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**NCPA Comments On Lead Commissioner Workshop On Renewable Energy And Integrated Resource Plans**

*Additional submitted attachment is included below.*

**BEFORE THE CALIFORNIA ENERGY COMMISSION**

**In the matter of:  
Integrated Resource Plans, Renewable  
Energy**

**Docket No. 16-OIR-04**

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**NORTHERN CALIFORNIA POWER AGENCY  
COMMENTS ON LEAD COMMISSIONER WORKSHOP ON  
RENEWABLE ENERGY AND INTEGRATED RESOURCE PLANS**

The Northern California Power Agency<sup>1</sup> (NCPA) appreciates the opportunity to provide these comments to the California Energy Commission (Commission) on the *Lead Commissioner Workshop on Renewable Energy and the Integrated Resource Plans*, held on December 13, 2016. As we did during the Workshop, NCPA has collaborated with the Southern California Public Power Authority (SCPPA) and the California Municipal Utilities Association (CMUA) in responding to the questions and issues raised by the Commission, and is supportive of the information provided in their respective comments.

While the Workshop was focused on renewable energy and the integrated resource plan (IRP) requirements required by SB 350, the issues raised and the successes and challenges discussed during the Workshop are not limited to the 16 publicly owned utilities (POUs) required to submit an IRP to the Commission. Indeed, many of the same renewable energy challenges and concerns highlighted during the Workshop have even more significant impacts on “smaller” POUs that fall below the IRP filing threshold outlined in Public Utilities Code (PUC) section 9621.

**Understanding the Value of the IRP for SB 350 Purposes**

Before addressing the challenges associated with renewables procurement, it is important to properly frame the IRP process in the context of reaching California’s climate goals. First and foremost, the IRP has always been and continues to be a planning tool for utilities, one that is used to address a variety of areas that will meet the energy needs of their customers. Within the scope of SB 350, it will now serve the added benefits of providing insights that can help the Commission assess expected progress to the 2030 goal.

In terms of the Commission’s role, NCPA supports the development of IRP guidelines. IRP guidelines could offer a “best practices” model for utilities, especially for smaller utilities who are not subject to the formal IRP requirement of SB 350. However, those guidelines should not

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<sup>1</sup> NCPA is a nonprofit California joint powers agency established in 1968 to construct and operate renewable and low-emitting generating facilities and assist in meeting the wholesale energy needs of its 15 members: the Cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Redding, Roseville, Santa Clara, and Ukiah, Plumas-Sierra Rural Electric Cooperative, Port of Oakland, San Francisco Bay Area Rapid Transit (BART), and Truckee Donner Public Utility District—collectively serving nearly 700,000 electric consumers in Central and Northern California.

be designed in a manner that constrains any utility's ability to address the various elements required in the IRP. As we have addressed in many Commission forums, program flexibility is extremely important for all POU's, and alternate compliance options and the ability to utilize such tools are critical to a successful statewide program. This concept is no different under the lens of the IRP.

### **Renewable Portfolio Standard Challenges**

As noted by CMUA in the joint presentation, POU's across the state are well-positioned to meet the near-term objectives of the RPS program while post-2020 planning activities are being undertaken with 2030 in mind. However, each POU will face different challenges when it comes to planning for renewable energy procurement. These challenges stem from such diverse origins as ratepayer cost implications, dynamic electric vehicle expansion, and geographic diversity, and community demographics. Renewables procurement and overall IRP processes take into account the utilities' existing suite of resources, including grandfathered resource commitments, as well as future decisions to respond to the new program elements mandated by SB 350.

All of these challenges will ultimately be addressed through each utility's local decision-making process. POU governing bodies across the state are public stewards, obligated to spend public dollars in the most cost effective manner and charged with implementing local and statewide policies in the manner that serves the best interest of their customers. With this in mind, California must ensure that there are viable compliance options for all utilities and recognize that the mix of GHG reducing programs and measures will necessarily vary between utilities as each entity seeks the most efficient and cost effective suite of options to meet its particular resource and ratepayer needs. The Commission plays an important role in furthering this crucial element, as does the agency's ongoing coordination with sister agencies to ensure that policies and objectives are aligned across the various regulations, mandates, and programs. The importance of consistency between the state agencies cannot be overstated.

