

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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Order Instituting Rulemaking to Continue
Implementation and Administration, and
Consider Further Development, of
California Renewables Portfolio Standard
Program.

Rulemaking 15-02-020
(Filed February 26, 2015)

**CLEAN COALITION COMMENTS ON INTERCONNECTION ISSUES RELATED TO
THE BIOENERGY FEED-IN TARIFF UNDER THE CALIFORNIA RENEWABLES
PORTFOLIO STANDARD**

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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

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I. INTRODUCTION

Pursuant to the Administrative Law Judge’s Ruling Requesting Supplemental Comment on Interconnection Issues Related to the Bioenergy Feed-In Tariff (“BioMAT”) Under the California Renewables Portfolio Standard and Stating Intention to Take Official Notice of Documents (“Ruling”), issued on May 6, 2016, the Clean Coalition respectfully submits the following comments.

The Clean Coalition is a nonprofit organization whose mission is to accelerate the transition to renewable energy and a modern grid through technical, policy, and project development expertise. The Clean Coalition drives policy innovation to remove barriers to procurement and interconnection of distributed energy resources (“DER”)—such as local renewables, advanced inverters, demand response, and energy storage—and we establish market mechanisms that realize the full potential of integrating these solutions. The Clean Coalition also collaborates with utilities and municipalities to create near-term deployment opportunities that prove the technical and financial viability of local renewables and other DER.

II. COMMENTS

On February 26, 2016, the Bioenergy Association of California (“BAC”) filed comments with the California Public Utilities Commission (“Commission”) that included a new proposal to modify interconnection based eligibility requirements for BioMAT projects utilizing byproducts

of sustainable forest management for fuel—known as “Category 3” projects under BioMAT.¹ The Clean Coalition supports BAC’s proposal regarding project viability requirements. In addition, we recommend that the Commission review and revise the project viability requirements established for eligibility to enter the BioMAT queue.

When the Commission established the BioMAT and the preceding Renewable Market Adjusting Tariff (“ReMAT”) programs, the procurement process restricted the megawatts (“MWs”) of total allocated capacity, and the maximum capacity for which power purchase agreements (“PPAs”) would be offered in each bimonthly period. There was legitimate concern that developers would be incented to try to capture these limited available contracts, and if they had not completed initial interconnection studies, there would be a high risk of speculative projects accepting contracts at unrealistically low prices and subsequently failing to be developed. This risked viable projects being crowded out of the queue for contract allocation, contract prices failing to correctly adjust to reflect realistic costs, and causing delays in the contracting and development of viable projects.

While these concerns are valid and need to be reflected in procurement practices, the history of these procurement programs has not demonstrated excess interest crowding out viable projects—on the contrary, these programs have failed to find offers for even the limited capacity available. The procurement mechanisms have seen too few projects enter the queue to even meet the minimum threshold for price adjustment. In practice, the measures adopted to ensure the viability of projects accepting PPAs has itself resulted in the mechanisms failing to procure resources. The Clean Coalition worked successfully with parties through the Rule 21 Reform Settlement to address the issue of projects remaining in the interconnection queue that were not prepared to proceed—usually because they had not secured a PPA to warrant moving forward with development. Having projects stalled in the interconnection queue complicated studies and impacted the costs of subsequent applicants that were ready to proceed. Solving this problem means that projects cannot remain in the interconnection queue unless they are prepared to financially commit to construction of associated interconnection facilities and upgrades.

¹ *Bioenergy Association of California’s Comments on Administrative Law Judge’s Ruling on the Staff Proposal to Implement the Governor’s Emergency Proclamation on Tree Mortality and Seeking Comment on the Staff Proposal* at 11–16 (February 26, 2016).

In this context, the BioMAT and ReMAT queue eligibility requirements create a catch-22: applicants cannot enter or remain in the PPA queue unless they have already advanced in the interconnection queue, but they cannot afford to remain in the interconnection queue if they are not ensured a PPA at a viable price.

This high barrier has severely limited participation and increases risk and cost for any applicant who does participate, resulting in severely reduced and delayed participation, procurement, and development. The cost of these barriers to participants is also reflected in marginally greater cost to ratepayers, both in direct costs and through reduced market competition. BAC's proposal on this topic is a reasonable and effective change that will go a long way to address this catch-22 in relation to the Emergency Order. We recommend review of this issue and consideration of related amendments for all BioMAT procurement, and broader consideration in other procurement programs such as ReMAT.

Pursuant to the Emergency Order, the Commission "shall take expedited action to ensure that contracts for new forest bioenergy facilities that receive feedstock from high hazard zones can be executed within six months" of October 30, 2015. Action on this topic is overdue, and the Commission should therefore act without delay to execute PPAs and implement the Governor's Emergency Proclamation for new forest bioenergy projects. Below, the Clean Coalition responds the questions set forth in the Ruling.

