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Joint Agency Workshop on the Senate Bill 100 Report, Docket No 19-SB-100

Additional submitted attachment is included below.



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RE: San Diego Gas & Electric Company Comments on the Joint Agency Workshop on SB 100 Technologies and Scenarios, Docket No. 19-SB-100

Dear Commissioners:

San Diego Gas & Electric Company (“SDG&E”) thanks the California Energy Commission (“CEC”) for hosting the Joint Agency Workshop on Technologies and Scenarios to inform development of the Senate Bill (“SB”) 100 Joint Agency Report, on November 18, 2019. The workshop included presentations by stakeholders as well as the CEC, California Public Utilities Commission (“CPUC”), and California Air Resources Board (“CARB”) (together “Agencies”). The workshop included a discussion of the term “zero-carbon” and potential definitions, as well as an overview of analysis to be used in developing the Joint Agency Report, existing relevant studies, and various technologies.

SDG&E supports the coordinated approach taken by the Agencies, and appreciates the thoughtful proposals regarding the definition of zero-carbon. SDG&E proposes that the report, definition, and implementation of SB 100 be based on the following set of overarching principles:

- Prioritize affordability, reliability, and technology inclusivity – a balanced and responsible approach to implementing this ambitious, statewide initiative is critical to its success.
- Take an economy-wide view – achieving California’s ambitious decarbonization goals will require the electrification of other economic sectors (e.g. transportation), the success of which will largely depend on the sustainable and cost-effective implementation of SB 100.
- Reexamine the existing electric rate structure – current customer cross-subsidies and cost-shifts are becoming increasingly untenable¹ and will be unsustainable over time.
- Promote resource diversity and account for regional differences in resource availability – establishing technology mandates, carveouts and/or imposing other artificial portfolio constraints will only reduce competition and increase costs.
- Remain flexible – in order to capture benefits resulting from innovations in the years ahead, SB 100 must be implemented in a way that allows new innovations to become key components of statewide solutions.

¹ CPUC Actions to Limit Utility Cost and Rate Increases: Public Utilities Code Section 913.1 Annual Report to the Governor and Legislature, May 2019.

- Adopt a measured approach to procurement that allows time for technology to develop – rushing to procure resources, in SDG&E’s view, would unduly benefit developers and harm customers.
- Create a model that supports customer choice and ensures fair and equal treatment of all Load Serving Entities (“LSEs”) – full participation by all LSEs will support the success of SB 100.
- Prioritize the creation of a statewide central procurement entity (“CPE”) that is responsible for residual procurement² – this will act as a backstop to safeguard the goals of SB 100.

With these principles in mind, SDG&E offers the following comments on the November 18 workshop.

Comments

The Definition of Zero-Carbon Should be Technology-Inclusive and Encompass Broad Categories

The task of implementing SB 100 in a manner that preserves affordability and reliability will require resource ingenuity, system planning flexibility and technology inclusivity. Clean electric service that is both affordable and reliable is paramount to the success of SB 100 and the state’s broader decarbonization goals, as outlined above in SDG&E’s guiding principles and echoed in comments to-date,³ the Scoping Workshop presentations,⁴ and public comment at the workshops. SDG&E believes that a technology-inclusive approach is foundational to the effective implementation of SB 100. Technology inclusivity will allow for broader competition among resources, which in turn will drive innovative solutions and resource optimization and provide the most cost-effective pathway for customers. It is from this perspective that SDG&E evaluates the two potential definitions proposed by the Agencies at the workshop:

- RPS+: All Renewables Portfolio Standard (“RPS”) eligible resources, as well as large hydro, nuclear, and natural gas coupled with carbon capture and storage.
- No Combustion: RPS+, but excluding combustible resources (e.g., combustion-based bioenergy, and natural gas).

Unfortunately, neither of the Agencies’ proposed definitions fully enables a technology inclusive path. SDG&E believes that the “No Combustion” case is simply unworkable. All studies presented at the workshop acknowledged that natural gas resources are necessary to provide the firm system capacity required to support the achievement of SB 100 goals.⁵ The “RPS+” scenario, while too narrow, nevertheless can provide an appropriate starting point to build a technology-inclusive definition that will foster the most affordable and reliable pathway.

² Residual procurement means that procurement is limited in scope to the collective deficiencies that result only after other LSEs have made their portfolio decisions.

³ For Example: California Municipal Utilities Association, comments submitted November 8, 2019, p. 4 (affordability); Southern California Edison, comments submitted November 12, 2019, p. 2 (reliability); Southern California Gas Company, comments submitted November 11, 2019, p. 9 (inclusiveness).

