

April 8, 2015

Energy Division
Tariff Unit
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Email: EDTariffUnit@cpuc.ca.gov

**Re: The Independent Energy Producers Association's Protest of
Advice 3195-E of Southern California Edison Company**

Dear Sir or Madam:

Pursuant to the provisions of General Order 96-B, the Independent Energy Producers Association (IEP) protests Advice (AL) 3195-E filed by Southern California Edison Company (SCE) on March 19, 2015. AL 3195-E proposes revisions to the pro forma power purchase agreement (PPA) and Request for Offer (RFO) Instructions for SCE's sixth Renewable Auction Mechanism (RAM) solicitation (RAM 6).

In particular, IEP objects to SCE's proposed treatment of Excess Deliveries in section 1.06 of the pro forma PPA and raises concerns about the pro forma PPA's provisions that could result in an event of default if the sum of the Inverter Block Unit Capacity installed in photovoltaic projects for legitimate operations reasons exceeds the Contract Capacity.

Excess Deliveries

First, in section 1.06(b)(i), SCE proposes to pay the renewable generator (Seller) **nothing** (\$0) for any production that exceeds the Contract Capacity of the facility during any 10-minute Settlement Interval.¹ This proposal ignores the fact that production from an intermittent renewable resource is highly dependent on uncontrollable factors like the sun, wind, and temperature. Certain conditions may combine to result in generation that exceeds the nominal Contract Capacity of the facility. More important, SCE will receive significant and measurable economic value for this "excess" generation.² It will receive energy, which in most hours has a

¹ Settlement Interval is defined in Exh. A, § 238 of the pro forma PPA.

²It is impossible to predict the extent to which, over the course of a 20-year PPA, CAISO real-time prices fall below zero in hours when an individual resource exceeds its Contract Capacity. Moreover, current predictions of hours in which over-generation is forecast to occur likely over-estimate the phenomenon as policymakers and regulators take action to take advantage of surplus clean energy rather than "spill-it."

positive value in California markets,³ and it will receive the Renewable Energy Credit (REC) that is associated with the renewable energy, which provides a significant economic value for SCE in all hours, even when energy prices are negative. IEP notes that in Exhibit E, section 1.01(a) of the pro forma PPA, SCE cites a green pricing figure of \$21.32/MWh, which it derived from Department of Energy published information. Regardless of whether that is exactly the right value, the point is that SCE will receive significant economic value for any “excess” energy and RECs it receives, yet it proposes to pay the producer of that energy and RECs **nothing**. That proposal is simply inequitable. At a minimum, sellers should receive the CAISO revenues (net of CAISO costs) for energy in excess of 100% of Contract Capacity in any Settlement Interval, plus a reasonable proxy for the market value of RECs, *e.g.*, the Department of Energy’s \$21.32/MWh green pricing figure.

Second, in section 1.06(b)(ii), SCE proposes to limit payments when deliveries during a Term Year exceed 115% of Expected Annual Net Energy Production. SCE proposes that seller would receive all CAISO revenues and be responsible for all CAISO costs and sanctions for these deliveries. Again, however, SCE proposes to provide **zero** compensation for the RECs associated with this energy, and Sellers should receive a reasonable proxy for the market value of RECs, *e.g.*, the Department of Energy’s \$21.32/MWh green pricing figure.

Inverters in Photovoltaic Projects

Solar photovoltaic projects install inverters to convert the direct current produced from solar panels to the alternating current used over most of the grid. The sum of the inverter block capacity may be higher than the nameplate capacity rating of the facility due to the need to account for reactive power and for real power losses from the inverter to the delivery point. The pro forma PPA requires photovoltaic projects to specify the Contract Capacity for the project when the PPA is executed.⁴ The Contract Capacity in a PPA is typically set to be equal to the MW capacity stated in an interconnection agreement. However, under an interconnection agreement, a generating facility is required to provide reactive power and may install additional inverter capacity to account for the reactive power requirement and power losses.

As worded, the pro forma PPA in section 6.01(b)(ix) provides for an event of default if the generating capacity exceeds the Contract Capacity and is not removed upon notice. It could be interpreted that the sum of the Inverter Block Unit Capacity exceeds the Contract Capacity even though there are many legitimate, operational reasons why the inverter capacity of a project would exceed the Contract Capacity. Declaring an event of default because the inverter capacity exceeds the Contract Capacity, which is the quantity to be delivered to the delivery point, seems contrary to the state’s policies encouraging the development of renewable energy and distributed generation.

The pro forma PPA should be revised to make it clear that the capacity of inverters exceeding the stated Contract Capacity for a photovoltaic project are not grounds for

³ SCE already proposes in § 1.06(a) to require payment from the renewable generator for any excess production when Locational Marginal Prices are negative.

⁴ § 1.01(h).

declaring an event of default. No event of default should be declared if the Seller has a legitimate operational reason to install inverter capacity in excess of the Contract Capacity.

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For these reasons, IEP respectfully protests AL 3195-E on the grounds that (1) the analysis, calculations, or data in the advice letter contain material errors or omissions,⁵ and (2) the relief requested in the advice letter is unjust, unreasonable, or discriminatory.⁶ IEP has sent a copy of this protest to SCE today.

Very truly yours,

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⁵ General Order 96-B, § 7.4.2(3).

⁶ General Order 96-B, § 7.4.2(6).