

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 8

TO: Valley Clean Energy Community Advisory Committee

FROM: Mitch Sears, Interim General Manager
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SUBJECT: 2021 Short Term Procurement Planning/Local Renewable Solicitation

DATE: September 26, 2019

2021 SHORT TERM PROCUREMENT PLANNING

BACKGROUND

This coming January, staff will asking the Board to approve the power procurement activities occurring in 2020, which will include delegation of the short-term 2021 procurements. That discussion will include setting targets for renewable and clean power content of the 2021 VCE power portfolio.

Table 1 below shows the power mix as initially contemplated by VCE, with 2019 and 2020 being approved by the Board to date. 2021 and 2022 have always been understood to be transition years where VCE is stepping into renewable power from its own long-term power purchase agreements.

Table 1. Current VCE Targeted Power Mix

	2019	2020	2021	2022
Renewable Content	42.0%	42.0%	42.0%	42.0%
PCC1	23.25%	24.75%	26.81%	28.88%
PCC2	18.75%	17.25%	15.19%	13.13%
Required RPS Minimums	31.0%	33.0%	35.8%	38.5%
PCC1	75%	75%	75%	75%
PCC2	25%	25%	25%	25%
Incremental Discretionary Renewables	11.0%	9.0%	6.3%	3.5%
PCC1	0%	0%	0%	0%
PCC2	100%	100%	100%	100%
Large Hydro	33%	33%	33%	33%
Total "Clean"	75%	75%	75%	75%

DISCUSSION

Currently, VCE is in negotiations with two developers of solar projects for up to 222MW of

installed solar capacity. The first 50 MW is anticipated to be online at the end of 2020, with another 122 MW coming on line across 2021. The final 50 MW (which is being negotiated as a purchase option) would be on line in 2022.

The anticipated deliveries from the projects are as shown in Table 2 below. Please note that Power Purchase Agreements (PPAs) have not been executed yet, so there could be changes to expected energy production.

Table 2. Anticipated Deliveries from Long Term Renewables

	Project COD	PPA Capacity	2020	2021	2022	2023
Short Listed Projects						
<i>Project 1 Phase 1</i>	4/1/2021	36 MWs	0	81,560	102,795	102,795
<i>Project 1 Phase 2</i>	7/1/2021	36 MWs	0	48,711	102,795	102,795
<i>Project 2 Phase 1</i>	10/1/2020	50 MWs	21,380	139,281	139,281	139,281
<i>Project 2 Phase 2</i>	7/1/2021	50 MWs	0	65,889	139,281	139,281
<i>Project 2 Option</i>	7/1/2022	50 MWs	0	0	65,889	139,281
Total Supply		222 MWs	21,380	335,440	550,040	623,432
Incremental Contribution to Renewable Content			3.0%	46.9%	76.9%	86.9%

Table 3 below shows a likely power mix for 2021 and 2022 considering the anticipated deliveries from the full 222MW of renewable projects under discussion.

Table 3. Possible VCE Power Mix for 2021 and 2022

	2021	2022
Renewable Content	46.9%	76.9%
PCC1	46.88%	76.86%
PCC2	0.00%	38.36%
Required RPS Minimums	35.8%	38.5%
PCC1	100%	100%
PCC2	0%	0%
Incremental Discretionary Renewables	11.1%	38.4%
PCC1	100%	100%
PCC2	0%	100%
Large Hydro	33%	23%
Total "Clean"	80%	100%

For the 2021 power mix, we're showing a 33% large hydro component. One option is to reduce this to 28% in order to maintain a 75% "clean" portfolio. Over time, the large hydro component will be reduced from the 33% level, in recognition of the significant renewable component in the portfolio.

ISSUES FOR CONSIDERATION

Delivery Risk of Long Term PPA Projects. Staff is contemplating including in the January Procurement Plan a recommendation the Board approve no short term renewable

procurements for 2021, on the expectation of renewable deliveries from the new solar projects that VCE will be contracting for. We would continue to assess progress towards obtaining the PPAs, and after obtaining the PPAs, assess development progress of the projects themselves to ascertain whether supplemental short term renewable procurements would be needed. Should supplemental short-term renewable procurement be needed for 2021, we would need to make a recommendation on the targeted mix. Two questions we'd need to answer are:

1. In the event that long-term project deliveries fall below the anticipated level in 2021, should we only procure enough short-term renewables to get us to a 42% renewable content?
2. Should we only procure short-term PCC1 renewables, or should we fill in with short-term PCC2 renewables, to the extent allowed by regulation?

PCC2 power is no longer carbon free. New Power Source Disclosure rules resulting from AB1110 (Ting, 2015-2016) require reporting GHG emissions associated with the brown power import on which the PCC2 REC is delivered as “unspecified power” which has a high GHG associated emissions. PCC2 will no longer allow LSE's offset the GHG emissions associated with “unspecified” imports

Large Hydro. The long term impacts of the high CCA demand for Large Hydro may affect VCE's ability to get Large Hydro that is not encumbered with other resources that VCE may prefer not to have in its portfolio.

AB1110 and Power Content Reporting. A requirement that AB1110 added to Power Source Disclosure requirements is that LSE's must report the GHG emissions associated with its power supply starting with the Power Content Label for 2019. Under AB1110 “new” LSEs were given the option to defer reporting GHG emissions for the first 24 months after their formation. As such, VCE will not have to report GHG emissions for 2019, and may not have to report for 2020 (it's not clear yet that 2020 is also exempt for VCE).

Remaining 2020 Procurements. PCC1 power for 2020 has been procured, but we still need to make the 2020 procurements for PCC2 power. We are proceeding with 2020 PCC2 procurements in a manner that assumes no deliveries in 2020 from the long term PPAs. Should Project 2 Phase 1 start deliveries in 2020, then VCE will have an additional 3% renewable content.

LOCAL RENEWABLES SOLICITATION

BACKGROUND

One of the results from the 2018 long-term renewable solicitation was that there were no local renewable projects offered to VCE. (A “Local” renewable, as defined by Board policy, is a renewable project located in Yolo County, or having a nexus back to Yolo County.) This is largely an artifact of there not being much utility scale renewable development activity occurring in Yolo County.

OPEN LOCAL RENEWABLE SOLICITATION

In order to encourage local renewable development that results in projects that VCE can procure under long term PPAs, once the current long-term renewable PPA negotiations are concluded (around the end of 2019), staff will develop a local renewable solicitation. (This will not be a solicitation for projects on the customer-side of the meter, which would be managed by developing and instituting one or more customer programs.)

Because of the immaturity of Local renewable development, the solicitation will be an “open” solicitation, meaning there will not be an end date for submission of project proposals. Project proponents will be requested to submit a minimal amount of key information (to make sure that the projects fit as-yet-to-be-defined criteria).

It is anticipated that many projects likely to be proposed, won't yet be in the permitting process, so other criteria will need to be developed (apart from permitting progress) to help identify projects that are most likely to succeed in being developed.

Staff will be back to the Community Advisory Committee once development of the solicitation begins to gather input on the criteria to be applied.

NEXUS TO 2020 INTEGRATED RESOURCE PLAN

The CAC will want to consider that reference to the Local Renewable Solicitation should be factored into planned resources identified in the 2020 Integrated Resource Plan (IRP). Various modelling scenarios of local renewable quantities could be factored in the IRP alternatives.

DISCUSSION TIME DURING CAC MEETING

Staff will leave time during the presentation of power procurement activities for discussion between staff and CAC members on these issues.