⁴ For Example: Leadership Counsel for Justice & Accountability, September 30, 2019 Scoping Workshop (affordability); Redding Electric Utility, October 25, 2019 Scoping Workshop (reliability); California Independent System Operator, October 25, 2019 Scoping Workshop (inclusiveness).

⁵ See presentations on: CPUC 2045 IRP Framing Study, E3 Long-Run RA Under Deep Decarbonization, LADWP LA 100, and SCE Pathway 2045.

In this regard, SDG&E proposes the below definition to further the goals of broadening and simplifying the RPS+ option so that it is able to incorporate the resource types available today, and do so in a manner that will provide the flexibility necessary to include future innovations:

All Renewables Portfolio Standard (RPS) eligible resources, clean non-renewable resources, integration resources, dispatchable load modifying resources, zero-carbon fuels, and gas-fired generation resources paired with carbon mitigation technologies and products.

SDG&E’s proposed definition is based on grouping technologies and products that have been advocated for by parties to this proceeding into broad categories. SDG&E’s objective is to create an inclusive definition that provides sufficient specificity as to be actionable, while having the breadth necessary to incorporate future innovations. The following table provides examples of the resources included in each of these categories:

Term	Examples⁶
RPS-eligible resources ⁷	Small hydro, bioenergy, offshore wind
Clean non-renewable resources	Large hydro, nuclear
Integration resources	Energy storage (lithium ion, flow, pumped hydro, etc.)
Dispatchable load modifying resources	Aggregated behind-the-meter projects, demand response
Zero-carbon fuels	Hydrogen, renewable natural gas
Gas-fired generation resources	Natural gas facilities, fuel cells
Carbon mitigation technologies and products	Carbon capture and sequestration/storage/usage (“CCSU”), offsets

Utilizing these broad, high-level terms will afford all technologies and products with the opportunity to compete to become part of the SB 100 solution. This inclusive approach supports the effective implementation of SB 100 by enabling LSEs to choose from the most comprehensive and innovative set of options to meet their specific needs in the most reliable and cost-effective manner. Additionally, although only touched upon briefly at the workshop, SDG&E believes that carbon mitigation technologies and products, such as CCSU and offsets, must be incorporated into the state’s definition of zero-carbon resources. Including these imperative technologies will foster innovation of carbon mitigation, which is greatly needed to build a transferrable and sustainable model that is workable within California, and scalable beyond California.

A Comprehensive Evaluation Would Enhance the Usefulness of the Joint Agency Report

SDG&E supports a comprehensive analysis of SB 100 that yields an inclusive pathway that enables all customers, and all LSEs, to participate fully and benefit from its implementation. The

⁶ The examples provided above are for illustrative purposes only. The terms listed are intended to include, but not be limited to, the examples provided.

⁷ Note, SDG&E intends for all RPS-eligible resources to be eligible, regardless of whether or not the resource uses combustion technology.

workshop discussed various barriers and opportunities that may be encountered as the state moves forward, but there are two areas that stood out as requiring additional attention and analysis.

The first item that warrants further analysis is affordability for customers. To provide context, customers require bill assistance under the current rate structure – approximately 23% of SDG&E’s customers participated in discounted rate programs in 2018.⁸ The topic of affordability was broached by multiple parties during the workshop, and there was general acknowledgement that affordability is crucial to the success of SB 100. However, CEC staff explained during their presentation that some considerations, such as bill impacts, are more difficult to model than others. Consequently, the initial report will contain the overall cost of the different modeled scenarios but will not quantify bill impacts or associated costs to customers.

While SDG&E appreciates the complexity required to analyze all considerations, SDG&E encourages the Agencies to rethink this aversion to modeling customer bill impacts. This type of analysis is not only possible, it is vital. Bill impact data is necessary to highlight the relative affordability of the various scenarios.

Southern California Edison’s (“SCE’s”) Pathway 2045 presentation incorporated bill impacts to its customers in an understandable and impactful way,⁹ and SDG&E recommends that the Joint Agency Report follow this example. Affordability is an equity issue. As such, it is critical to ensuring that all customers are encouraged to participate in advancement of the State’s goals. As discussed during the second panel, customers need appropriate price signals in order to adopt new behaviors and technologies. General cost estimates that are not translated into price signals for customers will undermine the report’s overall effectiveness. Following SCE’s example and quantifying the cost to customers of the SB 100 cases analyzed, today and in the future, will create meaningful bookends. This will help inform the optimal path forward, including future rate design policy.

The second item that requires a closer look is the issue of decentralized procurement as a result of the proliferation of Community Choice Aggregation (“CCAs”) in the state. The scale of resources that must be built in order to advance State goals is significant. As Mr. Adam Stern of Offshore Wind California mentioned, the need for a collaborative approach to procurement may be necessary given the increasing number of smaller LSEs entering the market.

