

**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)

**REPLY COMMENTS OF THE
CALIFORNIA WIND ENERGY ASSOCIATION
ON LEAST-COST BEST-FIT REFORM FOR RENEWABLES PORTFOLIO
STANDARD PROCUREMENT**

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*On behalf of the California Wind
Energy Association*

August 9, 2016

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I. INTRODUCTION AND SUMMARY

Pursuant to the June 22, 2016, ruling of Administrative Law Judge Anne Simon (“Ruling”), the California Wind Energy Association (“CalWEA”) respectfully submits these reply comments on issues related to reform of the Least-Cost Best-Fit (“LCBF”) bid evaluation process under the Renewables Portfolio Standard (“RPS”) program. We reply to certain comments contained in the opening remarks of the California Biomass Energy Alliance (“CBEA”), Calpine Corporation (“Calpine”), Center for Energy Efficiency and Renewable Technologies (“CEERT”), Green Power Institute (“GPI”), Ormat Technologies, Inc. (“Ormat”), Pacific Gas & Electric Company (“PG&E”), San Diego Gas & Electric Company (“SDG&E”), and Southern California Edison Company (“SCE”).

In summary, for reasons discussed below, CalWEA:

- Disagrees that elements of LCBF reform should wait until all elements of LCBF reform can be considered together, or that LCBF reform should await the implementation of Integrated Resource Planning;
- Agrees that the Commission should place a priority on addressing the energy price assumptions used in LCBF to reflect the potential for curtailment through low or negative energy prices;
- Agrees that the utilities could use their own forecasts of capacity prices if the Commission plays a more aggressive role in ensuring that the IOUs' forecasts are reasonably consistent with benchmarks derived from public sources;

- Reiterates, given corroborating comments, that the Commission should require that any transmission-congestion adders should be applied to bids without regard to deliverability status; and
- In view of the utilities' opening comments as well as CalWEA's, encourages the Commission and the CAISO to consider embarking on reform of the full capacity deliverability status ("FCDS") and Resource Adequacy ("RA") accounting processes and to look into misconceptions related to deliverability status and congestion (transmission-related curtailment) issues.

II. REPLY COMMENTS

A. Relationship Between LCBF, Optimal Portfolio and Integrated Resource Planning

In their opening comments, some parties express the view that some elements of LCBF reform should wait until the Commission can consider all elements of LCBF reform together, or that some or all elements of LCBF reform should await a complete Integrated Resource Plan ("IRP").¹ We disagree for several reasons.

First, while it might be ideal to "do everything at once," such an approach, if it is implemented in any rigorous fashion, is not practical in light of resource and timing constraints. Second, addressing individual elements of LCBF, and better coordinating them with the LTPP/IRP process, will improve RPS procurement outcomes even if a "perfect overall optimum" is not yet achieved. This is particularly true when it comes to the need to update and improve capacity valuation methods, integration cost adders, and, most urgently, to address curtailment costs, an issue that many parties, in addition to CalWEA, raised in their opening comments.² To

¹ See CEERT at p. 5 (asking that the Energy Division's Workplan be modified to move Track 3 issues forward to be considered with Track 1 issues "to avoid inappropriate, disaggregated consideration or siloed decision-making of priority issues with related, overarching impacts on procurement"); PG&E at p. 2-3 ("the determination of optimal portfolio... can be better addressed in the IRP proceeding rather than in this RPS proceeding" and "updates to the renewable integration cost adder and efforts to increase the transparency of methodologies and inputs may also be best addressed in the LTPP/IRP proceeding rather than duplicated here"); SDG&E at p. 7 ("SDG&E believes ratepayers will benefit the most by moving renewable procurement from a stand-alone RPS energy compliance-based process that does not explicit [*sic*] consider "total portfolio cost-effectiveness" to one that utilizes an integrated resource planning approach that includes clearly defined needs, cost-effective procurement, and all-source RFOs in which different supply and demand side technologies compete to meet a full range of identified of identified needs in order to achieve the State's GHG goals.").

² See opening comments of: CalWEA at p. 3-4 and 7-8; CBEA at p. 3-4; Calpine at p. 1 and 3-4; GPI at p. 4; and Ormat at p. 4.

delay the updating of these elements of LCBF would result in a continued distortion of RPS procurement results *away* from least-cost, best-fit results; moreover, the methodological improvements accomplished for LCBF can carry over to the IRP process. Finally, despite the addition of IRP provisions in statute, the laws governing the RPS program, including its mandate of LCBF procurement, remain intact. There is no reason to delay optimizing the results of RPS procurement while we await all-source IRP procurement, which (if it is pursued at all) could take years to implement. Moreover, the LCBF process should already substantially reflect system needs (e.g., via the up-to-date capacity values contemplated in the Track 1 reforms). Therefore, as long as RPS procurement continues, the Commission must continue to update and improve the LCBF process, which, in fact, is long overdue.

