

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)

**REPLY BRIEF OF ENERNOC, INC., IN
LOCAL RELIABILITY TRACK 1**

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EnerNOC, Inc. (EnerNOC) respectfully submits this Reply Brief in the Local Reliability Track 1 of the Commission's Long Term Procurement Plan (LTPP) Rulemaking (R.) 12-03-014. This Reply Brief is timely filed and served pursuant to the Commission's Rules of Practice and Procedure (Rule 13.11), the Administrative Law Judge's (ALJ's) Ruling setting the briefing schedule.¹

**I.
INTRODUCTION**

In its Opening Brief, EnerNOC followed the "common briefing outline" (CBO) distributed by Southern California Edison Company (SCE). However, many of the issues in that outline overlapped and were the subject of recommendations and positions taken by the parties that flowed throughout their entire briefs. Therefore, to streamline this Reply Brief, EnerNOC has organized its Reply Brief to respond effectively to the combined recommendations of many parties on issues of concern to EnerNOC. However, each topic area in this Reply Brief also references, in parentheses, the sections, as identified in the CBO, that are covered.

Based on the evidentiary record and the briefs, there is strong support for EnerNOC's recommendations listed in its Opening Brief and restated again here (see, Section IV, *infra*).

¹ Reporter's Transcript (RT) at 1384 (ALJ Gamson).

EnerNOC continues to urge the adoption of its recommendations by the Commission in its Track 1 decision.²

II.
**A DIVERSE AND BROAD GROUP OF PARTIES, INCLUDING ENERNOC,
HAS IDENTIFIED SERIOUS SHORTCOMINGS IN CAISO AND UTILITY
RECOMMENDATIONS THAT IDENTIFY OR SEEK TO MEET AN
LCR NEED TO THE EXCLUSION OF PREFERRED RESOURCES.**
(Common Briefing Outline (CBO) Sections II, III & IV)

In both their testimony and now in briefs, a diverse and broad group of parties agree with EnerNOC that the local capacity requirement (LCR) calculated by the California Independent System Operator (CAISO), and generally supported by the investor-owned utilities (IOUs), is seriously flawed for its refusal to incorporate uncommitted energy efficiency (EE), combined heat and power (CHP) or demand response (DR) resources for purposes of meeting or reducing the need in the local capacity area (LCA). In these circumstances, EnerNOC, along with these parties, which include the Division of Ratepayer Advocates (DRA), the Sierra Club California (Sierra Club), the Natural Resources Defense Council (NRDC), the Center for Energy Efficiency and Renewable Technologies (CEERT), the California Large Energy Consumers Association (CLECA), and the Cogeneration Association of California (CAC), among others, have called for the Commission to taken one or more of the following actions in response:

1. the rejection of CAISO's determination of LCR need,³
2. rejection of meeting that LCR need using gas-fired generation exclusively,⁴
3. a finding of a substantially reduced need and only for the Western Los Angeles (LA) sub-area,⁵

² EnerNOC Opening Brief, at pp. iv-v, 2-3.

³ NRDC Opening Brief at p. 2, EnerNOC Opening Brief, at p. iv; Sierra Club Opening Brief, at p. 1.

⁴ CLECA Opening Brief, at p. 28.

⁵ DRA Opening Brief, at p. 3; CLECA Opening Brief, at p. 25.

4. a reduction of CAISO's determination of LCR need, including the environmental sensitivity analysis, by reasonable estimates of preferred resource growth,⁶ and
5. further analysis to be undertaken either in the next long-term procurement planning (LTPP) proceeding or once the renewable integration studies are completed.⁷

The CAISO's use of and reliance on the Trajectory Scenario as the basis for determining need in the LCA produces a projected need of between 2,370 and 3,741 MW of capacity in the Los Angeles (LA) Basin and 430 MW of capacity in the Big Creek/Ventura LCAs, both located in Southern California Edison Company's (SCE's) service territory.⁸ However, the Trajectory Scenario incorporates several assumptions that skew the need higher than it otherwise would be if other, more reasonable, assumptions were used. It is EnerNOC's recommendation, in alignment with the aforementioned parties, to reject the CAISO's determination of need and either adjust that need downward to reflect preferred resources, in conformance with State energy policy, or defer the issue until the next LTPP cycle, at which time the CAISO can provide the results of a future analysis that contains conforming assumptions.⁹

In fact, recommendations made by the CAISO and the IOUs appear directed toward testing the mettle of the Commission's commitment to its Energy Action Plan preferred resources Loading Order, especially in light of one of the largest projected resource additions in Southern California in years, if the CAISO's analysis and recommendations were accepted. This challenge requires the Commission to demonstrate again its resolve to support the State's energy policy goals, including the Loading Order, achievement of the renewable portfolio standard (RPS), achievement of greenhouse gas (GHG) reduction targets, and deployment of smart

⁶ DRA Opening Brief, at p. 4; NRDC Opening Brief, at p. 2; CAC Opening Brief, at p. 3; EnerNOC Opening Brief, at p. iv; Sierra Club Opening Brief, at p. 1.

