

# VALLEY CLEAN ENERGY ALLIANCE

## Staff Report – Item 6

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**TO:** Valley Clean Energy Alliance Community Advisory Committee

**FROM:** Gordon Samuel, Assistant General Manager & Director of Power Services

**SUBJECT:** Key Parameters for Long Term Renewable Local/Regional Solicitation

**DATE:** February 27, 2020

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### RECOMMENDATION

Staff is requesting the Community Advisory Committee (CAC) discuss and recommend key parameters to be included in the Local/Regional Long-Term Renewable Request for Offer (“RFO”) planned for issuance in late March/early April 2020.

### BACKGROUND

#### *General*

In late March/early April 2020, staff will release a RFO for VCE to procure local/regional renewable energy through long-term power purchase agreements that will be executed in VCE’s name. This solicitation is identified in the 2019 RPS Procurement Plan. The Plan states specifically:

“VCE plans to establish an open solicitation for local renewables in the first quarter of 2020 in order to supply up to 25% of its targeted 2030 renewable goal of 80%.”

	<b>2020</b>	<b>2022</b>	<b>2026</b>	<b>2030</b>
VCE IRP Renewable Energy Targets	42.0%	60.0%	70.0%	80.0%
RPS Minimum Requirements	33.0%	38.5%	49.3%	60.0%
Additional Voluntary Procurement Above RPS Minimum Reqs	9.0%	21.5%	20.7%	20.0%

For discussion purposes: assuming an annual VCE load of 750,000 MWh, VCE plans to ultimately meet 600,000 MWh with renewable resources and 150,000 MWh of this will be from local renewables (approximately 50MW depending on the type of resource).

## ***Other Considerations***

This solicitation could contribute to satisfying two other near-term regulatory requirements:

- 1) CPUC Decision D.17-06-026: VCE is required to meet the statutory goal of 65% of its procurement being from contracts with term lengths of 10 years or more in duration by the 2021-2024 compliance period. The recently signed 50 MW PPA will satisfy approximately 50% of this requirement leaving approximately 350,000 MWh (total remaining for years '21 through '24) for upcoming procurement activity.
- 2) CPUC D.13-10-040 establishes a goal for CCA programs to procure energy storage equal to 1% of their 2020 annual peak load by 2024. This requirement would equate to approximately a 2MW energy storage resource for VCE. This requirement was eliminated in September 2019, but CCA's are still required to file bi-annual Advice Letters on this topic. VCE filed on 12/31/19.

*Key Outcome Needed from Solicitation.* The primary result needed from this first local/regional long-term renewable solicitation for VCE is to facilitate development of local renewable resources. VCE currently has no power supply commitments from projects in Yolo County. The Indian Valley hydro project, currently under two-year contract to VCE, is in adjacent Lake County.

*Offers for Output from Operating (Existing) Projects.* VCE may receive proposals for projects that are existing and already in commercial operation. Although these types of offers will NOT be prohibited, staff recommends giving preference to new local development.

*Evaluation Methodology.* The solicitation will be requesting bidders to submit a lot of information concerning their proposed projects. The solicitation document will not however, provide bidders a defined rating methodology. Staff expects to receive offers from a variety of technologies which will yield significantly different output profiles and pricing (e.g. Biomass vs PV vs PV+Storage). Staff will work with SMUD and "levelize" pricing terms to show which projects offer the most value to VCE customers. Staff also recognizes that pricing on smaller scale projects will be different than those larger scale projects that have been executed or are under negotiations. There will be additional work after the solicitation is issued to build the evaluation methodology and review with the Community Advisory Committee.

*Input from NGO's:* Staff will be meeting with representatives from The Nature Conservancy and Defenders of Wildlife for recommendations on land use criteria and other environmental input that would be applicable to this RFO.

## ***Parameters to consider for Local/Regional RFO***

The set of criteria that staff is requesting the Board approve is a subset of many criteria in the solicitation. The criteria selected generally are those that set the tone and direction for the types of renewable resources that VCE pursues, given its desires for a local emphasis and encouraging sustainable development practices. The balance of the solicitation criteria has

been developed over time to increase the likelihood that selected projects have a high likelihood of successfully achieving commercial operation. The criteria staff is requesting consideration for are:

1. Definition of Local/Regional Resources
2. Siting Criteria
3. Development Status Criteria
4. Acceptable Technologies
5. Existing versus new-build
6. Timing

Staff does not believe that policy decisions are required at this time for the parameters.

