

**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 ORDER INSTITUTING RULEMAKING
TO CONTINUE IMPLEMENTATION AND ADMINISTRATION, AND CONSIDER
FURTHER DEVELOPMENT, OF CALIFORNIA RENEWABLES PORTFOLIO
STANDARD PROGRAM**

April 6, 2015

Nancy Rader
Executive Director
California Wind Energy Association
2560 Ninth Street, Suite 213A
Berkeley, California 94710
Telephone: (510) 845-5077
Email: nrader@calwea.org

**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 ORDER INSTITUTING RULEMAKING
TO CONTINUE IMPLEMENTATION AND ADMINISTRATION, AND CONSIDER
FURTHER DEVELOPMENT, OF CALIFORNIA RENEWABLES PORTFOLIO
STANDARD PROGRAM**

I. INTRODUCTION

Pursuant to the instructions provided in the above-referenced Order Instituting Rulemaking (“OIR”) issued by the California Public Utilities Commission (“CPUC” or “Commission”) on March 6, 2015, the California Wind Energy Association (“CalWEA”) respectfully submits these reply comments on the OIR.

In summary, CalWEA recommends that the Commission:

- prioritize the review of compliance and potential enforcement actions for Compliance Period 1 of the Renewables Portfolio Standard (“RPS”) program;
- clarify the role of the RPS Calculator as it relates to planning and procurement;
- not pursue Pacific Gas & Electric Company’s vaguely defined “clean energy strategy” at the expense of the proven RPS policy;
- dismiss the suggestion of various parties calling for counting all electricity from distributed generation toward achievement of the 33% RPS goal;
- dismiss the suggestion that action is needed to account for the locational value of distributed resource bids; and
- if the Commission chooses to categorize the proceeding as quasi-legislative, as SCE argues, it should apply ex parte requirements as if this were a ratesetting proceeding.

CalWEA references the March 26, 2015, opening comments of the California Desert Coalition, California Energy Storage Alliance (“CESA”), Calpine Corporation (Calpine), Center for Energy Efficiency and Renewable Technologies (“CEERT”), Clean Coalition, Green Power Institute

(“GPI”), L. Jan Reid, Large-scale Solar Association (LSA), Office of Ratepayer Advocates (“ORA”), Pacific Gas & Electric Company (“PG&E”), San Diego Gas & Electric (“SDG&E”), Southern California Edison Company (“SCE”), and the Union of Concerned Scientists (“UCS”).

II. DETERMINING COMPLIANCE WITH THE RPS IS A PRIORITY

SDG&E (p. 5) points out that, until the California Energy Commission (“CEC”) and this Commission verify the procurement results from Compliance Period 1 (“CP 1”), which were submitted by retail sellers in August of 2014, it will be unclear how much time and effort tasks related to the review of compliance progress and potential enforcement action will require. PG&E (p. 7) identifies as a high priority reviewing the compliance progress of retail sellers and taking any necessary enforcement action. CalWEA agrees that compliance in CP 1 should be determined as soon as possible so that the Commission can ensure that sufficient resources are available to pursue immediate enforcement actions if necessary.

III. THE COMMISSION SHOULD CLARIFY THE ROLE OF THE RPS CALCULATOR AS IT RELATES TO PLANNING AND PROCUREMENT

The opening comments of several parties suggest an expectation of the role of the RPS Calculator in planning and procurement that differs from the understanding held by CalWEA and perhaps other parties. We encourage the Commission to take additional steps to clarify, and further consider, how it intends to use the Calculator. We highlight three examples from the opening comments of differing views of how both the RPS Calculator and the LCBF processes are intended to work.

LSA (at p. 7) states that “there is a need to examine the potential trade-offs of moving forward with prioritizing energy-only procurement, which is under consideration as part of the update to the RPS Calculator.” CalWEA understands that the Calculator will not “prioritize” energy-only procurement, nor will it directly affect procurement decisions at all. Rather, the RPS Calculator is aimed at developing a reasonable range of cost-effective renewable resource portfolios to inform system resource and transmission planning decisions in the LTPP. In developing those portfolios, the updated Calculator will correct a serious flaw in previous versions of the Calculator, which was to assume that all renewables must be fully deliverable. That assumption effectively put infinite value on the deliverability of those renewable resources that happen to be in the right location to have been deemed deliverable. Instead of limiting the selection of renewable resources to those that happen to have deliverability status in the

development of renewable resource portfolios for planning purposes, CalWEA understands that the RPS Calculator will evaluate energy-only and partially deliverable resources and compare their total net benefit to the total net benefit of resources with deliverability status, selecting resources with the greatest net benefits to ratepayers. In their opening comments, ORA (at p. 2) and PG&E (at p. 8) recognize the importance of evaluating, in the RPS Calculator, resources with energy-only status by identifying the issue as a high priority for this proceeding, as did CalWEA (at p. 5). This evaluation will not, as we understand it, automatically carry over into procurement decisions.