### The Importance of Regulatory Certainty

Without exception, the POU's see regulatory consistency and predictability as key to program success. There must be regulatory stability and ongoing coordination between the Commission and its sister agencies to ensure the success of the state's RPS program and achievement of the clean energy mandates. The Commission and its sister agencies must coordinate on such crucial matters as quantifying the impacts of transportation electrification on electric utilities and their associated obligations under the various climate programs. There must also be recognition and quantification of the cost and benefits of the interaction between the various energy-related mandates, such as the RPS program, increased energy efficiency targets, the cap-and-trade program, and implementation of expanded energy storage resources. This means that the agencies must work with stakeholders to identify and eliminate any regulatory gaps that hinder the ability of the utilities to optimize their GHG reduction strategies. For example, increased transportation electrification may increase electricity demand, which may not necessarily be met

entirely through increased energy efficiency or higher renewable procurement. It is necessary to have a uniform means to quantify these impacts that could hinder meeting the RPS requirements and compromise a utilities' ability to meet its cap-and-trade program compliance obligation. Likewise, regulatory consistency between the RPS program and the cap-and-trade program would allow for efficient and effective utilization of the latter program's RPS Adjustment. Since the RPS Adjustment is intended to ensure that the RPS program mandates to do result in additional compliance costs for electricity customers under the cap-and-trade program, without better regulatory alignment, electric ratepayers may face an added cost burden that is unwarranted.

The Commission can help to ensure that utilities are not constrained in their ability to meet RPS goals according to existing and planned local resources as well as community needs. Again, not all POU's are similarly situated, necessitating recognition that a "one size fits all" mandate will not ensure success. Technological advances are moving at a rapid and unprecedented pace. Resources that were once out of reach may soon be readily available. At the same time, planning forecast that included various resource plans may be outdated by the end of the planning timeframe due to technological, market, or regulatory changes. IRPs and the associated RPS procurement addressed therein can and should be regularly reviewed and updated, and revisions to the plans should not be viewed as some kind of failure on the part of the POU.

This entire process will also continue to be informed by state and federal policies and requirements regarding generation and transmission siting; as was clear from the recent Renewable Energy Transmission Initiative (RETI) 2.0 discussions, there are many different factors that inform and hinder those processes. To the greatest extent possible, the Commission should exercise its discretion to facilitate the development of necessary projects that meet California's policy objectives, do not add unreasonable costs, and support the long-standing loading order of preferred resources.

Regulatory uncertainty about the impacts of regionalization on not only the RPS program, but resource adequacy, GHG accounting, and the cap-and-trade program also present ongoing challenges for resource planners and renewable procurement. Utilities' RPS and IRP planning will be influenced and impacted by the ongoing discussions regarding regionalization. In this regard, coordination between the Commission, the CPUC, CARB, and the California Independent System Operator (CAISO) is essential to ensure that regulations administered by one agency do not adversely impact compliance obligations and costs for other programs.

#### Retaining Program Flexibility

Additional mandates make flexibility in achieving the RPS program requirements even more important. Increases in long-term procurement contracting, for example, have ramifications for other aspects of the program, such as planning interim targets, contracting for long-term integration, increasing local access to renewables through green-pricing and community solar programs, and treatment of grandfathered resources. POU's are also facing challenges associated

with constricting allowance allocation in the cap-and-trade program, resulting in diminished allowance value to be used for expanding renewable energy projects and procurement. The Commission's policies and regulations must continue to recognize the important distinctions between the state's various electric utilities, and in particular the governance and structural aspects of the POU's versus the IOUs. This distinction is essential in defining program features that are consistent, yet not identical, between CPUC regulated utilities and local governing boards.

#### Aligning Reporting Requirements

Meeting the ever-increasing – and oft-times duplicative and overlapping – reporting requirements also present a growing challenge for the POU's. For example, POU's currently provide reports for the Integrated Energy Policy Report every two years; RPS reports are filed annually, with additional requirements every 3-4 years at the end of a compliance period; GHG emissions reports are submitted annually; cap-and-trade program compliance reports are submitted every three years, with annual reports on various aspects of program compliance; energy efficiency reports are submitted annually, and projected targets are established every four years. Utilities also submit energy storage reports, and now many have the added requirement to report on many of these same items at least every five years on their IRPs. This list is not exhaustive, represents another aspect of the state's climate policy that would benefit from greater intra- and inter-agency coordination and cooperation.