## **1. Definition of Local/Regional Resources**

### ***Discussion***

If the definition of Local is limited to located within Yolo County, resource opportunities will not be as readily plentiful than if Local were defined as a broader geographical area. Although a project may be physically sited in an adjacent county, there are inevitably indirect benefits for Yolo County.

VCE is currently only serving customers in Yolo County and a goal of the CCA model is to create jobs, build local clean energy resources and to reinvest dollars in the local economy.

### ***Recommendation***

Staff recommends a position defining the following resource criteria for location, and that these criteria be included in the RFO.

“Local” is defined as any resource located within Yolo County, or nearby Yolo County if having a nexus back to Yolo County (the Indian Valley Hydro Project owned by Yolo County Flood Control and Water Conservation District is an example of a nearby project having a nexus back to Yolo County).

“Regional” is defined as any resource located within the six adjacent counties and including the Geysers Geothermal Resource Area in Sonoma County.

In addition, Staff recommends those projects that meet the above “Local” definition be given some level of preference compared to those outside of Yolo County.

## **2. Siting Criteria**

### ***Discussion***

Defining restrictions on the types of lands associated with energy projects that VCE wants to procure is important so that VCE does not procure power from projects that may be proposed for areas:

- a. VCE determines have important land uses to protect, such as prime farm lands;
- b. That increase the likelihood of there being conflicts with sensitive wildlife species, cultural sensitivities, or other environmental issues.

***Recommendation***

Given the magnitude of land use in Yolo County classified as agricultural, and given the loss of farmlands elsewhere in the state, staff supports a position against development of new renewable projects on farmlands classified as prime.

Staff plans to broaden this parameter after meeting with The Nature Conservancy and Defenders of Wildlife. Staff will share these recommendations with the CAC prior to issuing the RFO.

**3. Development Status Criteria**

***Discussion***

Projects that are farther into their development cycle are much more likely to achieve commercial operation than projects that are just beginning their development, and will be able to better meet the needed commercial operation date for VCE’s portfolio (items #1 and #2 under “Other Considerations” shown above).

As such, establishing minimum criteria for development progress will be important.

***Recommendation***

Staff recommends that the following be placed in the RFO as a minimum to pass initial screening:

Project proposers must provide:

Acknowledgment by the relevant land use authority that a permit application has been received.

Evidence of site control.

**4. Acceptable Technologies**

***Discussion***

There is no reason to limit acceptable technologies for this solicitation, other than to require that any equipment proposed be a mature technology. In addition, inclusion of storage in this renewable solicitation will be important to facilitate VCE’s compliance with the legal requirements. The most cost-effective storage installations currently are those installations integrated with renewable power projects as the systems are eligible for the investment tax credits. Battery systems are the common storage technology used for integration with renewable energy projects.

### ***Recommendation***

Staff recommends that the following acceptable technology criteria be placed in the solicitation document:

Proposers can submit project proposals for any renewable technology (PCC1-eligible Renewable Energy, Green Attributes/Renewable Energy Credits and Capacity Attributes (if available)). In addition, provided the pricing is reasonable, a Local project with a small battery storage system would provide additional benefits.

### **5. Existing versus New-Build**

#### ***Discussion***

The availability of existing resources is limited but not out of the realm of possibilities that offers could be received, especially if the broader definition of “Local” is incorporated in to this RFO. New-build resources would further the mission of creating jobs, investing in the community, etc.

#### ***Recommendation***

Staff recommends that the RFO is open to existing as well as new build with a preference given to those that are new-build in Yolo County.

### **6. Timing**

#### ***Discussion***

New projects can be at different stages of maturity and project development varies by technology, permitting agencies, site characteristics, etc. The goal of this solicitation is to develop projects that can benefit VCE customers and satisfy certain regulatory requirements.

#### ***Recommendation***

Staff recommends that this RFO be limited only to proposals from resources that can achieve a commercial operation date (COD) no later than 12/31/23. All other things being equal, projects that can achieve an earlier COD will be given preference.

### **CONCLUSION**

Staff is requesting input from the Community Advisory Committee (CAC) on the above parameters and to identify any other attributes that can improve the solicitation.