

Comments

2009 IEPR – Feed-In Tariffs

to

California Energy Commission (CEC)

from

Energy-Climate Committee,
Sierra Club California

December 10, 2008

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Sierra Club California supports most of the features of the recommended “Policy Path 6” in the KEMA report to the CEC entitled “California Feed In Tariff Designs and Options, Second Draft Consultant Report” (**2009 IEPR - Feed-in Tariffs**), including the following:

- Includes all resource types
- Immediate implementation
- Full market scope; must take program
- Rate based on costs + reasonable profit
- Long-duration contracts (we recommend 20 years)
- Tariff differentiation by technology and size
- No market cap – unlimited.

However, we strongly recommend against having a 20 MW project cap applied.

We believe that the cap should be unlimited or at least not set any lower than 200MW for several reasons including:

1. **By limiting the project cap to 20MW, CEC will be programmatically building in a high probability of failure to meet the 33% objective.** It is well-acknowledged that the present RPS program will fail to meet the 2010 target of 20% renewables by at least three years. Setting a 20MW project cap will not be sufficient to also bring in the large projects that will be needed to hit the 33% target by 2020.
2. **Allowing larger projects immediately will help lower costs** and provide other economic benefits to the State of California including:

- a. **Larger projects have the potential to be more cost effective** than smaller projects. It is important to supplement the value of more localized, innovative, distributed, smaller projects along with larger more cost effective projects to keep the overall portfolio costs lower. For example, thermal solar can be much more cost effective at larger project sizes than smaller. Larger solar thermal projects can also more **cost effectively develop innovative thermal storage strategies that can help mitigate the intermittency** issues currently associated with solar and wind.
- b. **More and larger projects sooner will accelerate economies of scale** in manufacturing and technological development, getting costs down sooner than a slower approach would allow.
- c. **We are in a competitive battle with other states and countries** for technological leadership in renewables. There are presently many examples of other countries such as Germany, Spain and Denmark that are already far ahead of the US and California in these technologies and manufacturing capacity. Failure to be aggressive in this area may cause us to miss this golden opportunity to become world leaders in this critical and rapidly growing new sector of the world economy.
- d. **Larger projects will attract venture capital, green jobs and technical leadership** all benefitting California's economy. A timid approach may cause these to go to other states or countries internationally. We need these new green jobs to help revive the California and US economy, Large projects will greatly facilitate this.

We recognize that the utilities would like to take a slower approach to have more time to design and build transmission grids, etc. but time is not on our side -- both from a competitive perspective and from the perspective of our needing to reduce GHG ASAP to mitigate the damaging effects of climate change. We can't afford to fail to meet the 33% objective and in fact need to do everything possible to exceed it and set ourselves up on a path that can successfully take us to 80% renewables by no later than 2050. We need to learn how to manage many aspects of bringing renewables on line in a parallel fashion.

We favor developing ways to incentivize renewable projects to be where they are closest to load, and closest to existing transmission facilities. An important tool for this would be to have a tiered feed-in tariff with higher rates for plants in desirable locations. This can be economically rationalized by calculating avoided energy losses as well as the large expense created by expanded transmission needs. By minimizing the need for transmission, new projects can also be brought line on more quickly and with less opposition.

It is important that reasonable expectations and projections be made regarding the cost of current and future renewable energy. These costs do not necessarily always go down, as implied by the digression concept. This has clearly been shown recently by increases in the cost of wind and solar plants. In this case, broad market forces have increased the cost

of all electric generation equipment. Tariffs need to be adjusted according to the ongoing realities of the market for each technology type, taking accurate account of inflation and the cost to produce and operate renewable infrastructure. Tariffs should not be fixed mechanically on either increasing or decreasing schedules, but should be reviewed and adjusted as necessary.

Finally, Governor Schwarzenegger understands both the magnitude and urgency that the climate change problem poses to the people of California and the world. He has taken the bold steps this problem warrants by promoting the Global Warming Solutions Act in 2006 and by his recent executive order on achieving the 33% RPS objective by 2020. This type of leadership will also require bold actions by state agencies and utility providers to be successful. While it may be true that moving aggressively may face challenges, the costs and problems associated with failure are much greater.

Feed-in tariff legislation now being prepared in California's State Assembly (Krekorian, et al.) so far does not meet this standard of vision and boldness. Sierra Club California urges CEC to play an appropriate technical advisory role in counseling legislators who are shaping this legislation.

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