DOCKETED

Docket Number:	15-IEPR-06
Project Title:	Renewable Energy
TN #:	204944
Document Title:	California Municipal Utilities Association's Comments on California Energy Commission's IEPR Workshop - Renewable Energy
Description:	N/A
Filer:	System
Organization:	California Municipal Utilities Association/Anthony Andreoni
Submitter Role:	Public
Submission Date:	6/8/2015 4:39:14 PM
Docketed Date:	6/8/2015

Comment Received From: Anthony Andreoni
Submitted On: 6/8/2015
Docket Number: 15-IEPR-06

CMUA's Comments on CEC's IEPR Workshop - Renewable Energy

Please see attached document.

Additional submitted attachment is included below.

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June 8, 2015

California Energy Commission
Dockets Office, MS-4
Re: Docket No. 15-IEPR-06
1516 Ninth Street
Sacramento, CA 95814-5512

Re: **15-IEPR-06 - Renewable Energy**

The California Municipal Utilities Association (CMUA) appreciates the opportunity to submit post-workshop comments on issues raised at the May 11th workshop as part of the 2015 Integrated Energy Policy Report (IEPR) discussing 50 percent renewables, local utility progress towards meeting 33 percent RPS by 2020, and progress on the current Net Energy Metering (NEM) program. CMUA provides some additional dialog on the "over-generation issue" mentioned by the Union of Concerned Scientists (UCS), and on the NEM program.

A. CMUA Supports a Comprehensive Examination of Grid Solutions to Over-generation. However, that Analysis Must Rest on Sound Facts.

CMUA is concerned with potential misunderstandings with respect to "over-generation" conditions presented at the May 11th workshop. For example, the UCS presentation[1] attempts to characterize over-generation conditions within the California Independent System Operator Corporation (CAISO) as independent from, and not caused by the influx of non-dispatchable, intermittent renewable resources.

CMUA supports efforts to examine comprehensively CAISO operational solutions to over-generation conditions, and has more thoughts on that topic below. However, it is not reasonable to argue that it is existing natural gas, not the influx of solar and wind generation that has caused increasing concerns regarding over-generation; the facts simply do not support that position. CMUA's concern is that using that premise as a starting point for any analysis will skew future efforts to seek solutions to this problem.

As the CAISO's analysis clearly shows,[2] instances of over-generation even under a 20% RPS scenario were historically rare. Indeed, over-generation was historically a confluence of low loads in shoulder months combined with the good fortune of high hydroelectric output. There is a clear causal connection between the increased penetration of renewable resources in the CAISO BAA,

[1] Preparing the Grid for 50% Renewables, Slide 2 (May 11, 2015) ("UCS Presentation").

[2] Compare, for example, CAISO Corporation Deterministic Studies, Order Instituting Rulemaking to Integrate and Refine Procurement Policies and Consider Long Term Procurement Planning, Rulemaking 13-12-010, submitted to the CPUC and reiterating 2014 estimates projecting 5927 MW unsolved over-generation in the 40% Trajectory scenario (at page 4) with Integration of Renewable Resources, Operating Requirements and Generation Fleet Capabilities at 20% RPS at page x (August 2010), estimating 0.3% renewable curtailment or approximately 150 GWh.

and the experienced and projected increased frequency and amount of over-generation conditions. To state that because other resources happen to be running during those hours of over-generation, that therefore it is not a direct consequence of the added and non-dispatchable solar and wind generation, turns the issue on its ear and does not contribute to moving the discussion of renewable integration forward consistent with a spirit of honest engagement.

There are many reasons why certain units may be "must run" units in order to meet the operational needs of the CAISO BAA. The CAISO must respect the operational limitations of the units themselves, such as start times, minimum load conditions, and ramp rates. Certain paths are governed by nomograms that may limit operational flexibility. The CAISO also has local capacity requirements. On this latter issue, CMUA has heard arguments that local capacity obligations within the CAISO BAA are alleged to be arbitrary and not supported by data or analysis. Whatever the merits of the outcome of the CAISO process, there is an annual process conducted by the CAISO and any party can assess the local reliability methodology and challenge both the assumptions and results. Indeed, the CAISO just issued its 100+ page "2016 Local Capacity Study and Report." [3] Ironically, CMUA was one of the only parties that took issue with the local capacity study methodology when it was formulated several years ago; the CAISO's methodology was ultimately accepted and has been applied for many years. Whatever view parties hold about the methodology itself, it is not accurate to presume that it is arbitrary or the product of mere operational whim.

