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Proposal on ELCC Refinement

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Outline

- Treatment of BTM Solar in ELCC
- Marginal v. Average ELCC
- Further granularity of ELCC for differing technology and location

Proposal: the issue of BTM solar should be addressed in Track 1

Issues:

- BTM solar has the same impact to RA values as central station solar
  - Increases in solar resources whether BTM or central station shifts the net load peak
- BTM solar should be treated consistently as other solar generation in ELCC calculation
  - When BTM solar is not treated consistently as other solar, the ELCC values are biased upward
  - This is exacerbated by the inconsistent treatment in CPUC RA and the CEC load forecasting
    - CPUC proposals treats BTM solar as supply
    - CEC load forecasting treats BTM solar from the demand side

Proposal:

- Proposal from ED and Proposal from Calpine/E3 seem to address this issue
- SCE believes the issue should be addressed in Track 1
  - SCE has no preference on which of the two proposals should be adopted at this time

Proposal: Marginal ELCC Should be Adopted by CPUC

Issues:

- Inconsistent treatment of ELCC within different proceedings can lead to an un-level competitive environment.

  Example:

  - Suppose RPS uses marginal ELCC. RA proceeding uses average ELCC. Suppose average ELCC value is above the marginal ELCC value.
  - A non-jurisdictional entity would have an incentive to value resources at the average ELCC value while a jurisdictional entity is obligated to value resources at the marginal ELCC value
    - This would under value the resource compared to actual RA value
  - The result could lead to IOUs procurement placing artificially higher value on more expensive resources in meeting the same RA obligation
    - This would result in IOU customers paying more for the same service.

Proposal: Marginal ELCC Should be Adopted by CPUC

- Contractual risk associated with a varying ELCC value over the life of the contract
  - For multiple-year RPS contracts, an average ELCC places risk in the quantity of RA changing over the life of the contract
    - This makes valuation difficult as not only is the price of RA likely to change over time but the quantity that the resource counts for will similarly change over time

Proposal:

➢ SCE proposes marginal ELCC value be adopted within the RA OIR and within other proceedings where a differing ELCC could cause a disconnect between the value of RA and the value within the procurement process
  - In addition to addressing the two issues above, a marginal ELCC provides incentives to develop renewable resources that will not only provide for RPS needs and reduce GHG emissions but will also target the resources capable of doing so in a manner most consistent with the reliability needs of the grid

Proposal: ELCC needs to consider locational and technology differences

Issues:

- Wind and solar resources that have higher production than their peers should have a different/higher ELCC value
  - A wind plant located in an area with high wind production v. that with a low wind production
  - A fixed tilt solar resource v. a tracking solar resource v. a solar thermal
    - Solar profiles may also differ based upon their latitude
- Locational and technology differences should be considered to obtain accurate ELCC value
- A more granular assessment will provide a better indication of resource value

Proposal:

➢ SCE proposes that the granularity discussed above be added in the ELCC methodology
  - ELCC should be established by several large zones and technology categories

Summary

- ELCC methodology needs to be refined to include:
  - Consistent treatment of BTM PV
  - Marginal process to determine ELCC value
  - Locational and technology differences of renewable resources