

**Comments of the Center for Energy Efficiency and Renewable Technologies on
the California Energy Commission's Committee Workshop on Localized
Renewable Generation**

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The Center for Energy Efficiency and Renewable Technologies (CEERT) appreciates the California Energy Commission's (CEC's) efforts to carry out Governor Brown's goal of building 12,000 Megawatts (MW) of Localized Electricity Generation. As a coalition of clean energy developers and environmental organizations, CEERT strongly believes this goal to be a key step toward building a clean energy economy in California and diversifying our current energy portfolio. Below, CEERT outlines our primary interests in working toward the state's localized renewable generation goals.

- **Technology diversity:** All distributed generation technologies are important to building a clean, strong, and reliable network of generation facilities throughout the state. Each technology has different strengths and weaknesses, so a diverse deployment will lead to a robust portfolio that is easier to integrate. If the 12,000 MW goal is implemented in a thoughtful manner, localized generation can provide air quality and economic benefits to some of California's most vulnerable communities by displacing larger, central-station fossil resources and introducing clean energy jobs.
- **Emphasis on customer-side installations:** Behind-the-meter technologies provide a unique value to the customer by encouraging energy efficiency and independence.
- **Transparency:** Stakeholders need more transparency on pricing. Better access to market information will allow the CEC and CPUC to adjust procurement policies appropriately to reflect market trends, and will ensure that customers are receiving the full benefits from their investments.

- **Thoughtful integration:** Energy agencies, developers, utilities, and communities need more information on the impacts of high penetrations of distributed generation before setting limits. While CEERT recognizes the need for caution in planning, the state needs to collaboratively explore ways to bring large quantities of distributed generation online.
- **Appropriate performance metrics:** Progress toward goals must be measured by actual megawatt-hour deliveries to either the grid or to the load centers. This will prevent inflation of our progress based on assumptions that all projects will successfully navigate unfortunate procedural and technical hurdles. Doing so will also allow the CEC, California Public Utilities Commission (CPUC), and California Independent Systems Operator (CAISO) to examine the barriers to development and the best practices that help projects succeed.
- **Flexible regional targets:** Developing local targets can help in planning for statewide deployment; however the targets should remain flexible. Some counties or regions will see tremendous growth due to public interest and renewable resource, and should be encouraged to go beyond their assigned targets. Alternatively, some counties and regions may encounter significant barriers that will require attention and assistance prior to achieving the stated goals.

I. Developing Interim and Regional Targets

CEERT believes that prior to setting any specific targets for the 12,000 MW goal, the CEC and Brown Administration should clearly specify which types of energy resources are included in this goal. Stakeholders have heard multiple terms used to describe this goal – localized renewable generation, localized generation, *new* distributed generation, etc., and each term has different implications for various technologies that could be deployed to meet the goal. Key questions that would help clarify this goal to industry groups and local governments are as follows:

- What are the criteria required to be considered within this category? 0-20 MW? Connected to the distribution grid? Zero greenhouse gas?
- Is clean, efficient (even if not *renewable*, per se) generation included?
- What is considered efficiency and what is considered generation? CEERT understands that some confusion exists around whether solar heating and cooling (solar thermal) is categorized as efficiency or renewable DG, and while we would like to see these technologies included in the 12,000 MW goal, it is more important that the CEC and administration ensure that it is not left out of both sides.

Methodology for Setting Interim and Regional Targets

CEERT does not object to the basic methodology for allocating the 12,000 MW to technologies in terms of dividing the technologies into behind-the-meter and wholesale projects, however we feel that the CEC staff and administration ought to

balance targets to ensure that the projections *inform* the goals, but that the goals are still stretched beyond what is already likely to come online with business as usual.

CEERT is concerned that the 5,000 MW goal for behind-the-meter technologies may be underestimating the potential of this market, and fails to consider potential extensions of the California Solar Initiative (CSI), Self-Generation Incentive Program (SGIP), Emerging Renewables Program (ERP), and a possible reform of the New Solar Homes Partnership (NSHP). The public could benefit substantially from a branded, state-supported program that brings incentives to behind-the-meter systems, even if the incentive level is modest: With the continuation of federal tax credits out to 2016, continued accelerated depreciation, and an extension of Net Energy Metering (NEM), building more than 5,000 MW of behind-the-meter renewables will be possible. Conversely, the 7,000 MW goal for wholesale generation is more speculative and is based on a snapshot of 5,700 MW in the queue, which has a tremendously high failure rate. California has yet to see many of these wholesale programs, such as the Renewable Auction Mechanism (RAM), get underway, and will have much better information about their potential success in the coming years.

Due to the imbalance of information and goals, CEERT recommends that the CEC consider a 50%-50% split of the 12,000 MW between behind-the-meter and wholesale technologies. This will even the playing field between various technologies and provide equal opportunities for growth of each market. This will also create sustainable jobs and innovation at the city and county levels, which will increase competition and help further reduce technology costs for the state.

One final note is that the CEC has the responsibility to stimulate the participation of publicly-owned utilities (POUs) in addition to the investor-owned utilities (IOUs). This is particularly important as the POUs cannot take advantage of the federal Investment Tax Credits available to IOUs, and will be crucial to the geographic distribution of distributed generation technologies and benefits throughout the state.

Renewable Capacity Installed Per Utility

CEERT believes that the “15% of peak load” penetration is based on conservative assumptions, and that the utilities and CEC would benefit from greater visibility of the grid. CEERT suggests that the CEC look at minimum load instead. To the extent that the utilities believe that certain areas absolutely cannot handle additional quantities of distributed generation, it is incumbent on the utilities to disclose those areas and to develop solutions that will allow those areas of the grid to absorb higher percentages of renewables.

State Incentives and Penalties to Ensure Achievement of Targets

CEERT believes that the state has a full toolbox of policies that can help us achieve the 12,000 MW goal. While many of these policies have brought tremendous success to California, many are running out of funds or are suspended for

adjustments and reforms, and others have not yet been fully implemented. CEERT believes that California's suite of distributed generation policies are a unique strength of this state and will lead us out of this economic downturn, yet the time has come to get these programs back up and running. With that said, CEERT urges the CEC and the California Public Utilities Commission (CPUC) to continue evaluating these various procurement programs to ensure fairness and transparency in the marketplace. We fully anticipate that a number of new programs (e.g. the Renewable Auction Mechanism and Feed-in Tariff) will require careful implementation and a willingness to make necessary program changes over time.

Trading Allocation Requirements between Regions

CEERT is concerned that the CEC would suggest such a concept as trading regional target allocations between regions. As stated above, CEERT believes that the regional targets are a useful way of organizing statewide deployment and ensuring geographic and technological diversity. With that said, the targets should remain flexible. Adding a trading program would lead to unnecessary confusion and complexity in implementation of the 12,000 MW goal.

Near-term and Long-term Actions Needed to Reach 12,000 MW Goal

Key challenges in the near-term include a lack of transparency of costs, a lack of information on the best places to site distributed generation facilities, and challenging interconnection procedures. One of CEERT's key policy priorities for 2011 is to advocate for implementation of a feed-in tariff pursuant to SB 32, which would help California test a true feed in tariff that is transparent and accessible to both ratepayers in local communities and third parties. Additionally, CEERT will push for a successful implementation of the Renewable Auction Mechanism and extensions or possible expansions of existing programs, such as the SGIP, CSI, and NEM.

Conclusion

CEERT supports the work of the CEC in shaping a robust distributed generation program for California. We look forward to opportunities to help the state achieve its distributed generation goals while maximizing public benefits through geographic distribution, technological diversity, and transparency.