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California Energy Commission
1516 Ninth Street
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RE: Docket No. 08-IEP-1B 2008 IEPR Update – 33% Renewable Electricity

Dear Commissioners:

San Diego Gas & Electric Company ("SDG&E") appreciates the opportunity to provide these comments on the July 21 Workshop on the Impacts of Higher Levels of Renewables on the Electricity System. SDG&E would like to commend the California Energy Commission (CEC) on taking the time to examine what exactly is needed for the state to increase the level of renewable power used to serves customers above the 20% level. These studies showed a number of challenges exist as the state works to increase the role of renewable power. SDG&E believes it is critical that policy makers fully understand the issues and obstacles associated with higher levels of renewables prior to mandating increases in renewable supply. As such, there are a few points SDG&E believes the Staff should especially note from the workshop.

First, the panel was nearly unanimous in its position that procurement is not one of the current barriers facing renewable development in the state. The California Public Utilities Commission (CPUC) has acknowledged that the procurement process in the Renewable Portfolio Standard (RPS) program is working. Response to the investor-owned utilities' (IOU) RPS request for offers (RFOs) has been robust and is increasing. IOU's have been and continue to contract for the necessary projects to meet their obligations. According to the CPUC, if all capacity under contract approved and currently pending before the CPUC were to come online by 2010, the state would more than achieve the current RPS target[1]. Moreover, through the RFO process and the use of least cost- best fit evaluation principles, the IOUs are able to achieve procurement goals at the lowest possible cost to customers. While feed-in tariffs were discussed at the workshop as a complementary procurement tool, it is SDG&E's opinion that these should be viewed as a potential solution for niche projects- i.e. renewable generators who are too small (under 1.5 MW nameplate capacity) to participate in the RPS RFO. Feed-in tariffs, however, will not get transmission built - a key barrier to the current RPS program.

Second, it was recognized that the delay in the state meeting its 20% goal is the ability to get the renewable projects built and licensed. The CPUC has acknowledged that developers' progress has been extremely slow, resulting in substantial delays in project on-line dates. Thus, SDG&E recommends the CEC focus its efforts in the Integrated Energy Policy Report (IEPR) on this important issue and determine what steps the state can take to facilitate the timely development of projects.

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[1] CPUC Presentation entitled, *Status of California's Renewable Portfolio Standard*, June 30 CEC Workshop on Feed-in Tariffs. http://www.energy.ca.gov/portfolio/documents/2008-06-30_workshop/Status_of_California_RPS_CPUC.pdf

Third, the need for additional transmission and the issues surrounding getting the necessary lines licensed and built in a timely manner continues to hinder renewable development. Transmission licensing is the subject of a separate workshop and thus SDG&E will provide comments on this critical issue in separate comments. However, it's important to note here that, to the extent transmission becomes (and continues to be) the critical path item, it will drive the timing and rate that renewable power can be delivered to load.

The CEC should give special credence to the comments of the California Independent System Operator ("CAISO"). As was pointed out during the workshop, moving to higher levels of renewable power may involve the need for a substantially different grid and resources mix than we have today. These changes will need to be integrated with renewable development. These changes will take time to develop. The cost of these required changes needs to be considered in the study of increased levels of renewable supply. The studies reviewed at this workshop either ignored or had only a limited focus on operating issues. The CEC Intermittency Analysis Project (IAP) study is a start but much more needs to be done. The CAISO is still completing work on the operational impacts of 20% renewables, and analysis of 33% is scheduled for later this year. It is critical that the CEC incorporate findings from this work in any conclusions it draws.

As discussed above, numerous obstacles must be overcome before a 33 % Renewable Portfolio Standard is achievable without excess cost to ratepayers or threats to reliability. As a result, the following measures would have to be adopted in conjunction with a 33% RPS to ensure that such a mandate would be fair, achievable and affordable:

- ✓ The requirement should apply equally to all load serving entities (LSEs), including publicly-owned utilities;
- ✓ Program costs (including any added cost for transmission, firming, and integration) should not be subjected to the existing AB1X cost cap;
- ✓ Renewable energy credits (RECs) should be permitted from both within and outside the state;
- ✓ A ratepayer cost protection mechanism should be implemented by the CPUC that considers all relevant costs and benefits and ensures renewable procurement is affordable;
- ✓ The existing flexible compliance provisions and permissible excuse for lack of transmission should be maintained; and,
- ✓ It is done in a manner that protects System Reliability by requiring the CPUC, CEC, and CAISO to study reliability issues and needs, and to adopt a mitigation plan (including the authority to suspend any yearly procurement requirement) if reliability is jeopardized.

As is clear, the movement to higher levels of renewable power represents the single largest shift in the energy supply in over 50 years. It is important that the state views this holistically and fully understands the magnitude of the issue. SDG&E looks forward to working further with the Commission and staff on this issue.

Yours sincerely,

Bernie Orozco