

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Continue
Implementation and Administration of
California Renewables Portfolio Standard
Program.

Rulemaking 11-05-005

(Filed May 5, 2011)

**REPLY OF THE CALIFORNIA WIND
ENERGY ASSOCIATION TO RESPONSE OF
SOUTHERN CALIFORNIA EDISON COMPANY
TO PETITION FOR MODIFICATION
OF DECISION 13-05-034**

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January 27, 2017

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I. INTRODUCTION

Pursuant to Rule 16.4(g) of the California Public Utilities Commission’s (“Commission”) Rules of Practice and Procedure and with the permission of Administrative Law Judge (“ALJ”) Simon, granted by email on January 20, 2017, the California Wind Energy Association (“CalWEA”) respectfully submits this Reply of the California Wind Energy Association to Response of Southern California Edison Company to Petition for Modification of Decision 13-05-034 (“Reply”).

On December 15, 2016, CalWEA filed a Petition for Modification of Decision 13-05-034 (“Petition”) in which CalWEA requested that the Commission issue an order modifying Decision 13-05-034 (the “ReMAT Contract Decision”) to allow projects that utilize shared transformers or other shared facilities to participate in the Renewable Market Adjusting Tariff (“ReMAT”) program. On January 17, 2017, Southern California Edison Company (“SCE”) filed a response to the Petition (the “SCE Response”) in which SCE opposed CalWEA’s request based on SCE’s assertions that (1) the ReMAT program’s pricing mechanism does not allow SCE to obtain the

benefit of cost savings resulting from shared facilities;¹ (2) the standard contract used in the ReMAT program (“ReMAT Contract”) does not accommodate the allocation of risk resulting from the use of shared facilities;² (3) projects utilizing shared facilities have alternatives to ReMAT, such as the general Renewables Portfolio Standard (“RPS”) solicitation or qualifying facility (“QF”) standard contracts;³ and (4) allowing projects with shared facilities to participate in ReMAT would make it difficult to enforce restrictions on dividing larger projects into smaller projects to meet the ReMAT size limits.⁴

The Commission should grant CalWEA’s Petition, notwithstanding SCE’s objections, because SCE’s concerns are misplaced and ignore the policy framework for the ReMAT program as well as SCE’s own experience with other procurement programs based on standard contracts, like the Renewable Auction Mechanism (“RAM”). Specifically:

(A) SCE’s assertion that ReMAT pricing does not allow SCE to obtain the benefit of cost savings attributable to shared facilities ignores the Commission’s policy determination that ReMAT pricing should be based on market response, not estimated project costs;

(B) SCE’s assertion that the ReMAT Contract is a standard contract and therefore does not accommodate allocation of risks relating to shared facilities ignores SCE’s own experience with the RAM program, where SCE successfully accommodated projects utilizing shared facilities while using a standard contract;

¹ SCE Response at 2.

² *Id.*

³ *Id.* at 3.

⁴ *Id.*

(C) SCE's assertion that these projects have viable alternatives, such as the RPS solicitation or QF standard contracts, ignores major differences between the ReMAT program and these alternatives, and ignores the fact that all ReMAT-eligible projects have access to these alternatives, but the ReMAT program exists specifically to provide a separate opportunity for strategically-located, RPS-eligible projects of not more than 3 MW; and

(D) SCE's assertion that projects with shared facilities will make it difficult to enforce restrictions on dividing larger projects into smaller projects to meet the ReMAT program's 3-MW size limit ignores SCE's own experience with the RAM program, where SCE successfully accommodated projects utilizing shared facilities while enforcing a similar restriction on subdividing projects to meet the RAM program's 20-MW size limit.

Each of these conclusions is discussed in further detail below.

II. DISCUSSION

A. **SCE's Assertion That ReMAT Pricing Does Not Allow SCE to Obtain the Benefit of Cost Savings Attributable to Shared Facilities Ignores the Commission's Policy Determination that ReMAT Pricing Should Be Based On Market Response, Not Estimated Project Costs**

SCE asserts that the use of shared facilities results in costs savings, so pricing should be lower, but the ReMAT program utilizes an administratively-determined price, so SCE's customers are unable to share in the cost savings.⁵

SCE's assertion ignores the Commission's policy determination that ReMAT pricing should be based on market response, not estimated project costs. In Decision 12-05-035, the

⁵ SCE Response at p. 2.