#### Revisiting the Range of California-eligible Renewable Resources

The Commission can also address RPS challenges by periodically revisiting what resources are eligible for consideration under the RPS program and what resources are not. Doing so can influence utility procurement strategies. For example, utilities should be given clear direction regarding designation of solar, rooftop solar, and community solar. Currently, rooftop solar represents 5000 MW of capacity statewide (above 300 MW in POU territories), approximately 7% renewables and carbon free resource that does not count as a California-eligible resource. As the state continues to encourage continued investments in solar PV and greater expansion of renewable options in disadvantaged communities, the benefits of renewable energy will be expanded to larger segments of the population. Expansion of such resources in the definition of an eligible renewable resource could spur utility investment in such areas.

#### Addressing the Emergence of Distributed Energy Resources

Changing technologies and greater distributed energy resource deployment also present challenges that impact both RPS procurement and resource planning. For example, increasing load and uncertainties regarding the penetration of electric vehicles in its service territory, have significant impacts on the City of Santa Clara's resource planning. Likewise, ever increasing transmission access charges, changing resource adequacy requirements and costs, and greater curtailment decrease the value of resources. Increased renewable procurement and use of energy storage resources are impacted by overgeneration and integration challenges; challenges that will

increase with higher renewable energy levels. Each of these points further highlights the need to ensure that the flexibility recognized by the legislature and reflected in the RPS and IRP statutes is fully reflected in the Commission's regulations and guidelines implementing those statutory mandates.

### **Role of Energy Storage**

All of NCPA's members have studied – and continue to assess – the viability of implementing energy storage resources into their portfolios.<sup>2</sup> However, the penetration of energy storage is significantly impacted by the cost effectiveness of the resource. For many, energy storage is not cost-effective or feasible at this time. This is due to various reasons, including statewide overgeneration and the fixed cost of generation, as well as existing resource commitments tied to thermal resources. The lack of CAISO marketability, uniform interconnection rules, and structure are also a factor.

Even for NCPA members that did employ energy storage resources, the value of those resources has changed. The City of Redding was an early energy storage advocate, effectively integrating it to address summer peak demand requirements. However, decreased peak demand growth and the emergence of California over-generation have reduced the need (and value) of shifting load to evening hours where the storage can be utilized, diminishing the value of the energy storage resource. Changes in traditional generation pricing patterns and negative pricing at non-traditional times have also impacted the economic viability of Redding's energy storage resources. While the existing storage units help Redding operate its system more effectively, the benefits of future storage deployment may not be realized, necessitating the utility's reconsideration of whether they should continue to promote energy storage.

Despite these challenges, NCPA members continue to evaluate energy storage projects as they present themselves, and continue to monitor market and regulatory developments that may change the current dynamic.

### **Conclusion**

NCPA and its member agencies are committed to meeting the RPS mandates. POU IRPs will include information on how each individual utility plans to achieve the state's ambitious renewable energy mandates, while simultaneously administering and implementing programs and measures intended to reduce overall GHG emissions, increase energy efficiency, expand the utilization of electricity in transportation, and incorporate energy storage to the greatest extent feasible. The POU's will be doing this while also carrying out their primary and essential function of providing reliable, safe, and reasonably priced electricity to the residents and customers located in their service territories. As such, NCPA and its member utilities appreciate

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<sup>2</sup> The City of Roseville, for example, is part of a consortium seeking to participate in a Department of Energy project exploring mixed asset solar integration with proactive voltage control and energy management.

the Commission's recognition that meeting the laudable, yet aggressive mandates, does not come without challenges to the POU's.

NCPA is hopeful that the information provided during the December 13 Workshop and in these comments, as well as in the comments provided by SCPPA and CMUA, helps to further the Commission's understanding of these challenges, and facilitates the development of solutions to alleviate or mitigate the associated impacts. Please do not hesitate to contact the undersigned or Scott Tomashefsky at 916-781-4291 or [scott.tomashefsky@ncpa.com](mailto:scott.tomashefsky@ncpa.com) with any questions.

Dated this 12<sup>th</sup> day of January, 2017.

Respectfully submitted,



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