CEERT (at p. 5) states that the RPS Calculator “is not, and was not intended to be) [sic] a *planning tool or process* by itself and should not, in turn, be expanded to ‘serve as a substitute for all renewables planning and procurement,’ [quoting previous CEERT comments] including need assessments and resource selection.” (Emphasis in original.) As explained in opening comments, CalWEA understands that the RPS Calculator will help to inform the Commission’s planning decisions related to system resources and will enable the Commission and the CAISO to work together to plan the transmission system for higher renewable energy targets. It is our understanding that the Calculator will not substitute “for all renewables planning and procurement.” As stated in CalWEA’s opening comments, however, we believe that the Commission’s goal should be to rely upon the same, improved set of values for both planning and procurement processes, so that annual procurements will ultimately produce the desired long-term planning results.

CESA (at p. 2) urges the Commission to explore “a much-needed expansion” of LCBF considerations to include “new benefits that RPS-eligible resources integrated or paired with energy storage can solve as well as (if not better than) competing fossil fuel resources.” It is CalWEA’s understanding that the LCBF process -- with improved, updated values that many parties have identified as a priority in their opening comments¹ -- will fully account for the value of any paired resource that is bid into utility procurement processes. Paired resources should prevail if their combination of costs and benefits proves more cost-effective overall. Similarly, to the extent that renewable energy paired with storage is cost-effective, CalWEA expects that the RPS Calculator will identify and select those resources in the portfolios it develops for planning purposes. Therefore, assuming that the Commission prioritizes the development of the RPS Calculator and LCBF values, and continues to do so as the market evolves, we can expect

¹ See, e.g., CalWEA (p. 2-5), Calpine (p. 2), Green Power Institute (p. 2), LSA (p. 5), SDG&E (p. 3), Union of Concerned Scientists (p. 1-2).

the benefits of renewables paired with storage to be appropriately valued in both planning and procurement.

Recognizing that a very helpful two-day workshop on the RPS Calculator and related issues was held in February, after comments and reply comments were filed on a detailed staff paper, CalWEA nevertheless encourages the Commission to take additional steps to clarify how it intends for the RPS Calculator to relate to the LTPP and LCBF processes so that all parties can move forward with a common understanding. In particular, we urge the Commission to discuss with the parties, in a public process, whether certain values and/or methodologies developed as part of the Calculator, such as the integration cost adders and ELCC-based capacity values, should be considered for potential use in LCBF bid evaluations. Likewise, results from the Calculator's assessment of energy-only resources and related transmission studies may usefully inform the LCBF process. Energy-only resources have been evaluated in the LCBF procurement processes of the utilities, with congestion adders applied by some utilities. These congestion values have not, however, been transparent, which impairs the ability of bidders to make economically efficient choices about the transmission status they should seek. The Commission should consider whether the transmission studies that will be conducted with the benefit of the RPS Calculator's assessment of cost-effective levels of energy-only resources could inform appropriate congestion values in the LCBF process.

More broadly, the Commission should consider, with stakeholders, how the RPS Calculator can be used in conjunction with the PATHWAYS study and studies conducted for the LTPP to explore various possible electricity futures. As one example, assuming that the PATHWAYS study performed for the State of California assumed aggressive levels of energy efficiency, consistent with the Commission's "loading order," the Commission should consider the implications of not meeting those aggressive targets for renewable energy needs. The Commission should also consider whether and how, under a portfolio-planning approach to meeting GHG targets, the loading order can be effectively applied at the level of all-source procurement.

IV. THE COMMISSION SHOULD NOT PURSUE A VAGUE "CLEAN ENERGY STRATEGY" AT THE EXPENSE OF PROVEN POLICY

PG&E (at p. 2) states that "California should not increase the procurement of renewable energy to achieve its GHG goals simply as a reflex or because it may be expeditious." Instead, PG&E argues that the Commission should "embrace a clean energy strategy."

