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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) ISSUING STAFF PROPOSAL
ON THE RENEWABLE NET SHORT CALCULATION
(2) ENTERING STAFF PROPOSAL INTO THE RECORD AND
(3) SETTING DATE FOR COMMENTS ON PROPOSAL**

This ruling issues an Energy Division Staff proposal, enters the Staff proposal into the record of this proceeding, and sets the date of July 18, 2012 for comments on the Staff proposal.

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.

The April 5, 2012 ACR also directed Energy Division Staff to hold a workshop for all interested parties to develop the methodology, inputs, and format, as needed, for reporting RPS portfolio needs and procurement net short. This workshop was held on June 12, 2012 and Staff vetted a preliminary net short proposal. The Staff's proposal, attached hereto, builds off of the Staff's preliminary proposal and takes into consideration all the comments provided by participants during the workshop.

By today's ruling, Staff's proposal on the renewable net short is incorporated into the record of this proceeding.

Parties may comment on the attached proposal on or before July 18, 2012. By a subsequent ruling by either the assigned Commissioner or myself, retail

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).

sellers will be directed to update their net short calculations originally submitted in May with their 2012 RPS Procurement Plans by August 1, 2012, the date set forth in the April 5, 2012 ACR.

IT IS RULED that:

1. Comments on the attached Staff proposal may be filed on or before July 18, 2012.
2. The attached Staff proposal is incorporated into the record of this proceeding.

Dated July 11, 2012, at San Francisco, California.

/s/ REGINA M. DEANGELIS

Regina M. DeAngelis
Administrative Law Judge

ATTACHMENT 1

ATTACHMENT 1



July 11, 2012

Energy Division Staff Proposal

Subject: RPS Renewable Net Short Methodology

Background:

On April 5, 2012 Commissioner Ferron issued an Assigned Commissioner Ruling¹ (ACR) in R.11-05-005 identifying issues and a schedule of review for the 2012 Renewables Portfolio Standard Procurement Plans. These RPS Plans were submitted to the Commission on May 23, 2012. Retail sellers are permitted to update the plans by August 1, 2012.² Specifically, the ACR requires that retail sellers provide a quantitative assessment in their RPS Plans that forecasts the additional renewable generation required (i.e., net short) to comply with RPS procurement quantity requirements recently adopted by the Commission in D.11-12-020.³ The renewable net short (RNS) is defined as the amount of new renewable generation necessary for retail sellers to meet or exceed the renewable procurement quantity requirements.⁴ 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

¹ See <http://docs.cpuc.ca.gov/efile/RULINGS/163513.pdf>.

² Updates are not intended to the form and format of the plan but may be appropriate for limited elements based on changed circumstances or recent information (i.e., new legislation, recent Commission decision, etc.).

³ D.11-12-020 establishes, among other things, the annual compliance targets necessary to achieve 33% of renewable generation as a percentage of bundled retail sales by 2020.

⁴ The renewable procurement quantity requirements, as defined in D.11-12-020, are currently 20% of bundled retail sales through 2013, 25% by 2016 and 33% by 2020.

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

The April 5, 2012 ACR also directed Energy Division Staff to hold a workshop for retail sellers and all interested parties to develop the methodology, inputs, and format, as needed, for reporting RPS portfolio needs and procurement net short. A workshop was held on June 12, 2012 to vet a preliminary net short proposal. This proposal builds off of the preliminary proposal and takes into consideration all comments provided at the workshop. Interested parties may file comments on the proposal on or before July 18, 2012 after which the Administrative Law Judge or Assigned Commissioner will issue a ruling requiring retail sellers⁵ to update their net short calculation originally submitted in their 2012 RPS Procurement Plans.

Questions to Consider When Submitting Comments

1. Is measuring the renewable net short on an annual basis appropriate?
2. Does this methodology appropriately balance the need to protect confidential project specific information with the desire to provide the Commission and the renewables market a renewable net short that can be used for RPS procurement authorization?
3. Is this methodology appropriate for ESPs and multi-jurisdictional utilities (MJUs)?

Energy Division Staff Proposal

Energy Division staff initially proposed two methods for determining the renewable net short and RPS supply stack. Method 1 is to be used to inform RPS procurement authorization and Method 2 is to be used to inform long-term procurement planning (LTPP) and transmission planning process (TPP). Today's proposal only addresses Method 1. Method 2 will be addressed at a later date.

⁵ Pursuant to April 5, 2012 ACR, all Retail Sellers, except for small IOUs, were required to submit net short calculations in their 2012 RPS Procurement Plans (pp. 5-8).

Method 1: RNS to Inform RPS Procurement Authorization

Method 1 places the responsibility on the retail seller to calculate the RNS based on its internal and confidential portfolio analysis that takes into account both quantitative and qualitative parameters in determining project-specific risk. This method 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 Method 1 are outlined below in Table 1.

Assumptions:

1. Apply 100% success to generic pre-approved generation⁶ 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.⁷ Specifically, the decision 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 over-procurement to account for project/forecasting risk in any year that the likelihood of not achieving compliance is called in

⁶ Generic pre-approved projects include projects resulting from the Commission's RAM solicitations and Feed-in-Tariff program.

⁷ D.12-01-033 at 15-17 and Ordering Paragraphs 3, 8, and 9.

question. Use the margin of over-procurement to ensure compliance in any given year.⁸

6. Retail sellers must use their own internal analysis to risk-adjust all projects in their respective RPS portfolios (online and forecast).
7. Assume eligible excess procurement (insert footnote citing compliance decision) will be utilized in future compliance periods.

Table 1: RNS for RPS Procurement

	Method 1: RNS for RPS Procurement
Outputs:	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 bank is applied; 4) Rolling 20-year RNS forecast - Net RPS Position (%) by CP and on an annual basis. Pursuant to D.06-06-066, as modified by D.07-05-032, the first three years of annual RNS is redacted. 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) Minimum margin of procurement (GWh) by year and by CP to mitigate project/forecast risk.
Frequency	1) Include RNS analysis in annual RPS Procurement Plan. 2) Update once per month and one week before mailing an advice letter or application.

Annual RPS Risk-adjusted Net Short Calculation

$$\text{Annual RPS Risk-adjusted Net Short} = (\text{Bundled Retail Sales Forecast} \times \text{RPS Procurement Quantity Requirement}) - (\text{Online Generation} + \text{Risk-adjusted}$$

⁸ Retail sellers are required to provide a forecast in their annual RPS Procurement Plans of the quantity of over-procurement in megawatt hours per year and a justification for why the margin of over-procurement is being employed.

*Forecast Generation + Pre-approved Generic Generation + Voluntary
Minimum Margin of Procurement)*

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 – Excess Procurement*

(END OF ATTACHMENT 1)