

**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 12-03-014  
(Filed March 22, 2012)

**COMMENTS OF  
GENON ENERGY, INC. ON ENERGY DIVISION'S  
PLANNING STANDARDS STRAW PROPOSAL**

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May 31, 2012

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**I. INTRODUCTION.**

Pursuant to the Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge issued on May 17, 2012, GenOn Energy, Inc. ("GenOn") provides the following comments on the Energy Division's straw proposal addressing planning standards which was issued on May 10, 2012. GenOn's comments are focused on supply side assumptions that are a component of the proposed planning standards.

**II. COMMENTS ON SELECTED SUPPLY SIDE ASSUMPTIONS.**

To the extent that GenOn has a position on supply side assumptions identified in the straw proposal, these comments address those assumptions in the context of responses to questions raised in the comment template circulated by Energy Division on May 23, 2012.

Template Question No. 15. *Should all "known" and "planned" (non-RPS) resources be used in all supply-side scenarios?*

*a. Are the definitions of "known" and "planned" clear?*

*Note: At the workshop, "planned" having a contract in place was clarified to mean "approved contract by the appropriate entity" (e.g. Muni approved or CPUC approved). Do you support this clarification?*

GenOn Response: According to the straw proposal, "Known Additions" are those future resources that have a contract in place, have been permitted, and have construction under way.

The straw proposal describes “Planned Additions” as future resources that have a contract, but have not yet begun construction.

In California, the existence of an approved contract (by the Commission, if the contract is with a jurisdictional utility) not subject to appeal is the most important factor for determining whether a project will get built. The second most important factor to consider for future additions is whether the project has the requisite authority to construct (from the California Energy Commission or a local jurisdiction as well as the air district with jurisdiction over the project). The third factor to consider for additions is whether a project is under construction. The California Energy Commission maintains a spreadsheet on its web site indicating whether projects are under construction which could serve as the basis for the “under construction” factor. GenOn recommends that both Known Additions and Planned Additions should satisfy the first two factors. To differentiate between Known Additions and Planned Additions, the “under construction” factor should be included for Known Additions. In summary, for planning purposes, Known Additions should have: (1) an approved contract; (2) the requisite authority to construct; and (3) construction under way. Planned Additions should have: (1) an approved contract; and (2) the requisite authority to construct.

The Commission should refine its analysis and add consequence to the distinction between Known Additions and Planned Additions by including low, mid, and high scenarios for resource additions. In that event, the low case (i.e., the fewest amount of new megawatts added) should assume that only Known Additions will occur; the mid and high cases should assume that both Known Additions and Planned Additions will occur.

Template Question No. 21.    *Retirements.*

GenOn Response: With respect to retirements, the straw proposal sets forth low, mid and high scenarios. GenOn’s focus is on the assumptions populating the low, mid and high scenarios for retirement of once-through cooled (“OTC”) facilities. In particular, the mid scenario for OTC facilities assumes that such OTC facilities will remain in operation if a Track II compliance plan for the facilities has been submitted to the State Water Resources Control Board

(“SWRCB”) pursuant to the SWRCB’s regulation addressing the use of OTC.<sup>1</sup> However, the likelihood that an operator will successfully navigate the requirements of Track II compliance is sufficiently small that even if an operator has filed for and diligently pursues Track II compliance, the mid-level scenario should not assume those facilities continue to operate.

There are a number of factors that make successful compliance with Track II difficult. Most importantly, Track II is not the preferred compliance path from the perspective of the SWRCB; Track II is only available to an operator if retrofitting to closed-cycle cooling under Track I is deemed infeasible, and cost is not a basis for demonstrating infeasibility.<sup>2</sup> In addition, any OTC operator proposing Track II compliance generally must conduct three years of impingement and entrainment monitoring at each site to provide the baseline data upon which the possibility of compliance will be measured.<sup>3</sup> Accordingly, it will take at least three years before most OTC operators even know what target must be reached to comply with Track II. Furthermore, screening technologies, such as wedgewire screens, have shown the potential to achieve the stringent impact reductions required by the OTC Regulation when used in conjunction with flow reduction measures, but these screens remain unproven in a large-scale marine deployment. Finally, site-specific constraints, including community-based opposition and permitting, make it difficult to expect that Track II compliance will be successful.

Based on the foregoing, GenOn recommends that staff update its straw proposal to reflect the significant uncertainties associated with Track II compliance. Those uncertainties can be reflected in the straw proposal’s assumptions as follows:

<b>Retirement Scenarios</b>			
	<b>Low</b>	<b>Mid</b>	<b>High</b>
<b>OTC</b>	The earlier of SWRCB deadline or announced retirement date; Track II treated as continued operation of the existing facility	The earlier of SWRCB deadline or announced retirement date; Track II treated as retirement	Same as Mid

<sup>1</sup> See Statewide Water Quality Control Policy on the Use of Coastal and Estuarine Waters for Power Plant Cooling, State Water Resources Control Board (adopted May 4, 2010) (“OTC Regulation”).

<sup>2</sup> See OTC Regulation, Section 2.A(2) and Section 5 – definition of “not feasible”.

<sup>3</sup> See OTC Regulation, Section 4.A.(1)(a).

Template Question No. 23. *What is a reasonable number of overall scenarios for supply-side assumptions? What is the purpose behind having that number of scenarios?*

GenOn Response: GenOn does not take a position on the number of overall scenarios for supply-side assumptions. However, it would be useful to run the model assuming a tightened supply of natural gas generation to understand what impacts such a future could have on renewable integration and grid reliability. The natural gas generation tightened supply state of affairs would be approximated by assuming the low-case scenario for resource additions and the high-case scenario for OTC and “Other” retirements.

### III. CONCLUSION.

Based on the foregoing, the Commission should update the proposed planning assumptions to modify the definition of “known additions” and “planned additions”. The Commission should also adjust the planning scenarios for OTC retirements to reflect the uncertainties associated with Track II compliance. Finally, the Commission should study a “tightened supply” scenario for natural gas generation.

May 31, 2012

Respectfully submitted,



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