PG&E's proposal is only vaguely defined. Planning for GHG reductions across several sectors at once would be vastly more complex than the already-complex planning that is still unfolding for the RPS and would take many years to implement. Further, the proposal fails to recognize, as does the study PG&E cites (at footnote 11), that decarbonized electricity "must become the dominant form of energy supply" in order to achieve GHG reduction targets necessary to stabilize the climate.² This same conclusion is reached in the related California PATHWAYS study as discussed in CalWEA's opening comments (at p. 7). PG&E's call (at p. 3) for the Commission to "investigate how the RPS program fits within broader State GHG goals" before it raises the RPS target ignores the PATHWAYS report. Since this best available information demonstrates that California must achieve 50-60% renewables by 2030 as one of many measures necessary to achieve the state's GHG targets – and that these goals are affordable -- the Commission would logically rely upon the proven RPS policy to achieve that objective, as many parties are calling for.³

More than a decade of effort has gone into developing and refining the RPS policy – a process that is still underway. The RPS is now well-understood by regulators, investors, developers and others. The current RPS framework – particularly given additional analytical tools that the CPUC is developing – will account for all of the costs and benefits of each renewable technology, as well as other resources, so that they can be appropriately evaluated in support of cost-effectively achieving the state's renewable energy and GHG-reduction goals. Moreover, a defined renewable energy target for 2030 is needed to plan for the transmission upgrades that will be necessary to achieve the target; this important planning is now underway, beginning with the portfolios to be developed using the RPS Calculator.

PG&E desires flexibility to pursue all GHG-reduction opportunities, including renewable energy "above the existing 33 percent," additional energy efficiency, solar rooftops, accelerated electric vehicle adoption, and energy storage. As the PATHWAYS report shows, however, all of these activities must be pursued to achieve the state's GHG goals; they are not trade-offs – we will need them all. PG&E appears to want to claim credit for, as well as authority over, these various activities that are already underway under the purview of the ARB, the CEC, and this Commission.

² See James H. Williams, et al. "The Technology Path to Deep Greenhouse Gas Emissions Cuts by 2050: The Pivotal Role of Electricity," *Science Magazine*, Vol. 335, January 2012, p. 53 (*available at* <http://www.sciencemaginedigital.org/sciencemagazine/20120106?pg=54#pg52>).

³ See, e.g., LSA at p. 2; GPA at p. 2; UCS at p. 3; JCP at p. 3; and L. Jan Reid at p. 4.

In support of its proposed approach, PG&E (at p. 4) invokes an article penned by President Picker and other California energy agency heads, quoting the statement that California “must make sure that our investments focus on reducing greenhouse gas emissions, improve reliability and keep costs competitive.” This is exactly what would be accomplished by continuing on the path that the Commission is on and, given the considerable thinking that is going into improving the RPS, it is wrong to characterize its continuation as “a reflex.”

V. NO ACTION SHOULD BE TAKEN TOWARDS COUNTING RECS FROM ROOFTOP SOLAR SYSTEMS TOWARD THE RPS

The California Desert Coalition and several other filings⁴ call for: counting all electricity from distributed generation – whether the power is conveyed to the transmission grid or serves on-site loads – toward achievement of the 33% RPS goal (p. 3); “paying rooftop DG system owners a reasonable fee for their RECs bundled with their export to the grid” (p. 8); and dispensing with WREGIS-certified meters altogether in favor of “establishing some reasonable approximation of typical DG system outputs” (p. 5).⁵

These unwise suggestions should be dismissed by the Commission. Beginning with suggestion that WREGIS’s metering standards should be “dispensed with,” a foundational goal of WREGIS’s certification program for RECs was to design a system of REC registration and tracking that would be beyond reproach, given that RECs must be widely accepted by the public, state agencies and market participants. Accordingly, WREGIS RECs must be accurately metered with third-party verification to prevent fraud.

Second, there is a unique potential for double-counting RECs associated with customer-sited renewables. Along with verifying renewable energy production, a primary purpose of WREGIS’s accounting system is to prevent the double-counting of RECs. In its 2010 “Best Practices in Public Claims for Solar Photovoltaic Systems,”⁶ the Center for Resource Solutions (CRS) – sponsor of the Green-e consumer protection program -- notes that “most people are

⁴ The filings of the Lucerne Valley Economic Development Association, Basin And Range Watch, and several other groups appear to be identical.

⁵ These parties’ contention that “The comparative advantage of DG renewable over utility-scale energy projects is becoming more and more pronounced, and there is nothing to suggest that this trend will end” is belied by the recommendations in the PATHWAYS report. Another report projects the cost of rooftop solar systems in 2030 to be two to three times that of utility-scale wind and solar resources. See E3, *Investigating a Higher Renewables Portfolio Standard in California*, Table 19 (January 2014).

⁶ Available at: <http://www.green-e.org/docs/energy/Solar%20FAQ%20and%20Claims.pdf>.

motivated to pay for a PV system because they want to use renewable electricity in their home and don't want their electricity consumption to cause pollution and emissions of greenhouse gases.” CRS posits the argument that, when state law is silent on ownership of a REC, the owner of the PV system has the right to the REC because of this primary motivation for installing PV. CRS states, however, that until states clearly define REC ownership, one must look to specific language within contracts to determine REC ownership. CRS advises that, when the PV seller retains the RECs, the seller should explicitly state that the system owner, and not the PV host, owns the RECs and ensure that the host understands that they cannot and should not make any claims or statements about the use of renewable electricity from the system, or even stand by silently when renewable energy use is assumed.

