agrees that co-located storage, “should be included in the new ReMAT, either in Track 1 or, if controversial, in Track 2.”¹¹ Adding rules for storage is necessary to include a dispatchability adder (with market responsive pricing). ReMAT offers a model for programs on both a state and local level and thus, should reflect the current energy market that values storage. Storage greatly increases the value of energy, especially for projects deployed in locations frequently subject to outages of PSPS.

b. Vote Solar

i. The Clean Coalition disagrees with Vote Solar about the superior nature of a Reverse Auction Mechanism, since an auction is by nature, not a Feed-In Tariff.

An auction negates the whole concept of a standard offer and leaves participants not knowing what pricing is available or whether they will get a contract. Part of the reason that a Feed-In Tariff is needed in the state to develop renewable energy projects on the distribution grid is exactly because auctions are so ineffective. Vote Solar advocates for a reverse auction for each project category, but continues to state, “assuming sufficient program participation can be achieved for an auction to be effective,” which demonstrates a central flaw in the auction mechanism.¹² An auction only determines a fair market rate if there is sufficient demand — a shot in the dark considering the huge barriers to entry, including huge overhead costs. With the limitations to even participate in an auction, there is no reason to think that a reverse auction would successfully create the demand needed to determine a realistic revision to ReMAT. Each round of an auction process drives up prices with the focus of fulfilling the necessary MW, rather

¹¹ GPI comments, page 2

¹² Vote Solar comments, pages 2-3

than the fair market rate as determine by a FIT. An auction process also creates unhealthy “race to the bottom” on pricing that results in contracts being awarded without any assurance that the projects can actually be built at the contract price while failing to award contracts to realistic projects. A RAM-like mechanism does not represent a market rate or the true avoided cost of energy.

c. Joint IOU

i. The Clean Coalition vehemently opposes Joint IOU comments suggesting ReMAT projects should be priced based on RPS contracts and fossil fuel generation.

The Joint IOU comments include the phrase, “the Staff Proposal does not justify why only RPS contracts should be examined. The statute authorizing ReMAT indicates that in pricing ReMAT contracts the Commission should take into account all resources and all contracts, as there is no mention of RPS or renewables in the pricing provision.”¹³ This statement falsely attempts to put the onus on the Commission to determine the reasoning behind pricing renewable contracts for ReMAT based solely on RPS contracts. While the Clean Coalition disagrees with the pricing methodology the Staff Proposal uses, the rationale to determine market prices with the same type of resource makes sense. It, however, does not make any sense to consider the prices of fossil fuel generation in determining prices for ReMAT projects, much less remote bulk fossil fuel generation. The irony of the joint IOU comments is that while PG&E and SCE state that because the Staff Proposal does not explain why only renewable contracts are used to determine prices, other resources should be considered, the IOU’s comments do not explain why it is relevant *or* necessary to use fossil fuel generation contracts. The IOU comments fail to meet the very burden of proof that they try to apply to the Staff Proposal. Simply stating that there is nothing that limits the methodology to renewables isn’t good enough; in an RPS rulemaking about ReMAT — a Renewable tariff — there is absolutely no reason to include fossil fuel generation. Doing otherwise is fundamentally opposed to the purpose of ReMAT and for the IOUs to suggest it without a serious explanation, frankly, is hypocritical.

ii. While the Clean Coalition fundamentally disagrees with the IOU Proposal, it does underscore the need for a two-track proceeding.

¹³ Joint IOU comments, page 3

The IOU Proposal suggests that the Commission, “price the ReMAT contracts the same as the new Standard Offer Contract (“New SOC”) approved in D. 20-05-006 and adjust the duration of the ReMAT contract to comply with the statute,” which focuses on PURPA compliance for ReMAT more than it does the actual merits of using such a pricing scheme.¹⁴ The New SOC is offered to QFs 20 MW or lower; while this encompasses the range of projects that apply for a contract under ReMAT, the vast majority of project are over the size limit. Any such pricing mechanism could not be evenly applied to ReMAT — it would require substantial changes. This suggestion, as well as the IOU concern about, “the lack of ability to enforce a shaped generation profile through the ReMAT contract,” provides ample evidence of the need for a two-track proceeding to consider the concern and solutions.¹⁵ Regardless of the Clean Coalition’s difference in position with the Joint IOU comments, it is clear that the Staff Proposal does not answer these questions; an expanded rulemaking is the only way to fully address all concerns.

d. Cal Advocates

i. The Clean Coalition agrees that the Commission should host workshops to consider pricing proposals; it is a necessary step in a two-track rulemaking.

Cal Advocates argues, “In particular, the Commission should host workshops to consider various pricing proposals from parties to reduce the impact of older, high priced contracts.”¹⁶ Just considering the Clean Coalition pricing proposal, the GPI pricing proposal, and the Joint IOU’s proposal, there are at least three alternate pricing proposals, all of which agree about the basic principle that the current Staff Proposal cannot be considered sufficient or effective. A series of workshops allowing each of these organization to present alternatives is a necessary aspect of a two-track proceeding to create the ideal ReMAT program.

IV. CONCLUSION

¹⁴ Joint IOU comments, page 5

¹⁵ Joint IOU comments, page 8

¹⁶ Cal Advocates comments, page 4

The Clean Coalition appreciates the opportunity to submit these reply comments in response to the ReMAT ALJ ruling and Staff Proposal. The common theme among opening comments is that ReMAT is a complicated subject and a short process to approve the first solution the Commission proposes is not the answer. If there is urgency to get ReMAT up and running, the effective method — supported by the Clean Coalition and multiple other parties — is to create a two-track proceeding to answer short-term and long-term concerns. Most importantly, a new ReMAT program must represent the current energy market to sustain project demand. The Staff Proposal clearly does not do this. The Clean Coalition urges the Commission to deny the Staff Proposal and consider a more effective FIT using the model the Clean Coalition created for the City of San Diego.

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