- 1. What, if any, effect would adopting the BAC interconnection proposal have on interconnection procedures under Rule 21 and the Wholesale Distribution Access Tariff ("WDAT")? Provide a detailed explanation of your position.*

The Clean Coalition emphasizes that BAC's proposal does not change interconnection processes, procedures, or rules. The proposal only impacts the interpretation of the existing BioMAT queue eligibility rules, and would require no change, or a waiver from the Commission Staff's proposed modification to the BioMAT interconnection requirements to clarify that facilities must maintain an active interconnection queue number to participate in BioMAT.

Alternatively, instead of allowing projects to leave the interconnection queue under BAC's proposal, the Commission should consider allowing qualifying BioMAT projects—as defined below—to enter the procurement queue before applying for interconnection. In this case, the Commission should require projects to submit an interconnection application, correct any

deficiencies, and ensure that the utility deems the application complete within 30 days of accepting a conditional PPA. In order to retain the PPA, the Commission should require projects to complete a Phase 1 Study, pass the Fast Track screens, or complete a System Impact Study within seven months of conditionally accepting the PPA, which is the minimum time necessary to receive and review a Phase 1 Study for ISP projects.

Through this approach, a developer would be able to plan a project, enter the BioMAT queue, accept a PPA at the price required to sustain the project, and immediately apply for interconnection. Under the current framework, developers would need to spend resources applying for interconnection and commit to a timeline to build the project prior to addressing critical uncertainty with the PPA price. With the proposed change, projects would still be subject to the same development milestones, but these would largely occur after the supplier is assured a contract at a known price. Knowing that the costs of interconnection will only be incurred for contracted projects encourages greater supplier participation and competition, in addition to lowering the costs associated with greater pre-contract risk.

This approach is similar to the modifications in interconnection requirements established by Southern California Edison (“SCE”) in second phase of their Preferred Resources Pilot (“PRP 2”). SCE’s first PRP did not contain relaxed interconnection requirements, and a lack of offers prompted SCE accept bids for projects that had not yet entered the interconnection queue. For projects that had not yet applied for interconnection, passed the Fast Track screens, or tendered an Interconnection Study as of the PRP 2 Request for Offers (“RFO”) launch date, SCE required that applicants “enter either the Rule 21 or the WDAT Fast Track Process, and [a]s part of a complete and confirming Offer submittal, Offeror must provide evidence that the respective Fast Track application is deemed ‘complete’ by SCE.”² Category 3 BioMAT projects find themselves in a similar context, where a lack of offers in a program requiring expedited procurement justifies modifying the interconnection-related eligibility requirements.

Viability concerns should not be the dominant issue with Category 3 BioMAT projects because the program is not running out of capacity. BioMAT projects are a relatively immature market, and the program queue is not filling up. More stringent viability requirements may be warranted when a utility is contracting resources to comply with minimum portfolio

² S. Cal. Edison Co., Request for Offers for Preferred Resources in SCE’s Preferred Resources Pilot Area: Participant Instructions—Version 3, at 36 (Jan. 22, 2016).

requirements or to meet operational capacity and Resource Adequacy needs, but less onerous and costly standards are appropriate for Category 3 BioMAT projects in high hazard zones (“HHZs”). Further, this proposal would keep financially non-viable projects from entering the Rule 21 or WDAT interconnection queues. Because interconnection processes commit applicants to a timeline unrelated to the BioMAT schedule, the ability to confirm a PPA without delay will address the common issue of having to commit to an interconnection agreement or withdraw from the queue while waiting to learn whether a PPA will be secured. Only those projects that believe they can accept a PPA at a given price will do so and subsequently enter the interconnection queue.

Time is of the essence for Category 3 BioMAT projects in HHZs, and therefore the need to create a pathway for the IOUs to offer more PPAs outweighs concerns with having some potentially non-viable projects enter a procurement queue that has remained empty to date. Increasing the maximum bimonthly procurement limits would also allow more projects to begin advancing earlier, offsetting the potential for some projects failing to develop.

