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13. RENEWABLE ENERGY: Calif. agencies lag in tracking energy goals, regulators say

Arthur O'Donnell, special to *Greenwire*

SAN FRANCISCO -- California regulatory agencies need to develop better means of tracking utility efforts to meet ambitious goals for adding renewable resources and demand-response programs, state officials agreed in a meeting here this week.

State utility, energy and resources regulators who met Monday to review the status of programs and goals embodied in the "Energy Action Plan" learned that utilities are lagging in achieving their 2006 goals for new energy-efficiency savings and on a goal to make certain demand-response programs account for 5 percent of their total resource portfolios by next year.

Regulators also said they are hearing conflicting evidence in various forums about whether the state will meet its 20 percent renewable portfolio standard (RPS) by 2010.

Joseph Desmond, undersecretary of the Resources Agency, suggested that the commissions develop "a systematic set of metrics to report progress at the aggregate level, to show what percent we are at key milestones," especially for RPS goals. "We don't want to get to 2010 and have to say 'We're not there,'" he said.

"A consistent regulatory tracking mechanism appeals to me," agreed California Energy Commission chair Jackie Pfannenstiel. "I would also love to see the same for energy efficiency and demand-side management."

Although utilities are signing more contracts with renewable power developers and claim they are on track to meet the RPS, California Public Utility Commission energy division head Sean Gallagher said "some of the contracts approved last year are not far along" to construction. In some cases, developers signed contracts even though they had not yet secured site control or financing for their projects, he said.

Large fossil-fueled energy plants are licensed by the CEC, which keeps close track of their development status, but renewable power projects are not subject to CEC jurisdiction. Gallagher said the CPUC is creating a "project viability template" that will offer a standardized report on the progress for each project. That information will be publicly accessible on an Internet site, he added.

There is also a concern that renewable projects have not been bidding into the utilities' "all-source" procurement auctions but are instead relying on RPS-specific procurements.

"If utilities are not getting renewables in their all-source bids, we don't know what we can do," Gallagher said.

Efficiency falls behind

Gallagher also presented preliminary data on the regulated utilities' 2006-08 efficiency portfolio plans that reveal a slow start in meeting the goals.

Last year, the CPUC approved nearly \$2 billion over three years in efficiency spending by the big four electric and gas utilities under its jurisdiction. The approved goal is to avoid building the equivalent of three large (500 megawatt) power plants through energy and gas savings, while achieving about \$2.8 billion in net resource benefits over the life cycle of the programs.

Although the 2006 target calls for saving 442 MW of capacity and 2 million kilowatt-hours of electrical energy, the utilities so far this year are only about 20 percent of the way to the goals. Natural gas savings are just 14 percent of the reduction goal of 30 million therms, Gallagher said.

"The result doesn't mean it's not working," Gallagher told the regulators. He said that project installations in July were 40 percent higher than in June. "Things are starting to catch up," he said.

In a separate category of conservation programs, the CPUC has directed utilities to boost "price responsive" demand-side programs to 5 percent of their resources by 2007. That goal would translate to 2,350 MW next year, but so far the "enrolled" capacity in the programs is less than half of that.

Utilities have many other DSM programs in effect that would help them exceed the goals if the commission would loosen the applicable programs to include to include more "direct control" efforts, such as air-conditioner cycling that can effectively reduce peak electricity demand.

The latest figures include about 169 MW of newly proposed DSM for 2007 that the utilities offered in response to a directive from CPUC President Mike Peevey after the state experienced new record demand levels this summer ([Greenwire](#), Aug. 11).

"Total programs will exceed the goals, but the price responsive programs are lagging at 1,100 MW," Gallagher said.

Peak pricing seen as essential

A major reason for falling behind is that the goals assumed the commission by now would have approved utility applications for "critical peak pricing" rates that impose significantly higher rates during peak periods, but there will be no mandatory CPP tariffs in effect next year, he said. Also, the introduction of new automated metering technologies to implement real-time energy pricing "will really get us price responsive demand, but they won't be in place next year," Gallagher said.

When pressed on the feasibility of meeting the demand-side goals, Gallagher admitted "there was not a whole lot of analysis behind the numbers" when the goals were set. "We should take a look at whether the 5 percent goal is achievable."

The reports on lack of demand-side progress left the regulators dissatisfied. "We're nowhere near the goals we had for DSM and don't have critical peak pricing, which was a key component of the goals," CEC's Pfannenstiel said.

"Both the RPS and demand response have to go on our watch list," concluded CEC member Jim Boyd.

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