⁷ DRA Opening Brief, at p. 3; CLECA Opening Brief, at p. 29; NRDC Opening Brief, at p. 2; EnerNOC Opening Brief, at p. iv; Sierra Club Opening Brief, at pp. 1 and 16.

⁸ RT at 603 (SCE (Cushnie)). Most parties agree that consideration of an LCR need, to the extent one exists, for the Big Creek/Ventura LCA should be deferred.

⁹ EnerNOC Opening Brief, at pp. 2-3.

technologies, among other things. California has been moving in this direction for almost a decade now. If the State were to change course now, at a critical juncture, so as to undermine these policies, then the repercussions will be felt in the environment and by consumers and businesses that have and continue to invest in clean resource solutions. Reliability is important. New gas-fired generation may be necessary. However, a way must be found to make future resource decisions in a manner that does not derail the progress made to date in developing and deploying clean resource options.

Make no mistake about it -- the CAISO's and the IOU's LCR recommendations undermine the Loading Order. The determination of resource need, supported by the CAISO and the IOUs alike, is the Trajectory Scenario. The Trajectory Scenario incorporates "worst case," unrealistic assumptions;¹⁰ a projection of load that is 10% higher than the official state forecast;¹¹ the assumption that no (0) uncommitted EE and CHP¹² will be added in the LCA through 2021, despite the fact that the California Energy Commissions (CEC's) 2011 Integrated Energy Planning Report (IEPR) contains projections for uncommitted EE;¹³ and the elimination of any contribution from DR resources, existing or uncommitted, for purposes of meeting LCR needs.¹⁴

If this amount of capacity were authorized to be procured or built by the IOUs in the form of combined cycle gas turbines, it "will lead" to "over-procurement of unneeded fossil fuel generation" in conflict with both the Energy Action Plan Loading Order and AB 32 goals.¹⁵ It would increase emissions from fossil resources at exactly the time when California should be on

¹⁰ Sierra Club Opening Brief, at p. 9.

¹¹ CEERT Opening Brief, at 13.

¹² Sierra Club Opening Brief, at p. 1; CAC Opening Brief, at p. 3; NRDC Opening Brief, at p. 2.

¹³ NRDC Opening Brief, at p. 6.

¹⁴ Exhibit (Ex.) ISO-1, at p. 15 of 17 (CAISO (Sparks)).

¹⁵ CEERT Opening Brief, at pp. 10-11, citing Ex. CEJA-1, at p. 32 (CEJA (Powers)); Ex. DRA-3, at pp. 1-2 (DRA (Spencer)).

the path to decarbonizing its system.¹⁶ Further, it will result in procurement of gas resources that would crowd out emerging preferred resources.¹⁷

The scenarios under which CAISO calculated its proposed need is driven by “rare ‘contingencies’” that results in a “reliability LCR need” that can only “be met with new, replacement base loaded or nearly base loaded gas combined cycle plants.”¹⁸ This concern, building base-load gas-fired generation units for the purpose of meeting a resource need that may only occur in limited or rare circumstances, was studied by the National Renewable Energy Laboratories (NREL) in their May 2010 analysis of integrating 30% wind and 5% solar in the southwestern United States. One of the conclusions of the study is that it is much more cost effective to utilize demand resources for a limited use purpose than it is to build a new base-load generation facility to meet that need.¹⁹

The corresponding concern with “over-building” the system is not only focused on a disruption in progress toward meeting clean energy goals, but creates resulting costs for consumers. As CLECA states in its Opening Brief: “‘Reliability at any cost’ is not just or reasonable, nor is it in either the ratepayers’ or the public’s interest.”²⁰

While CAISO was very cognizant of the implications to system reliability in the event of a shortage of supply, the CAISO was somewhat dismissive of the implications of a surplus of supply that would waste ratepayers’ money and impose long-lasting environmental impacts.²¹ Yet, the CAISO and the IOUs believe that DR, EE, and other preferred resources cannot be used to meet the LCR because based on a misguided belief that these resources cannot be dispatched

¹⁶ Sierra Club Opening Brief, at p. 8.

