

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Integrate
and Refine Procurement Policies and
Consider Long-Term Procurement Plans.

Rulemaking 10-05-006
(Filed May 6, 2010)

**REPLY COMMENTS OF THE
CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES
ON SYSTEM TRACK I AND RULES TRACK III PROPOSED DECISION**

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The Center for Energy Efficiency and Renewable Technologies (CEERT) respectfully submits these Reply Comments on the System Track I and Rules Track III Proposed Decision (“Proposed Decision”) mailed in this Long Term Procurement Plan (LTPP) rulemaking (R.10-05-006) on February 21, 2012. These Reply Comments are filed and served pursuant to the Commission’s Rules of Practice and Procedure and the instructions accompanying the Proposed Decision.

**I.
CAISO’S OPENING COMMENTS OFFER COMPELLING
REASONS TO KEEP THIS PROCEEDING OPEN THROUGH 2012.**

CEERT, as confirmed in the Proposed Decision, was a signatory to the proposed settlement in System Track I, which was filed on August 3, 2011, and adopted in the Proposed Decision.¹ By that settlement, CEERT joined with many parties, including the California Independent System Operator (CAISO), in agreeing that “[t]he resource planning analyses presented in this proceeding do not conclusively demonstrate whether or not there is need to add capacity for renewable integration purposes through the year 2020, the period to be addressed during the current LTPP cycle.”²

As noted in CEERT’s Opening Brief, and reviewed in detail in the Proposed Decision:

“Of significance, based on the application of CAISO’s renewable integration methodology to Commission-required scenarios, the Settling Parties further agree that the ‘results show no need to add capacity for renewable integration purposes above the capacity available in the four scenarios for the planning period addressed in this LTPP cycle (2012-2020).’ [Fn. omitted.] Instead, it is generally

¹ Proposed Decision, at p. 4.

² Settling Parties Motion for Adoption of Settlement, Attachment: Settlement Agreement, at p. 5 (hereinafter “Settlement Agreement”). See also, Proposed Decision, at p. 5.

agreed that ‘further analysis is needed before any renewable integration resource need determination is made.’ [Fn. omitted.]”³

The Settling Parties agreed that, “the Commission should, in collaboration with the CAISO, continue the work undertaken thus far in this proceeding to refine and understand the future need for new renewable integration resources.”⁴

The Settlement Agreement, however, largely left open when or in what proceeding this analysis should take place and be reviewed. CEERT “strongly support[ed] this ongoing analysis, but urged “the Commission to move forward with a *new* LTPP cycle in which this analysis and results would be developed and examined” to ensure the use of “fresh inputs and assumptions” tied, in particular, to the demand forecast that has now been adopted by the California Energy Commission (CEC) in its 2011 Integrated Energy Policy Report (2011 IEPR).⁵

However, in the CAISO’s Opening Comments on the Proposed Decision, the CAISO “urge[s] changes” to the Proposed Decision “to provide a procedural vehicle for considering” the issue of “system capacity needs to help balance supply and demand in the ISO’s balancing authority area” in “2012 and 2013 (as part of the successor LTPP docket) with a decision on system needs issued by year-end 2013.”⁶ The CAISO further asks that the Proposed Decision be modified “to extend this docket through calendar year 2012 to provide a procedural vehicle for considering long-term procurement for local capacity needs” in specific areas of the state and in identified “transmission constrained areas.”⁷ According to the CAISO:

“[I]t is urgent that the Commission examine this procurement in 2012 to avoid significant deficiencies in the years prior to 2020 and should not close this proceeding. Absent a decision addressing local procurement this year, the Commission invites the risk of delaying the compliance schedule under California’s once through cooling (OTC) policy.”⁸

In making this request, the CAISO notes that the Settlement Agreement reflected the need for, and intention of, the CAISO to continue its analysis of system needs “by incorporating the results of the once through cooling studies being conducted in the transmission planning

³ CEERT Opening Brief, at p. 4, citing the Settlement Agreement, at pp. 4-5.

⁴ Settlement Agreement, at p. 5.

⁵ CEERT Opening Brief, at pp. 6-7; emphasis original. The CEC adopted the 2011 IEPR at its Business Meeting of February 8, 2012.

⁶ CAISO Opening Comments, at p. 1.

⁷ *Id.*, at pp. 1-2.

