BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Continue Implementation and Administration of California Renewables Portfolio Standard Program.	Rulemaking 11-05-005 (Filed May 5, 2011)

REPLY COMMENTS OF THE WESTERN POWER TRADING FORUM ON THE PROPOSED DECISION ON IMPLEMENTATION OF NEW PORTFOLIO CONTENT CATEGORIES FOR THE RENEWABLES PORTFOLIO STANDARD PROGRAM

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I. INTRODUCTION AND SUMMARY

In accordance with Rule 14.3 of the California Public Utilities Commission's ("Commission's") Rules of Practice and Procedure, the Western Power Trading Forum ("WPTF")[1] respectfully submits the following reply comments in response to The Utility Reform Network ("TURN"), Southern California Edison Company ("SCE") and Powerex Corporation ("Powerex") on the *Proposed Decision on Implementation of New Portfolio Content Categories for the Renewables Portfolio Standard Program* issued on October 7, 2011 ("Proposed Decision").

[1] WPTF is a California non-profit, mutual benefit corporation. It is a broadly based membership organization dedicated to enhancing competition in Western electric markets in order to reduce the cost of electricity to consumers throughout the region while maintaining the current high level of system reliability. WPTF actions are focused on supporting development of competitive electricity markets throughout the region and developing uniform operating rules to facilitate transactions among market participants.

II. RESPONSE TO TURN'S COMMENTS REGARDING INSUFFICIENCY OF REQUIREMENTS FOR FIRMED AND SHAPED RESOURCES.

TURN begins by asserting that there are various strategies that *will* be employed by market participants to game the Commission's proposed requirements, and goes on to assert with no rationale whatsoever that incremental energy should be procured under contracts having the same duration as underlying PPAs with eligible renewable resources and a minimum duration of 5 years for any firmed and shaped transactions. Similarly, it asserts that such transactions must be at fixed prices that "provide hedging value to the procuring retail seller" with no reference to the fact that there will very likely be third parties providing exactly that benefit. Finally, it asserts – with no justification - that energy used to firm and shape should be provided from the same WECC subregion as the renewable generation.

What is somewhat surprising about all of TURN's commercially counterintuitive assertions is that each one, if adopted by the Commission, would result in greater cost to ratepayers than adoption of the Proposed Decision would provide, without any commensurate benefit in terms of achieving a 33% renewable portfolio standard. The message of virtually all other Opening Comments is consistent with WPTF's Opening Comments in arguing in the opposite direction for greater flexibility to allow greater benefit to accrue to ratepayers.

In addition to specifying the cost related flaws in TURN's proposals, WPTF would observe that, broadly speaking, the additional compliance requirements that TURN's proposals would impose represent strict and inflexible interpretations of SB 2 (1X), that usurp the very latitude that the Commission has to make implementing decisions. It is a universally acknowledged economic principle that maximizing options and flexibility maximizes the ability to accomplish an objective at the lowest possible cost. Therefore, the Commission, keeping in mind its consumer protection mandate, should strive to implement the law using the maximum

amount of flexibility and the minimum amount of mandates consistent with the statute. Doing so maximizes the chances of achieving the underlying objective at the lowest possible cost to consumers.

III. RECOMMENDATIONS BY SCE AND OTHERS THAT ALL LOAD SERVING ENTITIES MUST SUBMIT TO PRE-APPROVAL OF CONTRACTS MUST BE REJECTED.

SCE's opening comments recommend that all retail sellers, including Electric Service Providers ("ESPs") and Community Choice Aggregators ("CCAs"), should be subject to the same contracting requirements that are applicable to the Investor-Owned Utilities ("IOUs").[2] Powerex makes a similar recommendation in its comments when it suggests that there should be an upfront showing of a delivery plan for Product 1 resources.[3] These recommendations must be rejected.

First, the Commission has already ruled that the contracting pre-approval process that is applicable to the IOUs should not be applicable to non-IOUs.[4] The reason for this difference is clear - the IOUs' procurement activities are afforded up front cost recovery, making it appropriate that the Commission exercise a different and more stringent level of oversight to protect ratepayers from imprudent cost incurrence. Such protection is not afforded to ESPs or CCAs (nor do they seek such protection). As such it is neither appropriate nor necessary for the Commission to impose the same contract approval on non-IOU LSEs.

While WPTF understands from discussions with Powerex that it intended this requirement to apply only to IOUs and not to ESPs or CCAs, it is still problematical.

[2] See, SCE Comments, page 5-6, 11.

[3] See, Powerex Comments, page 2.

[4] See, page 22 of Decision 11-01-026.

Determining how to get renewable power to California and meet the requirements of SB 2 (1X) is likely to take some creativity, and those who can figure out the best ways will have a competitive advantage. Further, WPTF believes that a "delivery plan" requirement will lessen the vital flexibility that suppliers and LSEs need.

To the contrary, providing each with greater options will offer more opportunities for the optimization of delivery costs, which will ultimately redound to the benefit of consumers. A delivery plan will neither improve the likelihood of performance nor benefit ratepayers. Finally, the "delivery plan" requirements would essentially require successful bidders to teach everyone else "how to do it." As such it is a de facto requirement to turn over legitimate proprietary "trade secrets" to the competition.

IV. SCE'S REQUEST THAT ITS UTILITY-OWNED GENERATION BE EXEMPT FROM PRODUCT CONTENT CATEGORIES MUST BE REJECTED

In its opening comments, SCE requests that its utility owned generation ("UOG") in service before June 1, 2010 should be exempt from the product content categories.[5] This request must be rejected. First, resolution of grandfathering issues has been deferred to a later decision, and therefore granting this exemption at this time – in response to comments on a PD that is not addressing grandfathering or exemption issues at all – is premature and inappropriate. Second, it affords no opportunity for parties to comment upon, or for the Commission to consider, the extent to which such an exemption would be discriminatory.

[5] See SCE Comments, page 13-14.

V. CONCLUSION

WPTF thanks the Commission for its consideration of these reply comments and urge that the Commission act expeditiously to consider and implement the recommendations discussed herein.

Respectfully submitted,

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VERIFICATION

I, Donald C. Liddell, am counsel for the Western Power Trading Forum and am authorized to make this Verification on its behalf. I declare under penalty of perjury that the statements in the foregoing copy of the Reply Comments of the Western Power Trading Forum on the Proposed Decision on Implementation of New Portfolio Content Categories for the Renewables Portfolio Standard Program, filed in R.11-05-005, are true of my own knowledge, except as to matters which are therein stated on information or belief, and as to those matters I believe them to be true.

Executed on November 1, 2011, at San Diego, California.

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