While CalWEA would like to see the Commission address the issue of “optimal portfolio” sooner than the proposed schedule allows, we recognize that it is not practical to tackle all issues at once. Nevertheless, as we indicated in our opening comments, we believe that properly (and immediately) addressing the energy price assumptions used in LCBF to reflect the potential for curtailment will go a long way towards fostering an optimal portfolio, and should therefore be a priority aspect of the time-of-delivery (“TOD”) topic. GPI concurs with this view, stating, at p. 9, that “[g]ranular and accurate TOD profiling of energy prices in the LCBF process... is one means of bringing balance into the RPS portfolios of the IOUs.” Similarly, Calpine stated, at p. 2, that, “It is critical that energy price assumptions used in LCBF reflect the potential for curtailment through low or negative prices in hours in which curtailment is expected to occur.”

B. Public Forward Capacity Price Curves

In opening comments, CalWEA explained that using public forward capacity price curves to assign capacity value to bids in the utilities' LCBF process would enable developers to make efficient investment decisions with regard to the deliverability status that they seek in the interconnection process. In their comments, the utilities made clear their objection to the use of a standardized methodology to produce public capacity values for use in the LCBF process. Although it objects to using public forward capacity price curves, PG&E suggests (at p. 3) that the Commission use “publicly-available capacity price forecasts, including those developed by third-party consultants to the Commission, as a benchmark to assess the reasonableness of the proprietary and market-sensitive capacity price forecasts that each IOU uses in its LCBF

evaluation.” CalWEA could support this suggestion as a compromise if the Commission plays a more aggressive role in ensuring that the IOUs' forecasts are reasonably consistent with the benchmark. The Commission should require the utilities to justify any major differences between their forward capacity price curves and public forward capacity price curves; without sufficient justification, the Commission should require the utilities' values to conform to the benchmark.

C. Valuation of Deliverability Status

CalWEA noted in opening comments that the Commission permits investor-owned utilities (“IOUs”) to include a congestion adder in the quantitative portion of the LCBF evaluation, but advised (at p. 19) that any such adders be applied to all bids regardless of deliverability status. CalWEA explained (at p. 14) why energy-only status is not a predictor of curtailment. Similarly, PG&E stated (at p. 23) that “[t]he current deliverability study process ... does not directly address congestion.” SCE likewise acknowledges (at p. 7) that “the deliverability test for [FCDS] only tests the system under stressed conditions.” SDG&E states (at p. 12) that it does not believe an increase in energy-only projects (as compared to FCDS projects) will have an adverse impact on reliability or RPS compliance. Therefore, while we agree with SDG&E (at p. 21) that congestion-related cost adders are likely to be very small and thus have little impact on selecting offers in the LCBF process, the Commission should require that, if a utility applies congestion adders to RPS projects, they be applied without regard to the deliverability status of those projects.

In addition, if forward energy price curves account for location-related transmission curtailments in addition to overgeneration curtailments, the use of such price curves will obviate the need for congestion adders. Using locational energy price curves offers a simpler and more transparent approach for accounting for congestion than the approach currently used by SCE to develop congestion adders, which is based on project-specific congestion studies (SCE at p. 16).

More broadly, CalWEA is pleased to observe the growing consensus that reform of the CAISO's FCDS process, in conjunction with the Commission's RA process, is needed. As stated by PG&E (at p. 23-25), “the reliability impacts of a project are primarily independent of whether the project has an EO or FCDS request.” CalWEA agrees with PG&E's suggestion that the CAISO consider policy projects that relieve congestion rather than provide deliverability status for renewables. We agree with SCE (at p. 7) that “[a]dditional studies are needed to study the impact of EO resources on the system in other non-stressed and normal conditions in order to

completely understand the risks associated with increased amounts of EO projects on the system.” SDG&E (at p. 16) observes that RA accounting “is currently an all-or-nothing proposition: a resource is available and deliverable only on a single annual early afternoon summer peak; at all other times, it is worthless.” CalWEA agrees with SDG&E that, in reality, EO resources provide reliability support during the overwhelming majority of hours within a year, and that ignoring this reality does not support an optimal LCBF level of energy-only projects. Accordingly, CalWEA strongly encourages the Commission and the CAISO to consider embarking on reform of the FCDS and RA accounting processes and to look into misconceptions related to deliverability status and congestion (transmission-related curtailment) issues.

Respectfully submitted,

/s/ Nancy Rader

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August 9, 2016

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 Comments of the California Wind Energy Association on Least-Cost Best-Fit Reform For Renewables Portfolio Standard Procurement” 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 August 9, 2016, at Berkeley, California.

/s/ Nancy Rader

Nancy Rader
Executive Director, California Wind Energy Association