Commission rejected proposals to establish ReMAT pricing based on “administratively-determined calculations to establish a price based on the costs plus a fair rate of return to build and operate” a project because “this method of calculating price will weaken the ability for competition to control contract costs.”⁶ Instead, the Commission adopted the current ReMAT pricing methodology, where the starting ReMAT price is subsequently adjusted based on market response to the current price rather than the cost of underlying projects.⁷ Thus, SCE’s suggestion that it should receive a price reduction based on cost savings is effectively an inappropriate request for the Commission to revisit its prior decisions on the ReMAT pricing methodology.

Moreover, SCE’s assertion appears to presume, without any explanation, that there is a windfall to be captured by the generator, but the history of the ReMAT program’s as-available non-peaking product type suggests otherwise. Through Program Period 19, SCE reports that it has awarded 9.05 MW of as-available non-peaking ReMAT Contracts, with 40.617 MW remaining.⁸ These results suggest that the current price has not even been sufficient to meet the Commission’s policy goal to “stimulate market demand,”⁹ much less create an opportunity to capture windfalls. However, allowing developers to retain any cost savings resulting from shared facilities will help stimulate demand at the current ReMAT price.

⁶ D. 12-05-035 at 35.

⁷ *Id.* at 38.

⁸ See Re-MAT Capacity Calculations Program Period 19.pdf, available at <https://sceremat.accionpower.com/ReMAT/documents.asp?Col=DateDown>.

⁹ D. 12-05-035 at 19.

B. SCE’s Assertion That the ReMAT Contract Is A Standard Contract And Therefore Does Not Accommodate Allocation of Risks Relating to Shared Facilities Ignores SCE’s Own Experience With the RAM Program, Where SCE Successfully Accommodated Projects Utilizing Shared Facilities While Using a Standard Contract

SCE asserts that the ReMAT Contract “does not accommodate the allocation of risk required for sharing facilities” and that allowing projects with shared facilities to participate in the ReMAT program “would undermine the program’s goal of administrative ease and low transaction costs.”¹⁰

SCE’s assertion ignores SCE’s own experience with the RAM program, where SCE successfully accommodated projects utilizing shared facilities while using a standard contract. In Advice 3003-E, SCE explained that it was revising its non-negotiable, standard contract for the RAM 5 solicitation to integrate “optional language (to be removed if not applicable to specific projects in the selection/PPA execution phase) . . . related to shared facilities, which should further enhance the efficiency of the RAM procurement process.”¹¹ In response to the Commission’s directive in Decision 15-12-025 to allow projects that utilize shared transformers and low-side metering or other shared facilities to participate in RPS solicitations,¹² SCE incorporated additional optional provisions into its RPS form of standard contract.¹³

Thus, SCE is fully capable of accommodating projects utilizing shared facilities and allocating any resulting risks while still utilizing a standard contract in order to maintain the goal of administrative ease and low transaction costs.

¹⁰ SCE Response at 2-3.

¹¹ SCE Advice 3003-E at 8. SCE also explained that it had successfully accommodated projects with shared facilities in prior RAM solicitations even without any express language in the standard contract relating to shared facilities. *Id.* at 7.

¹² D. 15-12-025 at 104.

¹³ *See e.g.*, Southern California Edison Company’s 2016 Renewables Portfolio Standard Procurement Plan, R. 15-02-020 (August 8, 2016).

C. SCE’s Assertion That These Projects Have Viable Alternatives, Such As the RPS Solicitation or QF Standard Contracts, Ignores Major Differences Between the ReMAT Program and These Alternatives, and Ignores the Fact That All ReMAT-Eligible Projects Have Access to These Alternatives, But the ReMAT Program Exists Specifically to Provide A Separate Opportunity for Strategically-Located, RPS-Eligible Projects of Not More Than 3 MW

SCE asserts that projects utilizing shared facilities should not be permitted to participate in the ReMAT program because these projects “have viable alternatives to ReMAT, such as RPS or QF standard offer contract.”¹⁴

SCE’s assertion ignores major differences between the ReMAT program, on the one hand, and the general RPS solicitation and QF standard offer contract, on the other hand. The ReMAT program is a feed-in tariff program offering generators a rolling opportunity to obtain a ReMAT Contract with a fixed price that is known in advance and fixed for the duration of the contract term. In contrast, the general RPS solicitation offers a fixed price for the duration of the contract term, but the level of the fixed price and the ability to obtain a contract are uncertain because the solicitation timing and volume is inconsistent and prices result from competitive bidding. The QF standard offer contract offers a rolling opportunity to obtain a contract, but the pricing under that contract varies throughout the contract term. Thus, neither the general RPS solicitation nor the QF standard offer contract presents a viable alternative to the ReMAT program.

