

October 8, 2012

VIA EMAIL (docket@energy.ca.gov)

California Energy Commission
Dockets Office, MS-4
Re: Docket No. 13-IEP-1G
1516 Ninth Street
Sacramento, CA 95814-5512



California Energy Commission

DOCKETED
13-IEP-1G**TN # 67593**
OCT 08 2012

Re: 2013 Integrated Energy Policy Report: Renewable Net Short Calculation – Comments of Pacific Gas and Electric Company on October 1, 2012 Workshop

I. INTRODUCTION

Pacific Gas and Electric Company (PG&E) appreciates the opportunity to provide comments on the California Energy Commission's (CEC) Renewable Net Short (RNS) calculation as discussed on October 1, 2012. PG&E understands that the purpose of the webinar was to present the updated variables the CEC planned to include in its calculation of the RNS.

PG&E is generally concerned that the California Public Utilities Commission (CPUC) and the CEC calculate estimates of the RNS using different methodologies and urges the CEC to continue its collaboration with the CPUC to reconcile these methodological differences. Having two different methodologies and inputs to the calculation of the RNS may mislead policy makers and the market about the state's ability to achieve its RPS mandates and about the work utilities have done to meet this goal.

II. CALIFORNIA IS WELL-POSITIONED TO ACHIEVE HIGHER LEVELS OF RENEWABLES

Since California's Renewables Portfolio Standard was first passed into law in 2002, PG&E has learned a lot about the obstacles to renewables development. In less than 10 years, some of the initial obstacles facing new generation facilities have been overcome, including challenges associated with permitting, transmission, interconnection, technological, air space, and financing. This has helped PG&E increase renewable deliveries to customers from about 11% of retail sales in 2003 to 19% of retail sales in 2011. Additionally, numerous projects are under construction that, once completed, will help PG&E achieve significantly higher levels of renewables deliveries in the coming years.

Since 2002, PG&E has executed more than 120 contracts that represent more than 10,000 MW of renewable capacity.¹ More than 70 of these contracts were with new facilities; 20 of these facilities are now online and more than 35 are under construction or development. While PG&E terminated contracts with 15 new facilities for a variety of reasons, PG&E signed many of the terminated contracts in the early days of the RPS program and the renewables market has matured considerably since that time. Today, renewable developers bid projects to us at a more advanced stage of development (e.g., applications for interconnection have already been submitted and permitting applications are well underway). In addition, despite project delays, numerous projects are near completion or have finished the permitting process and started construction. As a result, PG&E has already signed most of the contracts it will need to achieve the state's 33% RPS goal, even after adjusting for assumed failure rates in its portfolio of projects that are not yet online.

Given our projections for what is needed to achieve the 33% RPS requirement, PG&E is concerned that the CEC's RNS calculation may create confusion in the marketplace. The CEC's RNS is not adjusted for expected output from facilities not yet online that have, or are expected to have, power purchase agreements with load-serving entities or are otherwise under development and construction. Therefore, the RNS overstates the need to procure additional renewables and should be modified to capture renewable projects which have already been committed to meeting a portion of the RNS. This modification would be very reasonable, considering the CEC's calculation of the RNS includes estimates for uncommitted energy efficiency and distributed generation, resources that are not even under contract or for which programs are not approved.

For this purpose, it may be appropriate to define an "incremental RNS" or "RNS from unidentified sources" so that the RNS is not overstated (e.g., in the Long-Term Procurement Plan proceeding, this is done by bucketing the RNS into "discounted core" versus "non-discounted core" projects, which accounts for contracting activity and identifies the *incremental* RNS). To ignore ongoing and expected contracting activity in its totality may create incorrect perceptions in the marketplace and among regulators and legislators that significant additional procurement of renewables is needed to achieve the 33% RPS goal.