¹⁷ CEERT Opening Brief, at p. v.

¹⁸ *Id.*, at pp. 14-15.

¹⁹ Ex. EnerNOC-4, Western Wind and Solar Integration Study, at p. 22 (EnerNOC (Tierney-Lloyd)).

²⁰ CLECA Opening Brief, at p. 34.

²¹ Sierra Club Opening Brief, at p. 8; DRA Opening Brief at pp. 18-19.

on a locational basis, will not respond quickly enough to eliminate a contingency,²² will not be attractive to customers,²³ or are too unreliable and uncertain.²⁴ In the face of this “uncertainty”, the CAISO assumed zero growth in EE and CHP participation over a 10-year horizon from what is funded today and zero DR contribution, of any kind, toward meeting or reducing the LCR need.

NRDC squarely refuted this approach in its Opening Brief by stating: “Uncertainty in a variable does not make zero the best estimate.”²⁵ Further, despite the protestations of the IOUs and CAISO, there are ways of determining the amount of EE that is within a local area. According to the Sierra Club, the CEC created a method for assessing the amount of EE attributed to local reliability in the LA area by identifying the impact of EE at specific load buses.²⁶ In addition, SCE Witness Silsbee performed a preliminary calculation of the amount of existing DR capacity from certain programs that would be effective, or partially effective, in meeting a LCR need.²⁷ Further, DRA incorporated into its analysis the amount of existing DR that has been identified to exist within the LA Basin and Big Creek/Ventura LCAs, based upon the 2011 Demand Response Load Impact Evaluation performed by Freeman, Sullivan and Company on May 30, 2012.²⁸

Clearly, there are tools available to estimate local impacts from DR and EE within the LCA based upon existing participation. It would only stand to reason that it is possible to estimate growth in these programs over the next ten years as well.

²² RT at p. 358 (CAISO(Millar))

²³ RT at pp. 351-352, 436 (CAISO (Millar)).

²⁴ See, e.g., Pacific Gas and Electric Company (PG&E) Opening Brief, at pp. 1, 3-5; San Diego Gas and Electric Company (SDG&E) Opening Brief, at pp. 6-8; CAISO Opening Brief, at pp. 25-29.

²⁵ NRDC Opening Brief, at p. 5.

²⁶ Sierra Club Opening Brief, at p. 10.

²⁷ Ex. CEJA X SCE-3; RT at pp. 1080-1083.

²⁸ DRA Opening Brief, at p. 12.

Yet, CAISO assumed zero contributions toward meeting the LCR need from DR, including existing DR resources located within the LCA with the capability of dispatching locally and within the period of time to respond to a contingency event.²⁹ Despite CAISO witness Millar’s point of view that customers in California would not want to provide these services, he is wrong. California customers are prepared to provide this service and believe that the capability to provide DR services now available in other markets “could certainly happen by 2020” in California.³⁰ Further, there is no North American Electric Reliability Council (NERC) “prohibition on the use of DR or other new technologies to meet transmission contingencies.”³¹ DR and EE can “reduce load and thus the need for LCR.”³²

CAISO did perform an environmental sensitivity study. However, this sensitivity is not the scenario that the CAISO recommends the Commission adopt for determining LCR need in the LA Basin or Big Creek/Ventura LCAs. Yet, in this environmental sensitivity study, CAISO included estimates for uncommitted EE and CHP. The inclusion of these resources reduced the LCR in the LA Basin LCA to 1,042 MW, “when generation was placed at existing OTC sites and 1,677 MW when placed elsewhere.”³³ Obviously, this is a large reduction in the LCR simply by including estimates for uncommitted EE and CHP. SCE testified that CHP in an effective location could certainly contribute toward meeting the LCR.³⁴

However, even the environmental sensitivity study does not include DR.³⁵ Yet, the inclusion of *existing* DR located within the LA Basin LCA would nearly or completely eliminate

²⁹ CLECA Opening Brief, at p. 21.

³⁰ *Id.*

³¹ CLECA Opening Brief, at p. 22.

³² *Id.*

³³ NRDC Opening Brief, at p. 11.