Moreover, SCE’s assertion ignores the fundamental point that the ReMAT program was adopted to implement state policy “to encourage electrical generation from small distributed generation that qualifies as “eligible renewable energy resources” under the RPS [p]rogram with an effective capacity of 3 megawatts (MW) or less and, among other things, strategically located

¹⁴ SCE Response at 3.

on the distribution grid.”¹⁵ While SCE claims that projects with shared facilities have access to alternatives, the reality is that all ReMAT-eligible projects, not just projects using shared facilities, have access to the RPS solicitation and QF standard offer contract. Notwithstanding the availability of these potential alternatives, the Legislature enacted a statute, and the Commission subsequently established the ReMAT program, to provide a separate, independent procurement opportunity for strategically-located, RPS-eligible projects with a capacity of not more than 3 MW.

Thus, SCE’s claim that there are available alternatives to the ReMAT program does not justify precluding otherwise-eligible projects with shared facilities from participating in the ReMAT program.

D. SCE’s Assertion That Projects With Shared Facilities Will Make It Difficult to Enforce Restrictions on Dividing Larger Projects Into Smaller Projects to Meet the ReMAT Program’s 3-MW Size Limit Ignores SCE’s Own Experience With the RAM Program, Where SCE Successfully Accommodated Projects Utilizing Shared Facilities While Enforcing a Similar Restriction on Subdividing Projects to Meet the RAM Program’s 20-MW Size Limit

SCE asserts that projects with shared facilities will make it difficult to enforce the “No Daisy Chaining” provision of the ReMAT program, which prohibits dividing larger projects into smaller projects to meet the ReMAT program’s 3-MW size limit.¹⁶

SCE’s assertion ignores SCE’s own experience with the RAM program, where SCE successfully accommodated projects utilizing shared facilities while enforcing a similar restriction on subdividing projects to meet the RAM program’s 20-MW size limit. Similar to the ReMAT program’s “No Daisy Chaining” provision, the RAM program included a requirement

¹⁵ D. 12-05-035 at 3-4 (citing Cal. Pub. Util. Code §399.20(a) and (b)(1)-(4)).

¹⁶ *Id.*

that prohibited breaking up or subdividing larger projects to avoid the 20-MW project size limit.¹⁷ Yet, as explained further in Section II.B., above, SCE successfully allowed projects with shared facilities to participate in its RAM program.

Thus, SCE is fully capable of accommodating projects utilizing shared facilities in the ReMAT program while still enforcing the “No Daisy Chaining” provision.

III. CONCLUSION

As described above, SCE’s concerns about allowing projects with shared transformers or other shared facilities to participate in the ReMAT program are misplaced and ignore the policy framework for the ReMAT program as well as SCE’s own experience with other procurement programs based on standard contracts, like the RAM program.

Thus, for the reasons described in the Petition, CalWEA requests that the Commission modify Decision 13-05-034 to (1) direct PG&E, SCE, and SDG&E to accept ReMAT program participant requests for projects that utilize shared transformers or other shared facilities, and (2) direct PG&E, SCE, and SDG&E to modify the ReMAT Contract to allow projects to utilize shared transformers or other shared facilities. Specifically, PG&E, SCE, and SDG&E should each be required to (a) begin accepting ReMAT program participant requests from otherwise-eligible projects utilizing shared transformers and low-side metering or other shared facilities (including shared interconnection agreements) immediately upon the effective date of a decision granting this Petition to Modify, and (b) submit, within thirty (30) days after the effective date of a decision granting this Petition to Modify, a Tier 2 Advice Letter for approval of a revised

¹⁷ D. 10-12-048 at 44.

ReMAT Contract that expressly allows projects to utilize shared transformers and low-side metering or other shared facilities (including shared interconnection agreements).

Dated: January 27, 2017

Respectfully submitted,

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VERIFICATION

I, Nancy Rader, am the Executive Director of the California Wind Energy Association. I am authorized to make this Verification on its behalf. I declare under penalty of perjury that the statements in the foregoing copy of *Reply of the California Wind Energy Association to Response of Southern California Edison Company to Petition for Modification of Decision 13-05-034* are true of my own knowledge, except as to the matters which are therein 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 January 27, 2017, at Berkeley, California.

/s/ Nancy Rader

Nancy Rader
Executive Director, California Wind Energy Association