III. THE CEC AND CPUC SHOULD RECONCILE CUT-OFF DATES FOR EXISTING GENERATION IN THE RNS CALCULATION

PG&E recommends that the CEC revise its "cut-off" date for inclusion of projects in its RNS calculation. Currently, it appears that the CEC uses two different "cut-off" dates in each of its

¹ It should be noted that, in addition to the RPS program, California has numerous other programs that support renewables on the customer side of the meter. These programs include the California Solar Initiative and the Self-Generation Incentive Program, among others. The figures noted do not include the capacity secured through these programs.

cases. For example, the “existing generation” figure captures projects that have: expected commercial operation date (COD) by 12/31/2012; or expected COD by 12/31/2013. Such an estimate could result in a larger estimate of existing generation than the CPUC’s calculation given the CPUC defined “existing generation” as projects online by August 1, 2012. PG&E recommends the CEC use August 1, 2012 as its cut-off date for “existing generation.”²

The CEC’s approach also seems to assume 100% success for those PPAs expecting to achieve COD by those dates. PG&E recommends the CEC include some future estimate of RPS contract performance. While PG&E does not suggest a 100% success rate be considered, some rate greater than zero would be appropriate. Therefore, if the CEC continues to use a cut-off date for existing generation that is in the future, the RNS methodology should apply some element of risk adjustment to account for projects that do not meet their expected COD.

Another area where the CEC and CPUC RNS methodologies differ is that the CPUC recently began including certain CPUC-approved procurement programs (e.g., Renewable Auction Mechanism or RAM) as existing generation. This assumption should be consistent across calculations and, given the performance requirements and timing of the RAM program, it would be appropriate to include that generation as “existing generation.”

IV. AN ESTIMATE OF THE RENEWABLE NET SHORT SHOULD INCLUDE CONTRACTUAL COMMITMENTS AND REALISTIC PROGRAM ASSUMPTIONS

In its calculation of the RNS, the CEC includes projections for a number of demand-side management categories, including incremental uncommitted energy efficiency, additional rooftop photovoltaic (PV) systems, and additional combined heat and power (CHP).

PG&E is concerned about the asymmetric inclusion of such program assumptions. Given that there is no inclusion of future new RPS generation – to which the utilities have made significant contractual commitments – it seems counter-intuitive to include in the RNS calculation an estimate of significant quantities of “uncommitted” energy efficiency, particularly since there have been no energy efficiency programs approved through 2020. Also, the CEC’s estimates for Additional Rooftop PV are slightly inconsistent with the CPUC’s base case in the 2012 LTPP and the CEC’s “Additional CHP” estimate diverges significantly. The CEC may wish to reduce its additional CHP estimate to be more comparable to the CPUC’s estimate. As described above, the different and possibly conflicting methods and assumptions used to forecast RNS may create confusion.

² The CPUC’s RNS calculation can be found on the “net short tab” at this link:

http://www.cpuc.ca.gov/NR/rdonlyres/A8B8B72A-B8D3-40A6-A978-0FB2635FCB95/0/portfolios_92712.xls

V. PG&E'S 2012 RPS PLAN CONTAINS ITS CURRENT RNS ESTIMATE

PG&E recently provided its most updated RNS estimate to the CPUC in its 2012 RPS Plan.³ Appendix 1 of the Plan depicts PG&E's expected compliance position over the three periods set forth in Senate Bill (SB) 2 (1x) and extending through 2030; it also shows a more pessimistic and a more optimistic need scenario based on differing contract success rates.

Incremental procurement decisions will take into account uncertainties associated with the success of projects in the portfolio that are not yet constructed and the continued performance of existing projects in the portfolio. Therefore, the CEC also should include an estimate of RPS contract success in its RNS calculation.

VI. CONCLUSION

PG&E appreciates the opportunity to provide these comments and is happy to discuss them with the CEC staff. Should you have any questions about PG&E's comments, please do not hesitate to contact me.

Sincerely,

/s/

Valerie J. Winn

cc: Angela Tanghetti (via email angela.tanghetti@energy.ca.gov)

³ Please see PG&E's RPS Plan, Appendix 1, at pp. 106-108: http://www.regrel/Docs/RenewablePortfolioStdsOIR-IV/Other-Docs/PGE/2012/RenewablePortfolioStdsOIR-IV_Other-Doc_PGE_20120815_246695.pdf