The Federal Trade Commission’s 2012 “Green Guides” also caution against making claims regarding solar panels when the associated RECs have been sold. In an example, the FTC states that a manufacturer with panels on its roof should not advertise that it “hosts” a renewable power facility because reasonable consumers likely interpret this claim to mean that the manufacturer uses renewable energy. The FTC states that it would not be deceptive for the manufacturer to advertise, “We generate renewable energy, but sell all of it to others.”⁷

Although some solar rooftop and other customer-sited renewable energy companies appear to have contractual ownership of RECs, it is not clear what advertising claims were made, whether customers were adequately educated about the fact that they do not own the RECs, whether customers were informed that they should make no claims about using solar energy (or other renewable forms of energy), and whether they were given any choice in the matter of whether or not they wished to retain their RECs. Thus, it is not at all clear that claims are not continually being made regarding the RECs associated with customer-sited renewable energy systems. Were the Commission to facilitate the counting of these RECs towards the RPS, it would very likely be double counting renewable energy that is already being claimed.

VI. NO ADDITIONAL ACTION NEED BE TAKEN TO ACCOUNT FOR THE LOCATIONAL VALUE OF DISTRIBUTED RESOURCE BIDS

Clean Coalition proposes (at p. 8) that distributed resources that bid into the RPS program be credited in the LCBF process for their locational value “such as avoided transmission

⁷ U.S. Federal Trade Commission, *Guides for the Use of Environmental Marketing Claims* (16 CFR Part 260), October 11, 2012. Available at: <https://www.ftc.gov/news-events/press-releases/2012/10/ftc-issues-revised-green-guides>.

access charges ('TACs'), pro-rata contributions to TAC rates, and avoided congestion charges and line losses.”⁸ This proposal should not be considered in this proceeding for two reasons.

First, as Clean Coalition notes, CAISO policy is to apply the TAC on all electricity delivered to customers of Participating Transmission Owners (“PTOs”) (as well as exports from the CAISO system). The system-wide charge, paid by customers regardless of their location, relates to their use (or export) of electricity from the grid and is calculated based on the cost of existing transmission assets. Thus, the current TAC rate is not related, directly or indirectly, to potential transmission costs associated with proposed wholesale generators. As a result, selection of a distributed resource will neither reduce the TAC rate nor reduce the total TAC charges paid by the utilities. Therefore, there is not an “avoided” cost that should be credited in the LCBF process.

Second, the LCBF methodology already quantifies congestion costs and line losses through the valuation of energy produced by the proposed project.⁹ Transmission upgrade costs are included in LCBF based on the results of interconnection studies; distributed resources that do not trigger any upgrades already receive the comparative benefit of not having any upgrade costs attributed to them. Crediting “avoided congestion charges and line losses” or an avoided transmission cost in addition would double-count the attribute because credit has already been given for the locational value of the energy produced by the project and the lack of a transmission cost adder.

VII. REGARDLESS OF PROCEEDING CATEGORY, APPLY EX PARTE RULES

With regard to SCE’s argument that this proceeding should be categorized as quasi-legislative, rather than ratesetting, we note that the Commission has broad discretion in categorizing proceedings.¹⁰ If, however, the Commission chooses to categorize the proceeding as quasi-legislative, it should apply the ex parte requirements in Article 8 of the Commission's Rules of Practice and Procedure as if this were a ratesetting proceeding. This will ensure that the proceeding will benefit from appropriate transparency and fairness.

⁸ Clean Coalition does not define or discuss what it means by “pro-rata contributions to TAC rates,” and thus we are unable to specifically respond to this proposal.

⁹ Congestion costs and line losses are captured through the CAISO’s locational marginal pricing, and the value of avoided losses on the distribution system can be captured under the distribution tariff; e.g., SCE’s wholesale distribution access tariff provides a loss credit for projects interconnecting at the distribution level.

¹⁰ See Rule 7.1(e) of the Commission’s Rules of Practice and Procedure.

Respectfully submitted,



Nancy Rader
Executive Director
California Wind Energy Association
2560 Ninth Street, Suite 213A
Berkeley, California 94710
Telephone: (510) 845-5077
Email: nrader@calwea.org

April 6, 2015

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 Order Instituting Rulemaking to Continue Implementation and Administration, and Consider Further Development, of California Renewables Portfolio Standard Program* 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 April 6, 2015, at Berkeley, California.



Nancy Rader
Executive Director, California Wind Energy Association