For this reason, SDG&E continues to advocate for the creation of a CPE that would be responsible for residual procurement in the state. The residual CPE structure would preserve individual LSE autonomy, but also provide a backstop to ensure that all LSEs are successful in meeting their SB 100 procurement requirements. This proposal is currently being evaluated in the context of the CPUC’s Resource Adequacy (“RA”) proceeding,¹⁰ and SDG&E believes this structure could also be adopted for statewide SB 100 procurement. SDG&E recommends that the Agencies’ report examine the decentralized procurement model and the potential for a residual CPE to enable the achievement of SB 100 goals.

⁸ Discounted rate programs: California Alternate Rates for Energy (“CARE”) offers a monthly bill discount – qualification is based on participation in certain public assistance programs or by income guidelines; Family Electric Rate Assistance (“FERA”) offers a monthly bill discount – qualification is based on income guidelines, and it is only open to households with three or more people; and Medical Baseline offers a lower rate for those with qualifying medical conditions or equipment.

⁹ SCE presentation, p. 8.

¹⁰ Joint Motion of California Community Choice Association, Calpine Corporation, Independent Energy Producers Association, Middle River Power, NRG Energy, Inc., San Diego Gas & Electric Company (U 902-E), Shell Energy North America (US) L.P., and Western Power Trading Forum for Adoption of a Settlement Agreement for a “Residual” Central Procurement Entity Structure for Resource Adequacy, submitted August 30, 2019. Rulemaking 17-09-020.

A sustainable structure that allows for customers and LSEs to participate is instrumental to the successful implementation of SB 100. It is therefore critical that the Agencies' first Joint Report provide a comprehensive analysis of barriers (including affordability and decentralized procurement), and solutions (including revised rate design and a residual CPE).

SB 100 Accounting Should Include the Eligibility of Out-of-State Resources

Successful implementation of SB 100 requires a flexible, resource diverse approach, which in SDG&E's view means that out-of-state resources must be deemed eligible. Currently, accounting approaches for out-of-state resources are inconsistent between state agencies. CARB staff's presentation addressed this issue¹¹ by describing the difference in accounting treatment of firmed-and-shaped (essentially out-of-state) products¹² between Cap and Trade ("C&T") regulations and RPS regulations. In the case of C&T regulations, these resources are treated as unspecified, while RPS regulations allow them to count (up to the statutory limit) towards RPS compliance. In other words, out-of-state resources are discouraged under C&T regulations, but allowed per statute under RPS regulations. Given this significant difference in treatment, staff asked stakeholders whether it would be advisable to consider alignment of accounting methodologies under SB 100. SDG&E views this as a threshold question regarding the eligibility of out-of-state resources and recommends that the Agencies work together to create a structure that ensures better alignment and the eligibility of out-of-state resources.

As the State moves towards SB 100 goals it will need to build new capacity, and this will require significant land use. It would be impractical to expect California, a very populated state, to host the entire portfolio of additional resources needed to meet the goals of SB 100 – yet this is the assumption the Agencies would need to make if they choose to rely on existing CARB regulations, which today discourage the procurement of out-of-state resources. Both the Nature Conservancy and Jessica Lovering touched on the land-use issue at the workshop, referencing the large footprint that will be required for the ultimate SB 100 statewide portfolio. Out-of-state resources must be eligible for practical reasons, and SDG&E recommends that the Agencies align on a framework that enables these resources to participate. Without a flexible framework, the feasibility of achieving SB 100 goals is jeopardized.

The SB 100 Report Development Process Should Incorporate a Modeling Advisory Group

SDG&E believes that stakeholder participation would enhance the value of the scenario analysis to be performed in support of the Joint Agency Report, and recommends that the Agencies establish a modeling advisory group ("MAG") to assist with this effort. The MAG structure has been used by the Agencies in various proceedings, and has proved helpful. One such example is the Integrated Resource Planning ("IRP") MAG, which was created to ensure a transparent and objective process.¹³ The MAG has provided a forum for CPUC staff to provide regular updates and solicit feedback, thereby creating a collaborative, rather than reactive, process. Utilizing a similar structure

¹¹ "Options for Defining Eligible Electricity Resources under SB 100."

¹² Firmed and shaped renewable electricity contracts provide delivery of renewable electricity to California with substitute energy. These contracts address the variability of renewable energy production and reduce the emissions of the LSE counterparty's portfolio.

¹³ <https://www.cpuc.ca.gov/General.aspx?id=6442453968>.

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here would likewise assist with streamlining, which would benefit both the process and the ultimate report.

Conclusion

SDG&E looks forward to participating in the stakeholder process to develop the SB 100 Joint Agency Report.

Sincerely,

/s/ Miguel Romero

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