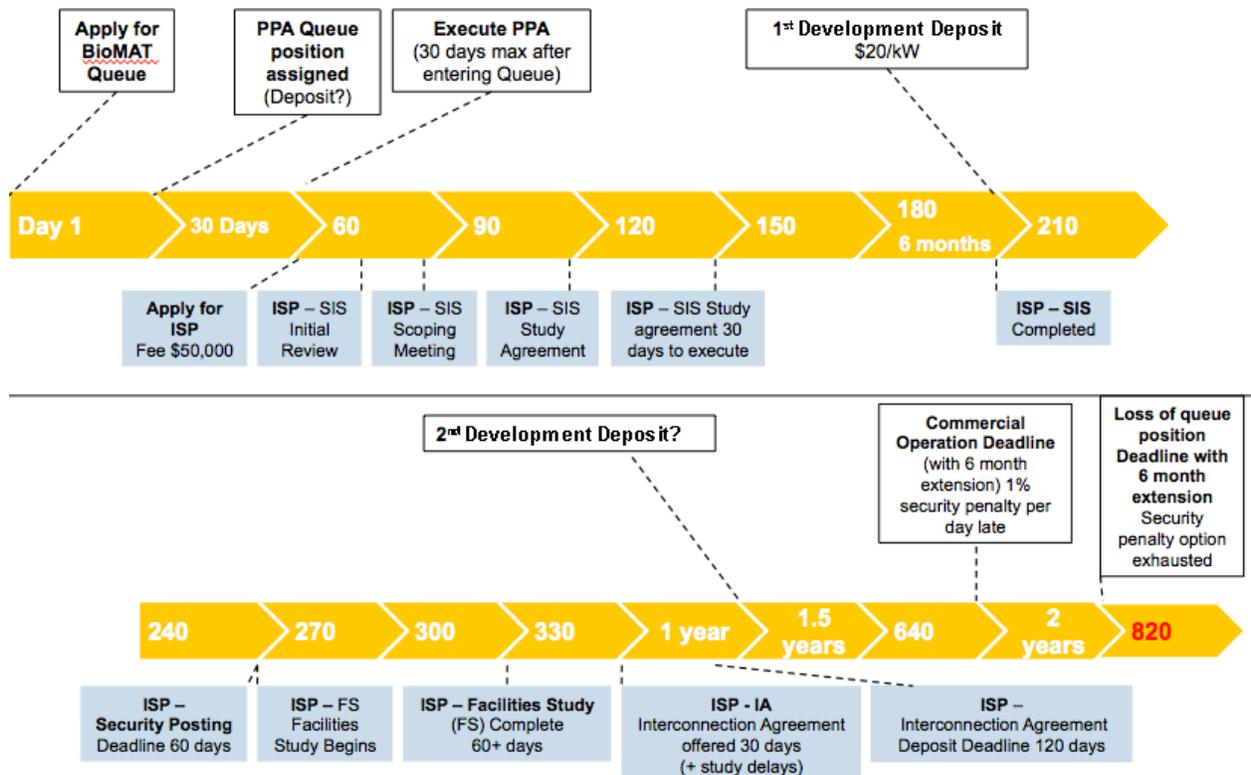
- 2. The BAC interconnection proposal would allow projects to bid into BioMAT after investing only the cost of a Phase 1 interconnection study, without any additional fees for maintaining a position in the Rule 21/WDAT interconnection queue. What, if any, additional screens on project viability should the Commission require for projects that have received a Phase 1 study but have left the interconnection queue prior to receiving a BioMAT PPA? Please provide a detailed rationale and provide examples, if relevant.*

To remain in the BioMAT queue, BAC proposes requiring projects to regularly obtain an interconnection Pre-Application Report (“PAR”) after completing a Phase 1 Study and withdrawing from the interconnection queue. This will identify known changes in the electric system and interconnection queue that may cause different results in a subsequent Phase 1 Study. This is an appropriate and effective measure. We recommend that such successive PARs be required no more frequently than every two months, and no less frequently than every six months.

If the Clean Coalition’s alternative proposal were adopted, a significant development deposit would be warranted in place of a prior completed Phase 1 Study. This deposit should be no less than the cost of a Phase 1 Study.

3. *What, if any, are the potential effects of the BAC interconnection proposal on the ability of BioMAT projects to meet their contractual commercial online date, i.e., 24 months after executing the PPA, with a possible six-month extension for interconnection delay? Please be specific and provide examples if relevant.*

Utilities complete Phase I System Impact Studies within 6 months of a developer submitting an interconnection application, and likely much earlier under the BAC proposal in which this study has previously been performed for the proposed project. As such, a 24-month timeframe, with a possible 6-month extension, should give developers sufficient time to meet their contractual commercial online dates, as shown in the timeline below:



However, the IOUs and Energy Division must also work with this small set of projects as needed to ensure that parties resolve disputes and avoid delays. The Emergency Order requires that the Commission “prioritize facilitation of interconnection agreements for forest bioenergy facilities in high hazard zones, and shall order the use of expedited mediation or other alternative dispute resolution processes when conflicts delay development of projects.”³ The Clean Coalition suggests that the Commission designate an Energy Division lead to oversee BioMAT

³ Gov. Edmund G. Brown Jr., Proclamation of a State of Emergency (Oct. 30, 2015), available at https://www.gov.ca.gov/docs/10.30.15_Tree_Mortality_State_of_Emergency.pdf.

procurement and act as an arbiter to expeditiously usher participants through mediation or other dispute resolution procedures.

