Comments of the Large-scale Solar Association on the DRAFT GREEN BOOK: An Evaluation of Regulatory Framework Options for an Evolving Electricity Market

June 11, 2018

The Large-scale Solar Association (LSA) is pleased to provide these comments on the California Public Utilities Commission's (CPUC) Draft Green Book. LSA represents developers and owners of utility-scale solar projects with approximately 8,000 MW of operating solar capacity in California. We look forward to participating in this initiative to ensure that California continues to develop policies that support the development and deployment of cost-effective and environmentally beneficial grid-scale renewable resources.

I. The CPUC Must Continue to Provide Oversight for the Wholesale Electric Market

Since the restructuring of the wholesale electricity market in the wake of the energy crisis, the Commission has provided important oversight for most of the wholesale market through its regulatory activities, including the RPS procurement and compliance proceedings, LTPP and IRP proceedings, Resource Adequacy and various other proceedings. While Commission decisions usually apply only to jurisdictional entities, the impact of the CPUC decisions has de facto established the market structure for all market participants. This is a unique position for the CPUC – in most other ISO markets, wholesale market oversight is generally provided by the ISO/RTO. As we move into a structure where there are numerous non-CPUC jurisdictional entities, it is important that a formal regulatory entity continues to serve in this capacity, and the Commission is uniquely qualified to perform this role. While LSA respects the role of non-IOU LSE governing boards to independently make procurement decisions, it is the role of the Commission to be clear and utterly unambiguous in its responsibility to steward the electricity sector through these crucial next steps. The Commission must not fail in this regard – it is the only entity with this singular charter, and who's responsibility includes statewide need.

II. California Must Continue to Lead the U.S. by Example in Grid Decarbonization

California has a proud legacy of providing leadership on climate change and clean energy, having transformed its energy sector from the largest polluting industry in the state to a clean, efficient engine of economic prosperity. This extraordinary achievement results from sustained efforts by the legislature and Governor over the past 30 years, including groundbreaking legislation to establish a Renewable Procurement Standard (RPS) and, most recently an expansion of the policy under Governor Brown via SB 350. The CPUC has also demonstrated leadership in this arena with the development of implementation proceedings to effectuate these

policies, and in the most recent Integrated Resource Plan, moving from a 2030 RPS-based planning requirement to an emissions-based planning requirement. Moving to an emissions-based planning standard is a logical and appropriate evolution to address climate change and promote grid decarbonization.

While California has an impressive history of accomplishments, we cannot rest on our laurels. The state needs to continue to act quickly and decisively to decarbonize our energy supply and increase the resilience of our electric infrastructure, while simultaneously providing energy suppliers and consumers the flexibility they need to adapt to changing markets. Any delay in progress will stymie energy decarbonization and undermine the renewable energy market, with significant impacts on economic activity, employment and market infrastructure. It may take years before customer choice and other market issues are resolved and implemented, and these issues will morph over time in response to technological progress, customer preferences, and the impact of policy decisions on the market. However, we do not have the luxury to stop and wait for these changes to play out before resuming progress toward state goals. Rather, the state needs to create a new energy road map – one that gets us to the destination of a low-carbon energy future, while navigating the changing landscape and shaping a resilient and cost-effective market.

III. California Needs a Stable, Robust Wholesale Renewable Energy Market

California has led the world in renewable procurement, developing an efficient, successful process for procurement and attracting top-tier suppliers to provide services. However, there has been virtually no IOU renewable energy procurement in the past three years, and this paucity of procurement threatens the infrastructure of the market, including a loss of jobs and skilled labor, as well as investment capital. This is not due to lack of near-term need – renewable energy procurement is indeed needed. Rather, the state's extended pause in meaningful procurement is due to a lack of clear signals to the LSEs. This is most apparent for the Community Choice sector, which is still getting underway and hosts entities that are not yet sufficiently developed to make the long-term renewable energy contracting commitments required by the RPS.

IV. CPUC Must Ensure States Climate Targets are Met

Regardless of LSE readiness, the state's climate targets and RPS requirement nonetheless stand. We believe it is both the charter and the responsibility of the Commission to work to meet those requirements with its existing authority and leadership role. Along those lines, LSA recommends the Commission immediately examine the RPS and IRP procurement needs of all LSEs - Investor Owned Utilities and CCAs - and help to find procurement strategies to meet state targets while the LSEs are evolving and while cost shifting methodologies are resolved. The progress of the RPS and IRP need not languish while the state resolves its LSE jurisdictional issues – and it's our firm belief that it is the responsibility of the Commission to ensure we do not fall behind.

V. The CPUC Should Consider the Development of a Central Procurement Entity

Since 2003, in the aftermath of the energy crisis, energy procurement has been driven by an established and known LSE network overseen by the CPUC. This framework has obviated the need for the kind centralized procurement framework that emerged during the energy crisis. However, now that our RPS and climate targets are surpassing emerging LSEs' ability to procure in the near term, LSA believes the state should assess options to develop a backstop procurement mechanism, either through a combination of IOU procurement with assured rate recovery and/or a well-designed central procurement entity that procures on behalf of any LSE unable to procure for themselves. The goal for developing a central procurement entity is to ensure there is a functional mechanism to procure energy products in the event that one or more LSEs either cannot or do not procure for their customers. In addition to keeping the state on track to meet its clean energy requirements, this approach could strengthen LSEs as a whole and help to further a robust and cost-effective market for power products. Services could include:

- Provide collective buying power for smaller LSE to participate in bulk-power transactions at a fraction of the administrative costs of achieving the same cost efficiencies of large procuring entities
- Provide financing and credit capacity unavailable to nascent CCAs which haven't yet achieved creditworthiness
- Provide backstop procurement if LSEs are not independently procuring the energy products they require for their systems
- Procure resource adequacy, ancillary services, and other energy products that may be most efficiently procured in bulk

Conclusion

Extraordinary transitions, such as the one facing California's electricity sector, require a combination of coordination, leadership and vision. The Commission must demonstrate a willingness to build on the lessons and successes of the past while calling forth smart and resilient mechanisms that will sustain the market and the state into the future. In so doing, the Commission must also account for the evolving LSEs environment and help to ensure that whatever LSEs rise on the landscape, they fully understand and are capable of meeting both their obligations to state clean energy targets and the imperative to provide reliable and affordable electricity for all of their constituents.