

**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

(Filed July 12, 2018)

**COMMENTS OF THE
CALIFORNIA WIND ENERGY ASSOCIATION
ON DRAFT RPS PROCUREMENT PLANS**

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***On behalf of the California Wind
Energy Association***

July 19, 2019

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I. INTRODUCTION & SUMMARY

In accordance with the “Assigned Commissioner and Assigned Administrative Law Judge’s Ruling Identifying Issues and Schedule of Review for 2019 Renewables Portfolio Standard Procurement Plans” issued April 19, 2019 (“2019 RPS Plan Ruling” or “Ruling”), and the May 7, 2019, Ruling Modifying Schedule of Judge Atamturk, the California Wind Energy Association (“CalWEA”) submits these opening comments.

CalWEA’s comments focus on three topics: forecasting future curtailment levels and the use of economic curtailment as it relates to RPS compliance. Specifically:

- The Commission should provide clear guidance regarding the levels of curtailment that should be anticipated by LSEs, since unanticipated curtailment beyond the control of the retail seller is one of the few reasons listed in the RPS statute as a legitimate excuse for RPS non-compliance. This guidance is also necessary to ensure that, collectively, LSEs’ procurement plans produce results similar to the optimal portfolio in the Commission’s adopted Integrated Resource Plan. This guidance should be derived from the Integrated Resource Planning (“IRP”) studies;
- The Commission should explicitly reject the suggestion of Marin Clean Energy (“MCE”) that the RPS long-term contracting requirement should be relaxed for new CCAs; and

- The Commission should direct the CCAs to use their economic curtailment rights to avoid negative pricing and to incorporate expected curtailment into procurement planning margins, rejecting MCE’s suggestion that CCAs should plan on avoiding economic curtailments (potentially causing system reliability problems) in an effort to ensure compliance with RPS requirements.

II. COMMENTS

A. The Commission Should Require LSEs to Use Forecasted Curtailment Rates Based on Data from the IRP Process

Most of the draft RPS Procurement Plans that CalWEA reviewed are not responsive to the Commission’s request for a written “description of quantitative analysis of forecast of the number of hours per year of negative market pricing for the next 10 years” (Ruling at p. 20), at least in the public versions of those documents. As “unanticipated curtailment” “beyond the control of the retail seller” is one of the few reasons listed in the RPS statute as a legitimate excuse for RPS non-compliance,¹ it is critical that the Commission provide clear guidance about how much curtailment should be anticipated.

The limited discussion of negative market pricing forecasts in the public plans suggest that the redacted elements of the plans are likely also to be insufficient. For example:

- The only statement regarding forecasting negative pricing in the Draft Procurement Plan of Southern California Edison Company (“SCE”), at p. 40, is “It is generally difficult to forecast negative prices.”
- The Revised Draft Procurement Plan of Sonoma Clean Power Authority (“SCPA”) states, at p. 20:

“SCPA considers the impact of curtailment and negative pricing on its individual portfolio and factors potential curtailment into its long-term planning. Due to the difficulty in accurately forecasting curtailment, SCPA reviews the historical data on curtailment and negative pricing for the regions where SCPA has contracted or owned generating resources. When SCPA is evaluating new procurement, the potential amount of future curtailment is one factor that SCPA considers. While SCPA does not develop an individualized forecast of future curtailment, SCPA does factor potential curtailment into both its minimum margin of procurement (described in Section 9) and its Risk Assessment (Section 7).”²

¹ Public Utilities Code Section 399.15(b)(5)(C).

² Regarding negative pricing and curtailment, the referenced sections refer back to the section quoted here.

- The Draft Procurement Plans of Marin Clean Energy (“MCE”), at p. 24, and Peninsula Clean Energy (“PCE”), at p. 19, contain passages identical to the passage quoted from SCPA’s plan, above.
- The Draft Procurement Plan of Desert Community Energy (“DCE”) contains language very similar to SCPA’s and MCE’s plans:

“generation curtailment risk can be modeled based on actual experience for similar units and a probability-based analysis” (DCE Draft Plan at p. 8); and

“Due to the difficulty in accurately forecasting curtailment, DCE plans to actively review the historical data on curtailment and negative pricing for the regions where DCE is considering future procurement for contracted or owned generating resources. As DCE evaluates new procurement, the potential amount of future curtailment is one factor that DCE will consider. While DCE does not plan to develop an individualized forecast of future curtailment, DCE will factor potential curtailment into both its planned minimum margin of procurement (as described in Section 5.6) and risk assessment (as described in Section 5.4).³ (DCE Draft Plan at p.12)

- The Draft Plan of East Bay Community Energy (“EBCE”) is more forthright, stating: “Due to the challenges associated with forecasting negative prices on a long-term basis, EBCE has not developed a 10-year forecast of negative pricing events and has not quantified the direct costs incurred as a result of overgeneration incidents. (EBCE Draft Plan at p. 22.)

