

**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.)

R.12-03-014
(Filed March 22, 2012)

**REPLY BRIEF OF THE CALIFORNIA LARGE ENERGY CONSUMERS
ASSOCIATION ON TRACK 1**

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The California Large Energy Consumers Association (CLECA)¹ submits this reply brief pursuant to Rule 13.11 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure and the schedule set by ALJ Gamson in a bench ruling on August 17, 2012. This reply brief responds to the opening brief of the California Independent System Operator's (CAISO).

**I. CONSERVATIVE CAISO ASSUMPTIONS SKEW ITS ANALYSIS;
ADJUSTMENT AND FURTHER EVALUATION ARE REQUIRED**

The CAISO calls for the Commission to order SCE to "*immediately procure new resources*" in the LA basin and Big Creek/Ventura.² The amounts, 2,370 MW – 3,741 MW and 430 MW, respectively, are based on CAISO's Once Through Cooling (OTC) studies. Commission authorization of procurement and guidance for Local Capacity Requirements (LCR), however, should always be based on comprehensive and

¹ CLECA is an organization of large, industrial electric customers of the three investor-owned utilities, with members taking both bundled and direct access service. The member companies are in the steel, cement, industrial gas, pipeline and beverage industries, and share the fact that electricity costs comprise a significant portion of their costs of production. For all of them, the cost of electricity is a very important element in their cost structure and the competitiveness of their products. CLECA provides an important perspective because it represents both bundled and direct access large power customers. There are no other active parties in this docket representing large power interests of both bundled and direct access customers.

² CAISO Opening Brief, at 3.

substantiated analysis that includes alternatives in compliance with the state's Loading Order. Without modification and the consideration of additional factors, most importantly - cost, it would be unreasonable for the Commission to accept unconditionally the results of the CAISO OTC studies to authorize LCR procurement.

The CAISO asserts, "*the need for a more conservative approach [is] due to the limited availability of remedial options and the specific nature of the system's network.*"³

The CAISO studies pile conservative assumption upon conservative assumption.

These include the use of the 2009 IEPR forecast, the lack of flexibility regarding OTC retirement dates, and a limited assessment of potential mitigation solutions, *i.e.*, only gas-fired generation resources. These conservative assumptions skew the analysis, and will, if not modified, lead to greater costs. The CAISO's perspective is too narrowly focused only on reliability, and it does not comport with this Commission's broader duty to ratepayers. CLECA has cautioned the Commission against unintentional abdication of the duty to protect ratepayers against imposition of undue costs when considering the CAISO's studies; the warning bears repeating here.

The CAISO studies also fail to consider mitigation from preferred resources or subtransmission and distribution system changes. For example, CAISO acknowledges, it "*did not model demand response (DR) in its OTC study.*"⁴ CLECA explained, however, that DR can be locally-dispatchable, it can be modeled on a day-ahead basis as there are day-ahead DR programs, and there are DR programs with 15-minute or shorter response times that have the ability to meet the CAISO's 30-minute response

³ CAISO Opening Brief, at 7.

⁴ CAISO Opening Brief, at 28.

requirement.⁵ Thus DR should have been modeled, and it should be modeled before procurement of thousands of MW of gas-fired resources is authorized and undertaken. The procurement authority for LCR should not be based solely on overly conservative CAISO studies that disregard the Loading Order. Further evaluation by SCE of LCR needs is needed before undertaking procurement of only natural gas fired resources; this further evaluation can rely in part on the CAISO studies, but should also consider use of preferred resources and subtransmission and distribution system solutions.

Finally, CAISO, in its Opening Brief, refers to its “augmentation” of NERC transmission planning standards: “*as augmented by WECC and ISO-specific planning standards*”.⁶ Yet a few pages later, CAISO takes TURN and SCE to task for characterizing the CAISO-specific changes as “augmentation” of NERC standards:

*TURN witness Kevin Woodruff raised several questions about whether the ISO’s OTC study deviated from the planning standards used in the annual LCR studies by making them more stringent, particularly with respect to the limiting contingencies for the Ellis and Moorpark areas. Similarly, SCE alleged that the ISO appeared to have “augmented” the NERC/WECC planning standards for purposes of the OTC study. These assertions are incorrect.*⁷

The CAISO cannot have it both ways – either it has augmented the NERC standards or it has not. Clearly, it has augmented the NERC standards. TURN, SCE, CLECA and CAISO itself are correct. CAISO has developed its own reliability standards which its tariff applies to LCR, and the record shows that the CAISO-specific standards exceed the adopted NERC Reliability Standards.⁸ The CAISO’s use of stricter standards than

⁵ CLECA Opening Brief, at 20-22.

⁶ CAISO Opening Brief, at 6.

⁷ CAISO Opening Brief, at 10 (footnotes excluded; quotation marks in original).

⁸ See CAISO Opening brief, at 8 (“*the contingencies and required system performance levels that are applied based on the NERC transmission planning reliability criteria, as augmented by WECC regional standards and Californiaspecific standards*”, then confusingly referring to the standards

the adopted NERC Reliability Standards adds costs and the costs may exceed the benefits for ratepayers.

This Commission must balance the cost to ratepayers of future procurement to address LCR reliability needs with a determination on the appropriate level of need for LCR procurement; that is not the duty of either the CAISO or the Federal Energy Regulatory Commission. This Commission must determine that any procurement it authorizes is just and reasonable from a ratepayer perspective. The bill for additional generation to meet the CAISO's more stringent standards is not per se just or reasonable. The CAISO recommendation to authorize full procurement in 2013 of gas-fired resources to meet what it perceives as the LCR need should be rejected. The Commission should instead authorize a phased procurement process, emphasizing cost-effective resource additions and further evaluation of possible mitigation solutions. The consideration of cost should be front and center in the determination of need.

Respectfully submitted,



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collectively as "**these mandatory standards**"). As CLECA explained in its opening brief, the characterization of the CAISO's augmentation of NERC standards as mandatory or legally equivalent is questionable. See CLECA Opening Brief at 8-12.