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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Continue Implementation and Administration of California Renewables Portfolio Standard Program.

Rulemaking 11-05-005
(Filed May 5, 2011)

ADMINISTRATIVE LAW JUDGE'S RULING (1) ADOPTING RENEWABLE NET SHORT CALCULATION METHODOLOGY (2) INCORPORATING THE ATTACHED METHODOLOGY INTO THE RECORD, AND (3) EXTENDING THE DATE FOR FILING UPDATES TO 2012 PROCUREMENT PLANS

This ruling adopts the attached Energy Division Staff methodology for calculating the renewable net short, incorporates the attached methodology into the record, and extends the date for filing updates to the 2012 Procurement Plan to August 15, 2012.

On April 5, 2012 Commissioner Ferron issued an Assigned Commissioner Ruling (ACR)¹ in this proceeding identifying issues and a schedule of review for the 2012 Renewables Portfolio Standard (RPS) Procurement Plans. Among other things, the ACR required that the RPS Procurement Plans be filed on May 23, 2012 and that a quantitative assessment be provided to forecast the additional

¹ This ruling is available at <http://docs.cpuc.ca.gov/efile/RULINGS/163513.pdf>.

renewable generation required (i.e., net short)² to comply with RPS procurement quantity requirements adopted in Decision (D.) 11-12-020.³

The renewable net short is the amount of new renewable generation necessary for retail sellers to meet or exceed the renewable target. The process for calculating the net short includes forecasting the renewable target and then subtracting the renewable supply forecast. The renewable supply forecast is the forecasted amount of renewable generation from contracted facilities both online and under development.

Energy Division Staff held a workshop for all interested parties to develop the methodology, inputs, and format, as needed, for reporting RPS portfolio needs and procurement net short on June 12, 2012. At that time, Staff vetted a preliminary net short proposal. The Staff's proposal was attached to a ruling dated July 11, 2012. This July 11, 2012 ruling also served to incorporate the Staff's proposal on the renewable net short into the record of this proceeding. Parties filed comments on the proposal on or before July 18, 2012.

After consideration of these comments and review of the Staff's proposal, retail sellers are directed to update their net short calculations, originally submitted in May with their 2012 RPS Procurement Plans, in accordance with the attached methodology by August 15, 2012. The attached methodology is also

² Pursuant to April 5, 2012 ACR at 5-8, all retail sellers, except small investor-owned utilities, were required to submit net short calculations in their 2012 RPS Procurement Plans.

³ D.11-12-020 establishes the annual compliance targets necessary to achieve 33% of renewable generation as a percentage of bundled retail sales by 2020 (average of 20% from 2011-2013, 25% by the end of period 2014-2016, 33% by the end of period 2017-2020, and 33% for every year beyond 2020).

incorporated into the record of this proceeding. Retail sellers may submit updates to other aspects of their plans on August 15, 2012. The original date for updates as set forth in the April 5, 2012 ACR was August 1, 2012.

IT IS RULED that:

1. Retail sellers are directed to update their net short calculations, originally submitted in May with their 2012 RPS Procurement Plans, in accordance with the attached methodology by August 15, 2012.
2. The attached methodology is incorporated into the record.
3. The date for submitting updates to the 2012 Procurement Plans is extended until August 15, 2012.

Dated August 2, 2012, at San Francisco, California.

/s/ REGINA M. DEANGELIS

Regina M. DeAngelis
Administrative Law Judge

ATTACHMENT A



August 1, 2012

RENEWABLE NET SHORT (RNS) METHODOLOGY

Method 1 for RPS Procurement and Planning

Background:

On April 5, 2012 Commissioner Ferron issued an Assigned Commissioner Ruling (ACR) in Rulemaking (R.)11-05-005 identifying issues and a schedule of review for the 2012 Renewables Portfolio Standard Procurement Plans.⁴ Among other things, the ACR required that Renewables Portfolio Standard (RPS) Procurement Plans be filed on May 23, 2012 and that a quantitative assessment be provided to forecast the additional renewable generation required (i.e., net short)⁵ to comply with RPS procurement quantity requirements adopted in Decision (D.)11-12-020.⁶

The renewable net short (also referred to as the “RNS”) is defined as the amount of new renewable generation necessary for retail sellers to meet or exceed the renewable procurement quantity requirements.⁷ The process for calculating the net short includes forecasting the renewable procurement requirements and then subtracting the renewable supply forecast. The renewable supply forecast is

⁴ This document is available on the Commission’s website at <http://docs.cpuc.ca.gov/efile/RULINGS/163513.pdf>.

⁵ Pursuant to April 5, 2012 ACR at 5-8, all retail sellers, except small investor-owned utilities, were required to submit net short calculations in their 2012 RPS Procurement Plans.

⁶ D.11-12-020 establishes the annual compliance targets necessary to achieve 33% of renewable generation as a percentage of bundled retail sales by 2020 (Average of 20% from 2011-2013, 25% by the end of period 2014-2016, 33% by the end of period 2017-2020, and 33% for every year beyond 2020).

