

October 10, 2008

California Energy Commission
Dockets Office, MS-4
Re: Docket No. 08-IEP-1G
1516 Ninth Street
Sacramento, CA 95814-5512
docket@energy.state.ca.us

DOCKET	
08-IEP-1	
DATE	<u>OCT 10 2008</u>
RECD.	<u>OCT 10 2008</u>

Re: California Energy Commission (Energy Commission) Docket No. 08-IEP-1 and
No. 03-RPS-1078. 2009 IEPR-Feed-in Tariffs

To Whom It May Concern:

Southern California Edison Company (SCE) respectfully submits comments on the development of the final consultant report; "California Feed-in Tariff Design and Policy Options Report" intended to assist policy makers in determining the potential role of feed-in tariffs and inform the 2008 IEPR Update and the 2009 IEPR.

At the October 1, 2008 workshop, KEMA, Inc. presented six policy path options for feed-in tariffs. Based on this presentation, SCE understands that the Energy Commission intends to recommend that one or more of these paths serve as potential approaches for expanding the use of feed-in tariffs in California. SCE's concern with recommending one option over another is that each is designed to achieve a specific objective. While the overarching commitment may be to achieve higher renewable development, each investor-owned utility (IOU) has varying energy needs and portfolio requirements and the same tariff may not produce the same results, or be appropriate, for all service areas. Given the uncertain state of Direct Access in California, SCE presumes that the feed-in tariffs contemplated will be utilized by energy service providers in California too, with commensurate cost recovery.

SCE has significant experience in developing both standard and customized contracts. For example, SCE carefully assessed its business needs and developed the Standard Biomass Contracts program. The goal was to increase the amount of biomass in SCE's portfolio and address the Governor's Executive Order to meet a 20% biomass target within the established 20% renewable target. The Standard Biomass Contracts program has successfully brought projects under contract that otherwise would not have participated in the competitive solicitation process. These standard contracts are differentiated by size and duration closely resembling the intent and structure of policy option 5. Importantly, the Standard Biomass Contract program was designed to complement the State's stated primary approach of procurement through competitive solicitations.

In 2009, SCE is seeking California Public Utilities Commission (CPUC) approval to expand these contracts to all renewable technologies (up to 20 MW) in order to capture smaller projects that can interconnect without significant transmission upgrades – the major barrier to renewable development in California--perhaps at the distribution level. This closely follows the intent and structure of policy option 6.

For any feed-in tariff or other contract, SCE recommends the following attributes:

1. Delivery and performance standards that ensure long-term renewable projects that operate efficiently and have sustained electric production over time. Past experiences with poor performance standards have left abandoned equipment and poor public perception of renewable projects.
2. Any costs associated with a feed-in tariff or other contract program should be distributed equally to all customers receiving the benefits. This is a feature seen in German feed-in tariff programs where costs were spread evenly to all customers, and not just in areas of higher renewable concentrations.
3. Program cost caps and project limits for customer protection and mechanisms that ensured that the grid can safely and reliably manage increasing levels of renewables.

SCE supports expanded renewable development and is actively pursuing additional contracting options that are mutually beneficial for developers and SCE's customers. If you have any questions or need additional information about SCE's recommendations in these written comments, please contact me at (916) 441-2369.

Very truly yours

/S/MANUEL ALVAREZ

Manuel Alvarez.