



May 25, 2007

California Energy Commission  
Dockets Office, MS-4  
Re: Docket Nos. 06-IEP-1c and 03-RPS-1078  
1516 Ninth Street  
Sacramento, CA 95814-5512

Dear Commission:

Re: Southern California Edison's Responses to Questions for the May 21, 2007  
Workshop of "Feed-In" Tariffs for Renewable Energy

Southern California Edison (Edison) would like to provide the enclosed Responses to the Questions for the May 21, 2007 Workshop on "Feed-In" Tariffs for Renewable Energy. At the May 21, 2007 workshop, Edison was requested by the Commission to submit grid generation queue information. Therefore, Edison is also enclosing a chart entitled, "The California ISO Controlled Grid Generation Queue." Edison proposes that the Commission conduct a workshop with CAISO and various stakeholders -- CEC, CPUC, utilities, and generators -- to discuss congestion issues with the queue, and to determine possible solutions to expedite the process. Edison currently has approximately 36,000 MW in the interconnection queue, of which approximately 21,000 MW are renewable sources.

Thank you for the opportunity to provide the Commission our comments. If you have any questions, please call me at (916) 441-2369.

Sincerely,

Manuel Alvarez

Enclosures

cc: Lorraine White  
Bill Knox

**Southern California Edison's Responses to**

**ATTACHMENT A**

**Questions for May 21, 2007**

**Workshop on "Feed-In" Tariffs for Renewable Energy**

**(Docket Nos. 06-IEP-1c and 03-RPS-1078)**

The 2007 IEPR Committee is asking that parties address the following questions in their verbal and/or written comments for this workshop:

1. To encourage additional renewable energy development, explain whether and why you support:
  - a. Creating California renewable feed-in tariff (or tariffs) instead of an RPS in the 2011-2020 time period.
  - b. Creating feed-in tariffs as a complement to an RPS in the 2011-2020 time period.
  - c. Developing feed-in tariffs or similar incentives as part of the current RPS program to meet 2010 targets.
  - d. None of the above.

*Today's RPS is a market based system that has resulted in robust competition both in terms of technology and prices. The competitive bid process is mutually beneficial for both the buyer and seller, as evidenced by SCE's procurement of more than 13 billion kWh of renewable energy. The process is flexible and continues to produce long-term, cost-effective bids with minimal impact to retail energy rates.*

*However, the current RPS program has limitations for small-scale generators that want to interconnect but find it cost-prohibitive to participate. And power producers under 1 MW have even fewer options because they fall below the size limitation for solicitations (bids are limited to 1MW and above). A feed-in tariff would eliminate the administrative burdens and, if interconnected to the distribution system, may reduce interconnection burdens for these producers, and contribute toward meeting the 2010 RPS goal.*

*At this point in time, a feed-in tariff could be focused only on smaller renewable projects of 5MW or less, especially given the minimal impacts to an already congested queue. For broader renewable goals, efforts should be focused on addressing existing transmission constraints and interconnection policies, which continue to be the biggest barrier to bringing additional renewables on-line.*

Please answer the following questions for the policy option you selected in question 1:

2. The 2006 IEPR Update noted that feed-in tariffs have contributed significantly to impressive levels of renewable energy development in Germany, Denmark, and Spain and recommended similar policies for California. Is any updated information available on the disadvantages and benefits of using feed-in tariffs in California for renewable energy?

*Overall, feed-in tariffs can be flexible and can be structured to meet the desired outcome – targeting specific sizes and locations, encouraging technology growth, or meeting emissions objectives. Payment is directly tied to performance, but tariffs in Europe have not yet demonstrated whether greater performance requirements are needed for continued maintenance of plants. While the generator is only paid for the amount of kWh produced, the disadvantage is that no contractual obligation exists for long-term generators to maintain equipment.*

*Performance standards, efficiencies, and delivery caps should be considered in the design of any feed-in tariff. Sustainability is an issue, and with any generation it is important to consider designs that will prevent investment from being made and abandoned, or not properly maintained. In India, for example, many wind plants were not maintained or repaired resulting in minimal production of electricity as compared to capacity. Similar experience has taken place in wind locations in California as a result of the Standard Offer program in the 1980s. Sustainability is a key factor to ensure success of a feed-in tariff, regardless of the objective. Performance standards help to assure such sustainability.*

3. In support of meeting the goal of 33 percent by 2020, what lessons from feed-in tariffs in Europe should be applied to development of feed-in tariffs in California? What lessons, if any, from California's experience with standard offer contracts should be applied?

*The first question to answer is whether feed-in tariffs are meant to be a complement or a substitute for California's RPS program. If meant to be a substitute, the nature of the competitive market in California should dictate how the feed-in tariff should be structured. If the retail market is competitive, then the renewable market should also be competitive. The other possibility is for the feed-in tariff to be funded through a tax or a charge on wires to be equalized across all ratepayers. Germany is an example of a deregulated market that has appropriately spread costs to all users, removing the burden from areas of concentrated renewables. Cost recovery needs to be equitably applied to all benefiting customers and guaranteed for renewable buyers.*

*Preventing oversubscription also needs to be considered. The early implementation of PUPRA generated a large volume of projects in a short period of time. However the result was oversubscription of projects through Standard Offer contracts at above market prices, some of which SCE are still paying today. All situations and technologies are different, and standard offers do not recognize these individual differences. While standard offer contracts provide terms and pricing mechanisms that everyone understands, they are inflexible and do not allow for market fluctuations in price.*

4. What are the mechanics for determining the appropriate tariff(s)?
  - a. How would the tariff level(s) be determined? What are the relevant data points?

*Prices should be tied to wholesale market prices in some fashion, with a well understood premium if one is deemed necessary.*

- b. Is a single tariff for all renewable technologies appropriate, or should there be distinct tariff levels for individual technologies, project sizes, geographical areas (for example, based on the quality of the wind resource), or other factors?

*Should any tariffs be developed, they must be differentiated based on size at a minimum. Different performance standards should be required depending on the size, and resulting renewable credits and emission performance benefits held by the utility for the benefit of the customers paying for the power.*

- c. Should tariffs be specific to renewable facilities/technologies within California, or should they be determined comprehensively based on national and international data and experience?

*The response to this question depends on the purpose of the tariff. The European increases in renewables are a result of long-term, stable policy combined with other elements including tax incentives, production subsidies, financing options, green certifications, and other incentives. Any tariff designed for California should be based on the specific goals of the State (emissions reductions, growth of emerging technologies, opportunities for small power producers, etc.) and coupled, as necessary, with other incentives or appropriate mechanisms.*

*In terms of structure, a fundamental question to consider is whether the State wants a market-based system or an administrative-based system for renewables. If we move to retail competition, a market based system creates competition in prices, technology and efficiencies, and the funding mechanism is already in place. If an administratively priced "must-take" program is implemented on behalf of California, the costs of the program should be captured administratively through taxes or charges at the distribution system.*

- d. How and on what schedule should the tariff(s) be updated? Is there enough flexibility in the state regulatory process to allow for updates in a timely way?

*Tariffs should follow wholesale market prices. Updates should occur to assure this goal is met.*







