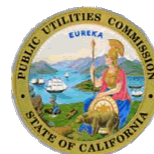

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BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding Continued Implementation of the Public Utility Regulatory Policies Act and Related Matters.	R.18-07-017 (Filed July 26, 2018)

COMMENTS OF THE UTILITY REFORM NETWORK ON STAFF PRICING PROPOSAL AND RULEMAKING 18-07-017

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August 31, 2018

COMMENTS OF THE UTILITY REFORM NETWORK ON STAFF PRICING PROPOSAL AND RULEMAKING 18-07-017

Pursuant to the *Order Instituting Rulemaking regarding Continued Implementation of the Public Utility Regulatory Policies Act and Related Matters* (Rulemaking) issued on August 1, 2018, The Utility Reform Network (TURN) submits these comments on the questions the Rulemaking posed in its Preliminary Scoping Memo regarding the attached Staff Pricing Proposal (Proposal).[1]

TURN notes that these questions were phrased in terms of whether various aspects of the Staff Pricing Proposal are "consistent with PURPA." In its responses, TURN is not offering a detailed, legal position on whether the Proposal is in fact consistent with PURPA; rather, TURN's comments (i) seek clarification of certain aspects the Proposal, and (ii) raise concerns about some aspects of the Proposal's compliance with PURPA.

I. TURN'S RESPONSES TO THE QUESTIONS POSED BY THE RULEMAKING.

TURN offers the following responses to the Rulemaking's questions:

1) Is the proposed energy price at the time of delivery consistent with PURPA?

Staff's proposal to set prices for electric energy priced at the time of delivery equal to the CAISO's day-ahead market prices appears generally reasonable and consistent with PURPA, including the payment of negative prices as appropriate.[2]

The Proposal is not clear, however, regarding how it would determine whether payments should be made (i) at the prices at the utility's Default Load Aggregation Point (DLAP) or (ii)

[1] Rulemaking, pp. 8-9.
[2] Staff Pricing Proposal, pp. 4 and 18.

the Locational Marginal Prices (LMPs) at the resource's own node. In particular, it is not clear if the Proposal intends one or both of these approaches to be available to Qualifying Facilities (QFs).[3] Further, if the Proposal intends that both options be available to QFs, it should specify how such a choice would be made for each contract. For example, the Proposal should state whether such choices would be made solely by the purchasing utility, solely by the QF, or by some other means. This aspect of the Proposal needs clarification.

TURN notes that as a general principle, payment set to the LMP at the generator's own node is most consistent with PURPA, because the purchasing utility would still incur losses and congestion charges when the generator's power is delivered to a utility's load. The pricing of deliveries at a utility's DLAP might "double count" losses and congestion costs, as the DLAP already reflects aggregated losses and congestion charges. Thus, TURN recommends that rather than providing a choice, the Proposal be amended to require the use of the LMP at the generator node.

2) Is the proposed energy price at the time of contract execution consistent with PURPA?

It is TURN's understanding that Staff proposes to set the prices of energy that are set at the time a contract is executed to an average of the utility's DLAP energy prices over the three years prior to the contract's execution and leave this price in effect for the duration of the contract. However, in each following year, the computation of a utility's DLAP energy prices would be updated, and such updated prices would be available for the life of a contract a QF entered in each such year.[4]

[3] Citations to QFs herein refer to those of 20 MW or less in capacity.
[4] Proposal, pp. 5 and 21-23.

TURN understands that forecasting future energy prices is quite challenging and appreciates Staff's effort to develop a *practical* means for setting such prices. That said, TURN is open to other reasonable and practical approaches to establishing such prices.

TURN also notes that using an average of a utility's DLAP prices might lead to the same "double counting" issues highlighted in response to Question 1 above regarding payment of DLAP prices to generators that accepted a price determined at the time energy is delivered. TURN thus recommends the Commission consider computing QF prices using historic prices at each generator's node (or a nearby node), similar to the second pricing option discussed in Section 1 above.

3) Is the proposed capacity price at the time of delivery consistent with PURPA?

TURN understands that the Proposal would lead to prices for "as-available" capacity being set at the prices of "yearly capacity payments" made for Resource Adequacy (RA) market transactions using "publicly available" data. Under the Proposal, such annual prices would be allocated to each hour – and be paid as a $/MWh adder to energy payments in each hour – using "capacity allocation factors" based on the Commission's adopted time-of-use periods.[5]

TURN finds this general approach reasonable and consistent with PURPA. TURN believes, however, that the Proposal should be clarified to specify whether capacity prices will be computed specifically based on the data presented in the annual Staff Resource Adequacy reports or whether some other source of publicly available capacity price data is being contemplated.

[5] Proposal, pp. 4 and 18-21.

4) Is the proposed capacity price at the time of contract execution consistent with PURPA?

TURN understands that the Proposal would set prices for as-available capacity at either (i) as-available capacity prices in the current standard contract for QFs of 20 MW or less, or (ii) an average of publicly available capacity prices at the time the contract is executed. However, in each following year, the computation of capacity prices would be updated, and such updated prices would be available for the life of any contract a QF executes in each such year.[6]

The Proposal is again not clear, however, how it would determine which capacity pricing option can or should govern such capacity payments. Similar to TURN's discussion above in response to Question 1, it is not clear if the Proposal intends one or both of these approaches to be available to QFs. Further, if the Proposal intends that both options be available to QFs, it is not clear how such a choice would be made for each contract. For example, it is not clear if such a choice would be made solely by the purchasing utility, solely by the QF, or by some other means. This aspect of the Proposal also needs clarification.

5) Is the proposed energy price for as-available energy sold by a QF to the utility without a contract consistent with PURPA?

The Proposal would set payments for energy provided by a QF of 20 MW or less on an "as-available" basis the same way as it would for energy priced at the time of delivery.[7] TURN's response to Question 1 above is thus applicable to this question.

6) Are there any other terms of the Standard Contract for QFs 20 MW or Less that should be modified to ensure that the New QF SOC is consistent with PURPA?

TURN offers no position on these issues at this time.

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[6] Proposal, pp. 5 and 23-25.
[7] Proposal, p. 4.

II. CONCLUSION

TURN appreciates the opportunity to file these comments and recommends the Commission consider the above comments in its consideration of QF avoided costs.

Dated: August 31, 2018

Respectfully submitted,

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