³⁴ RT at pp. 657-658 (SCE (Cushnie)).

³⁵ DRA Opening Brief, at p. 7.

the need for any resource addition in that area, if all local DR resources were effective in reducing the need.

In fact, DRA in its Opening Brief makes clear that near elimination of any need in the LA Basin LCA is consistent with its analysis, with the exception of a rather small amount of capacity identified as needed in the Western LA Basin sub-area.³⁶ As supported by the record, DRA points out that, while DRA used a different methodology than CAISO to identify need in these areas, the real difference in the respective need determinations between CAISO and DRA was driven more by input assumptions than by methodology:

“The CAISO, however, excluded uncommitted preferred resources from its OTC study, except in its Sensitivity Analysis, where the CAISO included uncommitted EE and CHP, but not uncommitted DR.”³⁷

Again, in fact, the CAISO excluded all DR, both existing and uncommitted from its analysis of need in the LCA, even in its environmental sensitivity analysis.

This reduction or near elimination of need in the LA Basin and Big Creek/Ventura LCAs by incorporating existing DR resources under the environmental sensitivity study would not even take into account any uncommitted DR, or, said differently, any projected growth in DR over this period. However, while SCE makes no mention of this portion of the evidentiary record in its Opening Brief, it is important to recall that its witnesses acknowledged that growth in DR is likely to occur due to smart technologies. Thus, SCE witness Silsbee confirmed:

“...we are in the process of rolling out advanced metering infrastructure, and I think that will bring with it improvements in our ability to operate some of the programs. So there were additional amounts of demand response forecast that would be enabled by this so-called smart metering.”³⁸

³⁶ DRA Opening Brief at pp. 10-11.

³⁷ *Id.*, at p. 10.

³⁸ RT at p. 1068 (SCE (Silsbee)).

In fact, based on the record here, SCE had forecast a total of “1,900 MW of demand response capability by 2014 and an additional 1,000 MW of AMI-enabled demand response by 2017” relative to its May 2012 levels of about 1,500 MW of DR.³⁹ The total DR capacity available by 2017 to SCE would be nearly double the capacity available in May 2012. Some portion of that additional DR capacity *must* be located within either the LA Basin or the Big Creek/Ventura LCA at issue in this case and some portion of that capacity located within those LCAs *must* be effective at reducing, if not meeting, the LCR requirement. This is why an assumption of zero (0) MW of DR as effective capacity within the LCA is unrealistic.

Given the widespread, but similar, objections raised by parties to the CAISO’s failure to appropriately recognize the contributions from preferred resources toward meeting the LCR, it is clear that the Commission cannot adopt an LCR need for the LA Basin using CAISO’s analysis alone. It is absolutely necessary for the Commission to either adjust downward the CAISO’s analysis to appropriately reflect the impact of those preferred resource contributions on LCR need or defer adoption of any finding of need until the CAISO has had the opportunity to rerun its analysis incorporating an appropriate amount of preferred resources in a future LTPP.

III.
PARTIES ARE IN AGREEMENT THAT IT IS PREMATURE TO INCORPORATE
FLEXIBLE CAPACITY ATTRIBUTES IN A LOCAL CAPACITY REQUIREMENT.
(CBO Sections V, VII.B.)

It is not appropriate, at this time, to issue any finding that flexible capacity attributes are required to meet any identified LCR need. In their Opening Briefs, many parties, including DRA, CLECA, and Sierra Club, have, like EnerNOC, concluded that such a finding is premature and should not be explicitly ordered in this proceeding.⁴⁰ Further, DRA has emphasized the

³⁹ Ex. EnerNOC-1, at p. II-8 (EnerNOC (Tierney-Lloyd)).

⁴⁰ DRA Opening Brief, at p. 3; CLECA Opening Brief, at p. 25, 29; Sierra Club Opening Brief, at p. 11; EnerNOC Opening Brief, at pp. 25, 30-31.

need to closely coordinate the determinations around flexible capacity need and definitions in the Resource Adequacy (RA) Proceeding (R.11-10-023) with this, or a future LTPP proceeding.⁴¹ The very definition of and need for flexible capacity attributes is the subject of another proceeding that is underway and has not yet resulted in any supportable findings or orders for incorporation in this docket.

