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)

TECHNICAL COMMENTS OF THE CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES ON ENERGY DIVISION'S PROPOSED SCENARIOS

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The Center for Energy Efficiency and Renewable Technologies (CEERT) offers the following technical comments on the Energy Division's Proposed Scenarios for use in the 2012 Long Term Procurement Plan (LTPP) (R.12-03-014) System Need Track 2. CEERT's technical comments respond to Key Technical Question 1 ("*Are there any technical errors in the proposed scenarios, scenario too, or 33% RPS Calculator?*") posed by Energy Division on August 29, 2012.

(1) Use of "Net Qualifying Capacity" (NQC) as an Input.

During the August 24 Workshop, Energy Division stated that their assumptions were governed by the "Planning Assumptions for Use in R.12-03-014" adopted by and attached to the Assigned Commissioner's Ruling dated June 27, 2012 (ACR Attachment). At page 4, the ACR Attachment defines an "assumption" as a "statement about the future for a given resource or resource type," with a "scenario" being "a complete set of assumptions defining a possible future world…driven by major factors with impacts across many aspects of loads and resources." With respect to "Supply Side Assumptions," the ACR Attachment states:

> "Resources should be accounted for in terms of their most current net qualifying capacity (NQC) for construction of loads and resource tables. In the absence of a NQC, resources expected NQC should be accounted for in light of their actual or expected installed capacity. To the extent that accounting methodologies change in the future, those changes should be reflected in LTPPs subsequent to the current LTPP, but other methods such as Effective Load Carrying Capacity (ELCC) will not be utilized at this time. For variable resources, methods that can forecast production based on a variety of conditions are preferred to utilizing single point or year assumptions." (ACR Attachment, at p. 15.)

It is CEERT's position that this "standardized" planning approach (in particular, the last sentence in the above citation) does *not* preclude appropriate treatment of NQC for "variable resources" as an **output** in the proposed scenarios. The NQC for "variable resources," whether calculated using the current "exceedence" methodology or the more accurate ELCC methodology that may be adopted in the future, depends on the coincidence between the expected chronological production output of the resource and the chronological shape of the load to be served. It is apparent that the shape of the net load to be served in **all** of the scenarios for this LTPP cycle will change dramatically, and, therefore, it is likely that the NQC of an identical resource will also change dramatically in the future under study. This affect is independent of the methodology used to calculate NQC for variable resources. Regardless of how the Energy Division chooses to treat this fact for modeling purposes, it simply must be accounted for when judging the Resource Adequacy of **any** portfolio that comes out of this cycle's LTPP modeling. Use of a static NQC value as an input assumption is simply not appropriate.

(2) Use of a Fixed RPS Portfolio Across All Load Scenarios Has the Effect of *Reducing* RPS Below 33% in High Demand Scenarios and Potentially Reversing "Sunk Decisions" in Low Demand Scenarios.

The ACR Attachment addresses "Calculating Renewable Energy Supply." In this section, the Attachment states that the "Residual Renewable Net Short (RRNS)" calculation will be utilized in the Renewable Portfolio Development Process. At the August 24 Workshop, the Energy Division stated that the same Renewable Portfolios would be used across all demand scenarios. This result is inconsistent with the ACR directive since, clearly, the RRNS explicitly varies with the load forecast and demand-side assumptions discussed on pages 10-13 of the ACR Attachment. In order to be consistent with the ACR Attachment, a RRNS value must be

developed for each adopted load scenario and then utilized to develop Renewable Portfolios unique to each level of load.

Use of one fixed Renewable Portfolio derived with an RRNS value calculated using a lower load forecast than the load actually studied means that the High Load scenario does not meet the legislative mandate of a minimum 33% RPS. It also means any "need" for non-RPS resources developed in any High Load scenario is artificially inflated, and the value is useless for planning purposes.

Although it was not totally clear from either the Workshop presentation or the material on the Commission's website, following this process means it is at least plausible that a negative RRNS value could be calculated in low demand scenarios. The Energy Division seems to have indicated that, if this were to be the case, it would simply increase the discount in the "discounted core" portion of the Renewable Portfolio. This procedure would be inconsistent with the ACR Attachment and could result in reversing a "Sunk Decision" which, by definition is not possible.[1] If indeed negative RRNS values are calculated for a particular scenario, there is no choice but to let the renewable content float above 33% for that scenario.

(3) The "Merced" and "Kramer" Transmission Projects Should Not be Removed From Any of the Scenarios Used for LTPP Planning Because They Support Existing Generation, Not New Generation.

The Energy Division has removed the "Merced" project (reconductoring of the 230kv Los Banos to Tesla line) and the "Kramer" project (reinforces the Coolwater to Lugo corridor) in certain scenarios because neither project has received a CPUC CPCN. This removal is inconsistent with the ACR Attachment and could lead to serious problems to the extent that this removal results in finding additional resource need. Specifically, the ACR Attachment states on page16:

> "Resource additions are treated in the analysis as existing generation. Known Additions are resources that have a contract in place, have been permitted, and have construction under way. Criteria for Planned Additions are resources that have a contract, but have not yet begun construction. … Both Known Additions and Planned Additions shall be used in all scenarios."

By these definitions, both the Merced project and the Kramer project support *existing* generation, and thus should be included in **all** scenarios. The requirement for "new transmission approved by both the CAISO and the CPUC" only applies to "new resources," **not** existing generation. A substantial fraction of the generation supported by the Merced project is already in operation and the remainder is either under construction or about to start construction. The generation supported by the Kramer project is under construction. All of the above generation have PPAs approved by the Commission that require the Full Deliverability conferred by these transmission projects. In addition, while the CPUC has not "approved" either *specific* project under CEQA, it has "approved" at least the equivalent grid functionality by approving PPAs with existing generation that requires the deliverability conferred by these transmission projects and obligates CPUC-jurisdictional utilities to provide that deliverability through FERC/CAISO approved Large Generator Interconnection Agreements. Both projects are in the CAISO approved transmission plan, not as "policy driven projects," but as "required for interconnection."

[1] The ACR defines "sunk" or "committed" RPS generation as "the generation that should be assumed in all portfolios." (ACR Attachment, at p.18.)