⁷ Pursuant to April 5, 2012 ACR at 5-8, all retail sellers, except for small IOUs, were required to submit net short calculations in their 2012 RPS Procurement Plans.

defined as the forecasted amount of renewable generation from contracted facilities both online and under development.

The April 5, 2012 ACR directed the Commission's Energy Division Staff to hold a workshop for retail sellers and all interested parties to develop a methodology for reporting RPS portfolio needs and procurement net short. A workshop was held on June 12, 2012 and Staff vetted two preliminary net short proposals with stakeholders. The first RNS proposal (Method 1) was developed to inform RPS procurement and planning and the second RNS proposal (Method 2) was developed to inform long-term procurement planning (LTPP) and transmission planning (TPP). An amended RNS methodology for Method 1 was developed by Staff which took into consideration comments by stakeholders at the June 12, 2012 workshop. A consensus was not reached on a standard RNS methodology for Method 2 and, therefore, it will be addressed at a later date in a different rulemaking, R.12-03-014.

On July 11, 2012 the assigned Administrative Law Judge issued a ruling which (1) entered Staff's amended net short proposal for Method 1 into the record for this proceeding and (2) set the date of July 18, 2012 for comments on the amended Staff proposal.

On July 18, 2012, ten parties filed comments on the amended RNS methodology. In response to comments, Staff updated the final RNS methodology to incorporate some of the recommendations made by parties. These recommendations include the following:

1. Clarification was added regarding pre-approved projects. Generic pre-approved projects should include projects from *IOUs' Solar Photovoltaic Programs (SPVP)* as well as the Commission's Renewable Auction Mechanism (as referred to as "RAM") and the Feed-in-Tariff Programs.
2. Clarification was added regarding the margin of over-procurement. The margin of over-procurement relates only to a *voluntary margin of over-procurement* and not the statutory minimum margin of procurement.⁸ The voluntary margin of over-procurement should be incorporated whenever a retail seller finds that it is *necessary to ensure compliance*. This is different

⁸ Public Utilities Code §399.13(a)(4)(D) requires the Commission to establish a statutory minimum margin of procurement to address anticipated project failure or delay. It also allows an electrical corporation to propose an additional voluntary margin of over-procurement.

than the statutory margin of over-procurement which is already reflected in the risk-adjustments to portfolios to account for the likelihood or project failure or delay.

3. Clarification was added regarding excess procurement to include only *eligible* excess procurement as defined in D.12-06-038 in the total RPS risk-adjusted net short calculation.
4. Clarification was added regarding confidentiality. Confidentiality for reporting annual RNS includes (1) the first partial year in which the RNS is submitted and (2) the following annual three full years. Nothing in this ruling changes or modifies the requirements of D.06-06-066.
5. Clarification was added regarding reporting requirements. An RNS update must be included in a retail seller's (1) annual compliance report (2) advice letter and application filing seeking approval of RPS contracts and (3) annual RPS Procurement Plans. A quarterly RNS update must also be provided by PG&E, SCE, and SDG&E at a procurement review group (PRG) meeting.

All retail sellers (except small IOUs) are directed to submit their RNS position using the final RNS methodology by August 15, 2012.

FINAL RNS METHODOLOGY - METHOD 1

This methodology places the responsibility on the retail seller to calculate the RNS based its internal and confidential portfolio analysis that takes into account both quantitative and qualitative parameters in determining project-specific risk. This methodology will also allow retail sellers to frequently refine the risk-adjusted RPS supply stack based on confidential and project-specific viability assessments, thus allowing retail sellers to adjust the amount and timing of procurement based on changing portfolio needs. The assumptions and inputs for this methodology are outlined below in Table 1.

Assumptions:

1. Apply 100% success to generic pre-approved generation⁹ before contracts are signed. After contracts are signed, risk-adjust the generation based on the retail seller's internal and confidential portfolio analysis.
2. Include all projects that have executed contracts in the calculation.
3. Retail sellers' bundled retail sales forecasts should utilize the same methodology as determined in the 2010 LTPP bundled plans when calculating the renewable procurement quantity requirements.¹⁰ Specifically, D.12-01-033 states that for bundled procurement, the utilities can utilize their own forecasts for bundled retail sales for the first five years and use the LTPP standardized planning assumptions thereafter.
4. Do not assume any generation from contracts that are expiring (i.e., re-contracting) or any generation after a facility's useful life if the contract does not extend after the term of the facility's useful life.
5. Include a margin of voluntary over-procurement to account for project/forecasting risk in any year that the likelihood of not achieving compliance is called into question. The margin of over-procurement relates only to a voluntary margin of over-procurement and not the statutory minimum margin of procurement.¹¹ This is different than the statutory margin of over-procurement which is already reflected in the risk-adjustments to portfolios to account for the likelihood of project failure or delay.