However, before the Commission issues any authority for procuring capacity to meet the LCR, it must first conclude the issues that are pending in R.11-10-023 (Resource Adequacy (RA)).⁴² The CAISO has not yet completed its renewable integration analysis, which will inform the Commission and stakeholders of the amount of flexible capacity that may be required by local capacity area. For these reasons, EnerNOC recommends that the Commission defer adoption of any specific flexible capacity attributes or determination of the need for flexible capacity within the LCA until the renewable integration analysis is examined by parties in an appropriate forum and the issues pending in R.11-10-023 are resolved or until the 2014 LTPP.

IV.
THE DETERMINATION OF A LOCAL CAPACITY REQUIREMENT MUST BE
MADE THROUGH A PUBLIC PROCESS WITH COMMISSION OVERSIGHT.
(CBO Sections IV, VII.D.)

EnerNOC does not support LCR procurement authorization being given without adequate public scrutiny and Commission oversight. In this proceeding, SCE has asked for discretion or “flexibility” to determine the amount of capacity it believes it will need, up to the amount determined by the CAISO,⁴³ and to follow an internal utility process⁴³ for determining how SCE would evaluate and procure resources to meet that need.⁴⁴

⁴¹ DRA Opening Brief, at p. 38.

⁴² CEERT Opening Brief, at p. 17.

⁴³ RT at p. 603 (SCE (Cushnie))

⁴⁴ RT at p. 611 (SCE (Cushnie) (testifying “But we have not contemplated at this point in time a very broad, expansive stakeholder process that helps us work through an LCR solicitation or procurement effort.”))

At the Joint LTPP – Energy Storage Workshop held by the Commission on September 7, 2012, SCE elaborated further on its internal process. On October 9, 2012, in response to an ALJ’s Ruling seeking comment on this Workshop, EnerNOC filed its comments addressing workshop topics identified in that ruling, including SCE’s proposed two-track process. EnerNOC incorporates those Comments by reference herein and, as relevant here, notes its concerns with several aspects of SCE’s proposal, to the extent that it is considered in any Track 1 decision.

Namely, EnerNOC questions the process proposed by SCE by which SCE would evaluate the efficacy of resources to meet the LCR on a basis that is known only to SCE until it makes its public application to the Commission for approval of Power Purchase Agreements (PPAs) to procure those resources *after-the-fact* of SCE’s RFO or bilateral negotiations by which those resources were selected. Only at that time does SCE plan to demonstrate to the Commission why its selections conform to the Loading Order.

At this point, since no determination of need for flexible resources and no characteristics of flexible resources have been made, the only basis that SCE could use in making resource selections is whether resources are effective in reducing or meeting the LCR need and whether they are cost-effective. In this case, SCE has supported the CAISO’s analysis which excludes consideration of DR resources in meeting or reducing the LCR. That position gives EnerNOC very little comfort that SCE alone, at its sole discretion, would fairly evaluate DR resources in meeting an LCA resource need for the many reasons identified above.

Similarly, SDG&E, which is pursuing its local capacity need through a separate application, also supports the CAISO’s analysis in this proceeding as it relates to a determination of need in SCE’s LCAs, including the omission of consideration of demand resources for

meeting or reducing the need.⁴⁵ In its Opening Brief, SDG&E asks that the CAISO's position in this proceeding be given considerable weight by the Commission in its role of ensuring the reliability of the grid.⁴⁶ SDG&E goes on to undermine the position of those parties opposed to CAISO's position by inferring that parties had their opportunity to oppose CAISO's proposal through its transmission planning process.⁴⁷ However, participation or non-participation in a CAISO stakeholder process does not compromise the due process rights of the parties when the issue is pending consideration, especially for jurisdictional utility procurement, before *this* Commission. The CAISO process does not trump the Commission process when it comes to giving procurement authorization to the IOUs and approving associated rate recovery.

SDG&E's Opening Brief also raises the specter that if the Commission fails to adopt the CAISO's need assessment, the CAISO can invoke its backstop procurement authority to maintain system reliability, or local reliability.⁴⁸ Such authority would result in costs being allocated to market participants and, ultimately, to customers. SDG&E is right. If the Commission were to adopt something less than proposed by the CAISO, the CAISO may exercise that authority. The CAISO is seeking backstop authority through a current stakeholder process on flexible capacity. That backstop authority may be granted before the Commission process determining the need for flexible capacity is concluded in R.11-10-023 (RA).

However, SDG&E's Opening Brief does not contain any analysis of whether backstop procurement, as a result of a lowered LCR, is more costly than authorizing procurement for an inflated capacity need. Nor is there any guarantee that even if the full LCR need is authorized

⁴⁵ SDG&E Opening Brief, at p. 2.

