

**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)

**RESPONSE OF SAN DIEGO GAS & ELECTRIC COMPANY (U-902-E)
TO THE MOTION OF PACIFIC GAS AND ELECTRIC COMPANY
TO MOVE THE MULTI-YEAR PROCUREMENT REQUIREMENT
ISSUE FROM TRACK 3 OF THE LONG-TERM PROCUREMENT
PLAN PROCEEDING TO THE RESOURCE ADEQUACY PROCEEDING**

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October 5, 2012

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Pursuant to Rule 11.1 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), San Diego Gas & Electric Company (“SDG&E”) hereby responds to and supports the motion of Pacific Gas and Electric Company (“PG&E”) to transfer certain issues from the 2012 long term procurement plan (“LTPP”) proceeding to the ongoing Resource Adequacy (“RA”) proceeding.

On September 20, 2012, PG&E moved to transfer three related issues currently under consideration in the 2012 LTPP proceeding to the RA proceeding docket. Those issues are:

1. Flexible resource procurement and contract policies;
2. Policies related to ISO new markets and market products, including flexi-ramp products and intra-hour products; and
3. Multi-year forward procurement requirements.^{1/}

In support of its motion, PG&E argues that an emerging consensus exists among parties in the LTPP and RA proceedings that the current RA program must be modified to more squarely address the operational difficulties arising from increased levels of intermittent generation. These modifications include imposing a new “flexible” capacity requirement that measures the

^{1/} These issues are numbered 1, 9, and 12, respectively in the May 17, 2012, Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge in R.12-03-014 (“Scoping Memo”), at p. 12.

operational characteristics of the RA fleet, and possibly expanding the RA program from a one-year to a multi-year timeframe to provide the California Independent System Operator (“CAISO”) increased assurances that these flexible resources will be available in future years. Though intrinsically related, the Commission is currently addressing each issue separately: flexible capacity requirements are being addressed in the RA proceeding,^{2/} while multi-year forward procurement obligations for flexible capacity are being addressed in the LTPP proceeding.^{3/} PG&E argues that consolidating the above issues into one proceeding increases both issue comprehension and administrative efficiency. SDG&E agrees.

As California integrates increasing levels of intermittent generation and assimilates the pending retirements of once-through cooling (“OTC”) plants, it has become increasingly clear that the current one-year RA requirement does not provide the CAISO adequate certainty that existing resources with certain attributes related to operational flexibility will remain in service to address future reliability needs.^{4/} The potential for unintended retirements of flexible generating resources stems from the overall structure of the existing RA program, which is short-term in nature, and does not currently consider the longer-term system operational requirements necessary to accommodate increasing amounts of intermittent renewable resources. To allay the CAISO’s long-term resource certainty concerns, and minimize the risk of *ad hoc* procurement, SDG&E has long argued that a comprehensive, structural reform of the existing RA program, specifically, one that takes a longer view of system reliability and resource adequacy, is required.^{5/} Grant of PG&E’s motion will further this objective by consolidating interrelated

^{2/} D.12-06-025, *mimeo*, p. 2.

^{3/} Scoping Memo, p. 12.

^{4/} The Sutter retirement request vividly demonstrated that existing resources may exit the market prematurely for the lack of longer-term revenue certainty, and that the only method currently available to retain those resources is extraordinary, out-of-market procurement by either the CAISO or this Commission.

^{5/} *See, e.g.*, Opening Comments of San Diego Gas and Electric on Phase 1 Workshop Proposals and Presentations, filed April 11, 2012 in R.11-10-023, pp. 2-5.

procurement issues into one forum. Accordingly, SDG&E urges the Commission to grant PG&E's motion, and looks forward to working with the Commission, CAISO, and interested stakeholders to address operating flexibility and multi-year forward procurement requirements in the RA docket.

In addition, PG&E's motion proposes that the remaining Track 3 procurement rule issues be deferred until the conclusion of Track 2, and the conclusion of the Commission's consideration of the flexibility and multi-year forward procurement issues. SDG&E also supports this proposal and urges the Commission to grant PG&E's motion in this regard.

Dated this 5th day of October, 2012 in San Diego, California.

Respectfully submitted,

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