⁹ Generic pre-approved projects include projects resulting from the Commission's RAM solicitations, Feed-in-Tariff, and IOUs' Solar Photovoltaic Programs.

¹⁰ D.12-01-033 at 15-17 and Ordering Paragraphs at 3, 8, and 9.

¹¹ Retail sellers are required to provide a forecast in their annual RPS Procurement Plans of the quantity of voluntary over-procurement in megawatt hours per year and a justification for why the margin of voluntary over-procurement is being employed. Public Utilities Code §399.13(a)(4)(D) requires the Commission to establish a statutory minimum margin of procurement to address anticipated project failure or delay. It also allows a load-serving entity to propose an additional voluntary margin of over-procurement

6. Retail sellers must risk-adjust all projects in their respective RPS portfolios (online and forecast) using their own internal analysis.
7. Assume eligible excess procurement will be utilized in future compliance periods by offsetting the RNS in compliance periods with excess procurement from previous compliance periods.

Table 1: RNS for RPS Procurement

	Method 1: RNS for RPS Procurement
Outputs:	<ol style="list-style-type: none"> 1) GWh Gross Surplus/Deficit by year and by Compliance Period (CP). 2) GWh Banked/Used by year and by CP. 3) Net Surplus/Deficit for each CP after eligible excess procurement is applied. 4) Rolling 20-year RNS forecast - Net RPS Position (%) by CP and on an annual basis. 5) Aggregated GWh data that is probability-weighted annually and by CP (highly viable, viable, high risk). 6) Forecast project failure rate (%) by year and by CP for new projects not yet online. 7) Forecast failure rate (%) by year and by CP for existing generation. 8) Voluntary margin of over-procurement (GWh) by year and by CP to ensure compliance.
Frequency	<p>An RNS update must be included in a retail seller’s 1) annual compliance report 2) advice letter and application filing seeking approval of RPS contracts 3) annual RPS Procurement Plans.</p> <p>A quarterly RNS update must be provided by each large IOU at a PRG meeting.</p>
Confidentiality	<p>The confidentiality period for reporting the RNS includes 1) the first partial year in which the RNS is submitted and 2) the following annual three full years. Nothing in this ruling changes or modifies the requirements of D.06-06-066, as modified by D.07-05-032.</p>

Annual RPS Risk-adjusted Net Short Calculation

Annual RPS Risk-adjusted Net Short = (Bundled Retail Sales Forecast x RPS Procurement Quantity Requirement + Voluntary Margin of Over-

Procurement) – (Online Generation + Risk-adjusted Forecast Generation + Pre-approved Generic Generation)

Total RPS Risk-adjusted Net Short Calculation

Total RPS Risk-adjusted Net Short = $\sum_{2011-2020 + 10 \text{ years}}$ Annual RPS Risk-adjusted Net Short – Eligible Excess Procurement

Definitions:

Annual Bundled Retail Sales Forecast - Retail sellers' bundled retail sales forecasts should utilize the same methodology as determined in the 2010 LTPP bundled plans when calculating the renewable procurement quantity requirements.¹² Specifically, D.12-01-033 states that for bundled procurement, the utilities can utilize their own forecasts for bundled retail sales for the first five years and use the LTPP standardized planning assumptions thereafter.

RPS Procurement Quantity Requirement - The percentage of retail sales in each year of each compliance period as defined in D.11-12-020 that is necessary to achieve RPS compliance requirements.

Voluntary Margin of Over-procurement - The margin of over-procurement necessary to account for project/forecasting risk in any year that the likelihood of not achieving compliance is called in question. The margin of over-procurement relates only to a voluntary margin of over-procurement and not the statutory margin of procurement.¹³ This is different than the statutory margin of over-procurement which is already reflected in the risk-adjustments to portfolios to account for the likelihood of project failure or delay.

¹² D.12-01-033 at 15-17 and Ordering Paragraphs 3, 8, and 9.

¹³ Public Utilities Code §399.13(a)(4)(D) requires the Commission to establish a statutory minimum margin of procurement to address anticipated project failure or delay. It also allows a load-serving entity to propose an additional voluntary margin of over-procurement. Retail sellers are required to provide a forecast in their annual RPS Procurement Plans of the quantity of voluntary over-procurement in megawatt hours per year and a justification for why the margin of voluntary over-procurement is being employed.

Online Generation - Generation from projects currently under contract and that are online.

Risk-adjusted Forecast Generation - Generation forecast to come online that is risk-adjusted by using the retail sellers own internal analysis. This includes generation from all projects that are currently under contract.

Pre-approved Generic Generation - Generic pre-approved projects include projects resulting from the Commission's RAM solicitations, Feed-in-Tariff, and IOUs' Solar Photovoltaic Programs.

Eligible Excess Procurement - Generation from one compliance period that can be carried forward to a future compliance period as defined in D.12-06-038.

(END OF ATTACHMENT A)