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Comment Received From: Brandon Smithwood

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SEIA comments on Second Revised Governance Principles for Regional ISO

October 31st, 2016

RE: Solar Energy Industries Association's comments on Second Revised Governance Principles

Docket: 16-RGO-01, Regional Grid Operator and Governance

The Solar Energy Industries Association (SEIA) is the national trade association of the United States solar industry. Through advocacy and education, SEIA and its 1,000 member companies work to make solar energy a mainstream and significant energy source by expanding markets, removing market barriers, strengthening the industry and educating the public on the benefits of solar energy. SEIA actively represents the interests of its members before California agencies and at the state legislature.

A regional ISO can effectively integrate higher penetrations of renewable energy, facilitate economic growth, maximize the reliability and efficiency of the grid, and engender climate benefits, all while providing ratepayer benefits. The passage of governance legislation is a critical first step to forming a regional ISO that can realize these benefits. SEIA applauds the California Independent System Operator (CAISO), the California Energy Commission, and stakeholders and the governments of states throughout the West on their progress in developing principles that can provide the basis for legislation to change provisions in California statute that currently oversee governance of the ISO. We write in response to the most recent iteration of these principles: The Second Revised Proposal Principles for Governance of a Regional ISO, dated October 7, 2016.

Renewable energy, and solar in particular, is increasingly becoming the cost competitive energy choice for utilities, homeowners, and businesses. Nationwide, solar accounted for 64% of all new electricity generation capacity installed in the first quarter of 2016. This was but the most recent quarter in which renewable energy installations outpaced fossil generation. Solar alone outpaced gas installations across the United States in 2015. Strong policies, such as those in California, have been critical to achieving the dramatic cost declines that have made solar a cost-competitive resource. The economic attractiveness of solar and other renewable energy resources will continue to encourage renewable energy development in California and neighboring states to meet the needs of those states.

With substantial renewable energy development expected throughout the American West, the ability of states to share renewable energy when supplies are scarce " or abundant " in their particular locales will be vital to maximizing the value of renewable energy resources in California and beyond. The initial experience of the Energy Imbalance Market (EIM) demonstrates the benefits of sharing renewable resources. By creating a broader set of markets and planning processes, a regional ISO will build on the EIM and provide greater renewable energy integration benefits.

Significant progress has been made outlining governance principles for the new regional ISO. SEIA believes that the preservation of state authority over energy policy in each respective state is a vital element of governance. Appropriate representation on the Transition Committee will also be essential to ensuring that renewable energy interests are met in a newly formed regional ISO; as such, we are glad to see that the Governance Principles presented on July 26th and October 7th call for representation of both distributed and large-scale renewable energy interests on the Committee.

The development of a successful Western ISO will be a multi-year exercise taking place in numerous forums, including the current discussion on Governance legislation, parallel and future stakeholder initiatives, and the

renewable energy resource decisions made by state governments and overseen by state regulatory agencies.

Following passage of governance legislation by the California legislature, the solar industry will work through the Transition Committee and stakeholder processes to ensure that the full potential benefits of a regional ISO are realized. In this regard, the expanded ISO should include: board independence; transparency, efficiency and due process in decision-making; fair and open access to the decision-making processes that incorporates the perspectives of different renewable energy resources; enhanced visibility into grid operations; and efficient utilization of all grid resources so as to improve reliability while maximizing the utilization of the lowest-cost and lowest-carbon resources. Part of realizing this outcome, much of which will need to occur outside of the initial task of passing governance legislation, is the incorporation of new resources into wholesale markets, tackling barriers to higher penetrations of renewable energy, and ensuring state policy that facilitates needed renewable energy development.

One key element of the broader ISO regionalization effort will be ensuring greater recognition of the role and value of distributed energy resources (DERs). Important DER objectives include interconnection rules and tariffs that allow aggregated DERs to access wholesale markets to provide energy, capacity, flexibility and ancillary services. A successful regional ISO will also include planning and protocols that incorporate DERs as a source of reliability and efficient infrastructure investment, including the development of cost allocation and recovery mechanisms for non-transmission alternatives (NTAs) selected in regional planning processes that were established by FERC Order 1000. This cost allocation methodology and recovery mechanism for NTAs should be comparable to that for transmission alternatives.

While a broader balancing area will help facilitate greater penetrations of renewable energy, there are unresolved issues that California must tackle beyond the formation of an ISO. These include limitations to renewable energy created by an inflexible thermal generation fleet, and self-scheduling of resources at times when no-carbon, no-water, zero-marginal cost resources are abundant. The state must also pursue building and transportation electrification to allow for maximum use of renewable energy generation.

Separate from grid regionalization, the continued growth and success of California's robust renewable energy market and retention of the accompanying job creation and climate benefits will require a state policy environment that continues to encourage in-state renewable energy development for both customer-sited and wholesale power generation. A critical prerequisite for large-scale solar development is the continued availability of lands suitable for development. However, such land availability is being threatened by several land use planning processes currently underway which would impose unduly restrictive limitations on future project development.

After reviewing the Second Revised Governance Principles Proposal we feel that the critical components of earlier versions have been maintained while valuable modifications have been made and that these principles are in keeping with our vision of a successful western ISO. We are pleased that the EIM formation process has been changed so that sectors can choose their own representatives. Our one request is that CAISO clarify the processes by which sectors will choose their representatives for the transition committee. Our expectation is that this process will be similar to how sectors chose their representatives for the EIM Transition Committee.

Sincerely,

/S/ Brandon Smithwood

Brandon Smithwood
Manager of California State Affairs
Solar Energy Industries Association