4. *Compare the potential impact on the administration of the BioMAT program of the BAC interconnection proposal to the Staff Proposal on interconnection, addressing at least the following issues:*

a. *Management of the interconnection queue*

The BAC proposal would not require any changes to the management of interconnection queue, nor would the Clean Coalition's alternative. It should be noted that withdrawal of a project from the queue would advance the queue position of latter projects; however, only those projects that were electrically dependent would be impacted. This is uncommon, but it would allow such projects to no longer be dependent upon, and potentially delayed by, a project that was previously queued before.

b. *Interconnection costs for BioMAT participants*

The BAC proposal would require projects electing to withdraw to pay twice for interconnection review, but relieve them of the need to deposit and potentially forfeit much larger sums required to remain in the queue. The net impact of the proposal would be lower total costs to the applicant based on the applicant's best judgment of which option is more cost-effective. Ratepayers would benefit from increased competitive participation in the program to achieve the lowest viable procurement price. The Clean Coalition's alternative proposal, as described above, would not result in any changes to interconnection costs for BioMAT participants.

c. *Costs to ratepayers of BioMAT projects that receive PPAs.*

The costs to ratepayers from BioMAT projects should not be adversely affected by the proposal; if anything, the resulting increased participation should result in more competitive final pricing.

5. *If the Commission were to adopt the BAC interconnection proposal, should it apply to the entire BioMAT program? Why or why not?*

See response to Question #6.

6. *If the BAC interconnection proposal should not apply to the entire BioMAT program, should it apply only to generators in Category 3? Should only those generators using fuel from high hazard zones be included? Please provide a detailed rationale for your position.*

To comply with the Emergency Order, the alternative interconnection proposals need not apply to the entire BioMAT program, and should initially be limited to Category 3 facilities in HHZs. The Emergency Order requires the Commission to “prioritize facilitation of interconnection agreements for forest bioenergy facilities in *high hazard zones*.”⁴ Although the Emergency Order leaves open the possibility of extending the alternative interconnection proposal to all BioMAT projects, it does not require the Commission to do so. Because the Commission would not be taking any action to modify interconnection requirements for BioMAT absent the emergency proclamation, the Commission should not preference BioMAT projects over projects participating in other procurement mechanisms like ReMAT. However, after testing the efficacy and viability of the proposal, the Commission may determine that the proposal warrants extension to the entire BioMAT program and other procurement mechanisms.

7. *If the BAC interconnection proposal is adopted, should the Commission set a condition that the terms of the BAC interconnection proposal will expire once the tree mortality emergency declared by the Emergency Proclamation has been declared to be over? Should the Commission set a different expiration date? Please provide a detailed rationale for your position.*

The Commission should ensure that the interconnection proposal remains in place long enough to provide the market with a sufficient level of certainty. The April 6, 2016 letter from the Director of the Department of Forestry and Fire Protection included as Appendix A in the Ruling states “CAL FIRE will not contract or delete sections of the HHZ for the first 5 years of

⁴ *Id.* (emphasis added).

the BioMAT and RAM programs.”⁵ Because the alternative proposal only affects the initial process of securing a PPA and interconnecting to the grid, this 5-year timeframe should be sufficient to achieve the purpose of the Emergency Order. If, however, the Commission observes that the proposal is effective and should apply to all Category 3 projects, the entire BioMAT program, or other procurement mechanisms, then the Commission should revisit the issue at a later date.

8. *What changes would be required to the BioMAT tariff and the BioMAT PPA in order to implement the BAC interconnection proposal? Please specify and justify the changes proposed. A redline version of the current tariff and/or PPA reflecting the proposed changes should be attached to the comments.*

The Clean Coalition proposal requires slight modifications to the BioMAT tariff and the BioMAT PPA. The Commission should require developers to submit an interconnection application, correct any deficiencies, and have the utility deem the application complete within 30 days of accepting a PPA. To retain the PPA, projects should be required to complete the Fast Track screens, a Phase 1 Study, or a System Impact Study within six months of accepting the PPA. The PPA would then be conditional upon the developer fulfilling these obligations and would terminate if the terms were not met.

III. CONCLUSION

The Clean Coalition appreciates this opportunity to submit comments on interconnection issues within BioMAT.

Respectfully submitted,



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⁵ *Administrative Law Judge’s Ruling Requesting Supplemental Comment on Interconnection Issues Related to the Bioenergy Feed-In Tariff Under the California Renewables Portfolio Standard and Stating Intention to Take Official Notice of Documents at Appx. A (May 6, 2016).*