Despite the various statements above about the purported difficulty of forecasting future negative pricing, and correlated curtailments, if any, such information can readily be obtained from the Commission’s IRP studies leading up to the adopted IRP portfolio. The Commission should direct LSEs to utilize curtailment rates developed in the IRP process. Specifically, LSEs should calculate the incremental curtailment rates for each technology by comparing curtailment rates in the IRP base case to those in the adopted 2030 IRP portfolio.⁴ It is important that LSEs use information consistent with the IRP in their procurement plans (and in evaluating potential procurements) in order for those plans to produce results similar to the optimal portfolio in the IRP. While technology-specific curtailment figures can readily be produced with minimal post-

³ Regarding negative pricing and curtailment, the referenced sections provide no additional information.

⁴ The incremental, or marginal, curtailment rate can be calculated by subtracting the values from the base case from the adopted case.

processing of the public IRP results, ideally the Commission would, in requiring their use, itself calculate and provide these values to the LSEs.

B. The Commission Should Explicitly Reject the Suggestion that the RPS Long-Term Contracting Requirement Should Be Relaxed for New Retail Sellers

The Commission’s Ruling requested information on each LSE’s “[o]verall strategy for managing the overall cost impact of increasing incidences of overgeneration and negative market prices.” (Ruling at p. 20.) The Ruling also included “unanticipated curtailment” as one of the “potential issues that could delay RPS compliance” and requested LSEs to describe the steps taken to account for and minimize that and other potential compliance delays. (Ruling at p. 13)

In response to these issues, MCE argues that, while it expects to “meet or exceed California’s minimum 65% long-term contracting requirement, which becomes effective in 2021,” a requirement that MCE acknowledges is necessary to support new resource development, it nevertheless argues that there is “substantial financial risk” associated with the combination of rising RPS requirements and the long-term contracting requirement for new retail sellers. For these new sellers, MCE suggests that the Commission should “allow some flexibility” in meeting the long-term renewable contracting requirements “during early-stage operations.” (MCE at p.10-13.)

While the RPS Procurement Plan process is not the correct place, procedurally, to address RPS compliance requirements, the Commission should, in adopting the plans, dispel, once again, any notion that it will relax statutory long-term procurement RPS compliance requirements.⁵

C. The Commission Should Discourage CCAs from Avoiding Any Curtailments Necessary for Reliable and Efficient System Operations

MCE states that, in the face of the need to meet long-term contracting requirements, “economic curtailment may not be feasible for certain retail sellers” as they strive to meet their

⁵ In its D.17-06-026 (June 29, 2017), the Commission noted (at p. 10) that “SB 350 does not provide any method for waiver or reduction, or indeed for any other alteration or adjustment, of the [long-term] requirement.” Later, in D. 18-05-026 (May 31, 2018) (at p. 9) the Commission stated, “Long-term procurement is at the core of RPS program and a central legislative mandate, and the current enforcement scheme is carefully designed to promote long-term procurement. Lower (differential) penalties for not meeting the long-term procurement goals would undermine the core mandate of the RPS program.”

RPS requirements. (MCE at p. 12, footnote 2.⁶) The Commission should also encourage all LSEs to fully participate in economic dispatch. As SCE explained in its draft plan (at p. 25), using economic curtailment rights helps “enable CAISO to more efficiently achieve generation reductions when and where needed to alleviate congestion in the course of normal operations, and during transmission outages and periods of overgeneration. This practice will enable the CAISO to fold renewable resources more directly into market optimization runs.” Moreover, it is important that all LSEs use their economic curtailment rights to avoid imposing negative pricing on the rest of the market and potentially triggering reliability events that could be caused by overgeneration.⁷

Rather than calling for relaxed RPS requirements, imposing negative pricing on other market participants, or threatening system reliability, any new retail sellers that fear that they may not be able to meet their RPS requirements should postpone their start-of-service dates until they are ready to fully incorporate all RPS requirements in their planning and operations, including building in appropriate procurement margins above required levels, which should account for appropriate levels of economic curtailment.⁸ We appreciate, however, that some new CCAs, such as DCE, state their awareness of their long-term contracting requirements and their intention to meet those requirements, although DCE “has not yet finalized a formal planning margin” to account for contingencies. (DCE at p. 6.)

⁶ MCE’s footnotes states: “It is noteworthy, however, that economic curtailment may not be feasible for certain retail sellers when considering the financial implications of long-term contract delivery shortfalls imposed under the RPS Program. In light of such significant financial penalties, certain retail sellers may be forced to accept deliveries from renewable generating assets during instances of significant negative pricing to ensure that requisite long-term contracting quantities are satisfied. This could result in higher-than-anticipated renewable energy costs and related impacts to customer rates.”

⁷ In the CAISO’s “2019 Summer Loads & Resources Assessment,” the CAISO noted “a higher potential for shortages of upward ramping capability during certain times of day, which would create operational risks.”

⁸ See Public Utilities Code Section 399.15(b)(5)(B)(iii). In considering whether to waive enforcement, the commission is required to consider whether the retail seller has “[p]rovided an appropriate minimum margin of procurement above the minimum procurement level necessary to comply with the renewables portfolio standard to compensate for foreseeable delays or insufficient supply.”

Respectfully submitted,

/s/ Nancy Rader

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***On behalf of the California Wind Energy
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July 19, 2019

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 “Comments of the California Wind Energy Association on Draft RPS Procurement Plans” 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 July 19, 2019, at Berkeley, California.

/s/ Nancy Rader
Nancy Rader
Executive Director
California Wind Energy Association