⁴⁶ *Id.*, at p. 3.

⁴⁷ SDG&E Opening Brief, at p. 4.

⁴⁸ *Id.*, at pp. 4-5.

for procurement that CAISO would not still invoke its backstop procurement authority. The Commission should disregard SDG&E's scare tactics for what they are.

V.

ENERNOC'S RECOMMENDATIONS MADE IN ITS TRACK 1 OPENING BRIEF ARE REASONABLE, SUPPORTED BY THE RECORD AND COMMISSION POLICY AND PRECEDENT, AND SHOULD BE ADOPTED BY THE COMMISSION IN TRACK 1.
(CBO Passim)

EnerNOC wishes to renew its request for the Commission to take the following actions in this Track 1. The Opening Briefs of many parties confirm the merits of these recommendations, which are reasonable and are supported by the record and Commission policy and precedent for the reasons stated here and in EnerNOC's Opening Brief.

Thus, EnerNOC continues to urge and recommend that the Commission's decision in this Local Reliability Track 1 make all of the following findings, conclusions, and orders:

- The Commission should find that the record in this proceeding demonstrates that the studies and sensitivities used by the California Independent System Operator (CAISO) to identify a local capacity requirement (LCR) need of approximately 2,400 MWs for the Los Angeles (LA) Basin area through 2021 neither included or recognized the contribution of preferred resources (e.g., uncommitted energy efficiency and demand response) available today or in the near term, in the case of demand response, nor the anticipated growth and capabilities of preferred resources, including demand response, to meet an LCR need over the long-term forecasted period.
- Given these shortcomings in those studies, the Commission should find that the LCR need identified by the CAISO and supported by the investor-owned utilities (IOUs) for the LA Basin local capacity area (LCA) is inconsistent with State policy and cannot be adopted at this time.
- Instead, but in recognition of some time constraints with respect to Once Through Cooling (OTC) retirements, the Commission should find an LCR need for the LA Basin exists, as the basis of a procurement authorization for SCE, as the net of 2,400 MW reduced by a MW

quantity reflective of expected growth of preferred resources within the LCA, as an interim procurement target for the LA Basin.

- The Commission should find that reconsideration of any adopted LCR need for the LA Basin will take place in the 2014 LTPP and be based on further CAISO studies that will include projected growth of preferred resources and their effectiveness in reducing the LCR need.
- The Commission should find that no thermal procurement by SCE to meet an identified LCR need should commence or take place unless and until the Commission has issued a decision that specifically determines the amount of new capacity that must be flexible, or any other eligibility criteria required for resources to meet an identified LCR need and finds that such criteria fairly reflects the participation possible by preferred resources in meeting this need, including on a portfolio basis.
- The Commission should find that such LCR eligibility criteria definition(s) apply to LCR procurement by any and all of the IOUs.
- The Commission should find that, given the shorter lead time to develop and provide preferred demand response resources, an all-source request for offer (RFO), which includes demand resources, issued today for an LCR need that may not materialize until 2018-2020 is not advisable. Instead, the Commission, the CAISO, the IOUs and all parties should continue to develop DR products and services, and all preferred resources, to fill the net short position in the interim.

VI. CONCLUSION

The widespread party opposition to the CAISO's determination of need in SCE's LCAs, especially based for its failure to consider preferred resources, should be given great weight by the Commission in reaching its Track 1 decision. The CAISO obviously has independent authority apart from the Commission to do what is necessary to maintain system reliability and the Commission may not be able to prevent the CAISO from exercising that authority. The CAISO is not subject to and does not have to observe the policies of the Commission.

While there is a great deal of cooperation between the Commission and CAISO on many matters, each derives its power from a separate authority. While the Commission must, of course, ensure that a reliable electricity system is maintained in the public interest, the Commission, unlike the CAISO, must weigh reliability alongside other important energy and resource procurement goals and policies and cost considerations. The Commission must protect consumers from rate shock and ensure that utility procurement is just and reasonable, but must also uphold its own and State policies aimed at increasing reliance on preferred resources.

Thus, the Commission cannot concede its authority or duties to the CAISO and should not disregard the well-documented objections of many parties to both CAISO and IOU LCR recommendations here. Instead, the Commission should adopt EnerNOC's recommendations to ensure a fair and reasonable outcome in Track 1.

Respectfully submitted,

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