

California Energy Commission

Re: Docket No. 11-IEP-1

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## Clean Coalition Comments on 2011 IEPR: Lead Commissioner Final Report

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### I. Introduction

The Clean Coalition is a California-based advocacy group, part of Natural Capitalism Solutions, a non-profit entity based in Colorado. The Clean Coalition advocates primarily for policies and programs that enable the “wholesale distributed generation” market segment, which is generation that connects to the distribution grid for local use. The Clean Coalition is active in proceedings in many regulatory venues, including the Energy Commission, Air Resources Board, and the Public Utilities Commission in California; the Federal Energy Regulatory Commission; and in other state and local jurisdictions across the country.

The Energy Commission has done tremendous work in developing the IEPR in a year that saw major shifts in policy direction coming from the Governor’s office. In light of these dramatic changes, the Clean Coalition would like to acknowledge the efforts of the Commission to this point and encourage them to continue the hard work of making California a leader in embracing creative, forward-thinking energy policies.

In adopting the 2011 Integrated Energy Policy Report, the Commission rightly makes use of the well-conducted analyses that has been done in the past year, but should explicitly acknowledge that many of the core assumptions underlying the analyses will need to be revisited in the 2012 IEPR Update.

## II. Clarifying Distributed Generation

The Clean Coalition is pleased to see that a clear definition of distributed generation (DG) has been adopted in the 2011 IEPR. It is fundamental to the concept of DG that such generation be tied directly into the distribution grid or used where produced. DG does not include energy that enters the transmission grid. Since this important clarification was added recently, it has not been fully integrated throughout the report and will need to be consistently and clearly utilized in future reports and all related policy conversations.

The final report has properly noted where previously conducted analyses were not based on the clarified DG definition, thus signifying that these analyses need to be revisited. For example, the Commission should explicitly correct the “authorized wholesale DG” number in future work as this number should not necessarily include the authorized capacity of the Renewable Auction Mechanism (RAM). Because RAM projects may be interconnected to the transmission grid, they may no longer qualify as DG.

## III. Governor’s 12,000 MW Goal

By including the word “Preliminary” in the title of Table 3, which enumerates regional generation targets, the final report rightfully acknowledges that the regional target setting methodology will also need to be revisited. For the 2012 IEPR Update, the Commission will need to define a robust and transparent methodology for determining these targets that is based on clearly defined policy priorities from the Governor’s office.

In these targets, as well as the energy sourcing composition shown in the new Figure 2, the Commission should commit to reconsidering, at a minimum, the following key assumptions:

- 1) The inclusion of projects dating back to 2007 in the 12,000 MW total.
- 2) Whether, and in what proportions, the target should be broken into two separate categories; retail distributed generation (RDG) and wholesale distributed generation (WDG).

Counting generation projects from as long ago as 2007 toward the 12,000 MW goal greatly reduces the impact of the Governor's goal on California's clean energy development and job creation. It is an unnecessary allowance, since sufficient cost-effective DG can be readily sourced to meet the goal without relying on projects already in existence.

Additionally, a clear decision should be articulated about target goals for the two types of distributed generation: retail and wholesale. There are benefits, but also significant policy implications, to both.

#### IV. Meaningful Paradigm Change

The 2011 IEPR accurately recognizes the need for change in the way California's regulatory agencies operate and collaborate, but does not fully recognize the major paradigm shifts in policy that are needed for an integrated smart energy future. Currently, energy policy is addressed in discrete categories, such as energy efficiency, demand response, energy generation, electric vehicles, smart grid design and energy storage. These have served as convenient "silos" into which a large and complex issue can be divided. However, increased interaction between these categories has become essential to achieve the creative, dynamic policy changes this state needs. In adopting this report, the Commission should explicitly state that the 2012 effort will deeply examine how these energy silos, not just the agencies, need to interact going forward.

Unfortunately, within the report and overall California energy policy there remains a significant bias towards large-scale, transmission-interconnected projects. In the IEPR, this bias is seen in the assumption that major new transmission capacity is needed to accomplish the RPS goals. One change that would assist in meeting the goal without additional, costly transmission projects is a commitment to reducing the RPS failure rate. Rather than assuming a continued 30 to 40 percent failure rate,

renewable procurement should become risk-aware, adopting a meaningfully improved “least cost, best fit” methodology. Distributed generation has already been shown in some cases to be cost-competitive with traditional central station generation projects. While there is considerable progress still to be made, DG is sufficiently mature to be implemented immediately and reliably.

These and many other core assumptions are being challenged by the rapidly changing energy market. Despite their complexity, such changes hold great potential that is of central importance to future policy. They should be examined immediately and not deferred until the 2013 IEPR.

V. Closing

The Clean Coalition supports the adoption of the Final 2011 IEPR, but urges the Commission to acknowledge and immediately take up the significant outstanding issues in the 2012 IEPR Update effort.

Additionally, the Clean Coalition appreciates the opportunity to help define and clarify the Governor’s energy goals and assist with their implementation. We look forward to meaningful participation in driving this work forward.

Respectfully Submitted,

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