As stated above, CMUA supports a comprehensive evaluation of grid conditions that result from increasing penetration of renewable resources to meet current and expanded RPS goals, including:

- What capabilities exist on the existing fleet to increase operational flexibility, and how should they be paid for based on cost causation principles;
- Whether local capacity and other current requirements can be relaxed without jeopardizing grid reliability and/or resulting in reliability standard violations;
- The impact of expanding real time market footprints, including greater frequency of negative pricing and increased volumes of intra-hour transactions, will have on over-generation expectations;
- How can procurement choices be shaped and modified to minimize operational impacts *ab initio*, rather than as an after-the-fact remedy to poorly considered procurement policies; and
- What role appropriate curtailment of renewable resources should play to maintain stable and reliable grid conditions?

B. CMUA Continues to Support the State's NEM Program and Recommend Reconsidering the Role of NEM Generation in Meeting Future Energy Goals.

As presented to the CEC staff and Commissioners on May 11th, publicly owned local electric utilities (POUs) continue to add new significant amounts of renewable generation, including behind-the-meter facilities that participate in NEM programs. A small number of POUs have hit the existing NEM program cap, and each of these utilities have either continued the existing NEM program or adopted new programs that continue to support customer-owned, distributed generation. However, the great majority of POUs are still several years from hitting the existing program cap. CMUA recommends that the CEC, in coordination with other state agencies and the POUs, should continue to evaluate the challenges of integrating large amounts of distributed generation into the grid in a way that limits costs while maintains the reliability of the gird. The CEC's efforts in studying these

[3] http://www.caiso.com/Documents/Final2016LocalCapacityTechnicalReportApr302015.pdf.

issues will provide valuable direction to the regulatory authorities and utilities that must address these challenges.

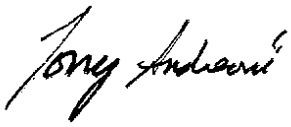
One key way to recognize the value of behind the meter generation (and NEM in particular) is to fix the misinterpretation of the portfolio content category (PCC) of this generation. The current interpretation by the CEC and CPUC, which treats behind-the-meter generation as PCC3, paradoxically values out-of-state generation at many times great value than generation that is located within an electric utility's service territory. This treatment adds to the cross subsidy that non-NEM customers pay to NEM customers by stripping away the compliance value of this generation. It also forces utilities (particularly those with economically disadvantaged communities) to remove funds from their communities and send them to other areas of the state or to other states altogether. The concerns expressed by some that counting NEM generation as PCC1 would be "double counting" or that it would be a dormant commerce clause violation are both without merit.

Double counting of RECs is prevented by the CEC's accounting and verification process and deceptive marketing claims are addressed in California Business and Professions Code section 17580.5, and by reference, the Federal Trade Commission's *Guides for the Use of Environmental Marketing Claims*.[4] Any utility counting generation from an NEM generating facility would clearly need to comply with all of these requirements. Nothing about counting generation from NEM facilities as PCC1 rather than PCC3 is inconsistent with these requirements. Further, any assertion that counting NEM generation as PCC1 results in a double benefit is greatly overstated, as the actual reduction in RPS obligation associated with NEM customers is minor compared to difference in value between PCC1 and PCC3.

As California moves towards meeting future environmental goals, it cannot ignore the role that distributed generation plays. Behind-the-meter generation is one of the fastest growing sectors of the energy industry and the way that utilities meet new renewable and GHG targets must account for that rate of distributed generation expansion. As vertically integrated, not-for-profit organizations, POUs must ensure that their customers receive electric service that is both reliable and affordable. Meeting this obligation requires that the POUs comprehensively look at the costs and benefits of distributed generation, including the role its plays in meeting the state's renewables targets.

CMUA appreciates the opportunity to submit these comments into the 2015 IEPR process.

Sincerely;



Tony Andreoni, P.E.
Director of Regulatory Affairs

[4] Federal Trade Commission, Guides for the Use of Environmental Marketing Claims, 16 C.F.R., pt. 260 (2011).