⁸ *Id.*, at p. 2.

process into its renewable integration studies and present those study results by March 31, 2012.”⁹ The CAISO’s comments also emphasize that parties “agreed that the studies undertaken during the 2010-2011 time period would be extended into 2012, either through an extension of R.10-05-006 or in the succeeding LTPP docket, in order to consider updated information about system and local needs driven by the retirement of OTC generation.”¹⁰ In fact, according to its studies to date:

“[I]t has become apparent that there are local area capacity needs for new or repowered flexible generation well before 2020 that are driven by the OTC requirements and the likelihood that existing generation may retire by the end of 2017. The ISO’s OTC studies show that the Commission must authorize procurement of local resources, either new or existing resources, that will comply with the OTC requirements by 2020, on an expedited basis.”¹¹

The CAISO concludes that the “procedural vehicle for addressing local area needs must be identified and a schedule adopted immediately as the OTC regulations will affect approximately 8,000MWs by the end of 2017.”¹² It is the CAISO’s recommendation that this direction can be achieved by the Proposed Decision adopting a schedule in 2012 that will consider, and result in a decision by the end of 2012, on the “ISO’s continued renewable integration studies and the need for additional resources – either new or existing resources that will be repowered – in certain local capacity areas.”¹³ Another policy impact to be considered is the SB 1368 limitation on contracting for out-of-state coal imports that will begin to take effect in 2014.¹⁴

While CEERT had urged the start of a new LTPP cycle, the CAISO’s Opening Comments provide a persuasive case for the need to provide a *current venue to assess and provide a record for a decision in 2012* based on the outcome of the CAISO’s studies, started in this LTPP cycle. Among other things, such an approach is needed to address “critical local capacity needs immediately,” with a “decision on system needs...by the end of 2013.”¹⁵

CEERT is particularly concerned about the impact of these resource needs and decisions on the reliable operation and management of the grid. Specifically, the CAISO’s comments

⁹ *Id.*

¹⁰ *Id.*, at p. 3.

¹¹ *Id.*, at p. 4.

¹² *Id.*, at p. 5.

¹³ *Id.*, at p. 6.

¹⁴ See, e.g., D.07-01-039.

¹⁵ CAISO Opening Comments, at p. 6.

serve as a reminder that most of the existing resources used to provide flexibility to manage the grid are ending operations or being repowered due to OTC regulations and deadlines. It is critical that these resources be replaced with new efficient, flexible, dispatchable resources largely located in specific areas of critical local capacity need. Considering the long lead time for procurement, permitting, and construction of these replacement resources, it is urgent that the process of analyzing and planning for this resource change continue toward resolution in 2012.

While such planning, to be successful, will also require changes in other project review or procurement practices, the Commission should start by modifying the Proposed Decision to provide a venue for planning for this change in 2012. At the same time, parties will also need to focus on changes to the California Energy Commission's (CEC's) Application for Certification (AFC) plant siting criteria to value flexibility and dispatchability in the design, construction, and operation of new and replacement resources and to include accommodation for frequent start ups, shut downs ,and routine ramping for load-following in the air permits for these resources that will be required at the CEC, as well as the South Coast Air Quality Management District. Similarly, revisions will be required to Resource Adequacy (RA) procurement practices to ensure grid operational flexibility in hours other than super-peak and in the RA contract itself that would require dispatchability by the CAISO in order to qualify for RA payments. Finally, it will also be important, both environmentally and economically, to design and implement a robust program that will enlist customer-side demand response and other non-generation resources to provide flexible, dispatchable tools to manage the grid.

II. CONCLUSION

CEERT, therefore, agrees with the CAISO that a venue needs to be created or continued for 2012 to address the local capacity issues. However, that process, and any final decision by the Commission, should reflect the full impact of the resource changes resulting from or required by OTC regulations, the pending application of SB 1368 regulations, and the integration needs for a 33% RPS, and should provide guidance for moving toward needed improvements in grid operations.

Consistent with the Settlement Agreement, CEERT shares the view that there is not a demonstrated need for additional incremental balancing resources or for the creation of exotic new products and/or markets for new "flavors" of capacity. However, this circumstance should

not serve to delay analysis and planning for the need to replace known near-term retirements and repowerings with resources that meet the needs of a 21st century grid.

Respectfully submitted,

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