

From: Strauss, Todd
Sent: 10/17/2012 12:00:50 PM
To: Zafar, Marzia (marzia.zafar@cpuc.ca.gov)
Cc: Jacobson, Erik B (RegRel) (/O=PG&E/OU=Corporate/cn=Recipients/cn=EBJ1)
Bcc:
Subject: RE: question on capacity markets

Marzia –

Here are some quick responses to the questions you sent yesterday.

Given the kinds of questions you are asking, it seems an oral conversation may be worthwhile to follow up, rather than e-mail.

Todd Strauss

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From: Zafar, Marzia [mailto:marzia.zafar@cpuc.ca.gov]
Sent: Tuesday, 16 October 2012 11:23
To: Strauss, Todd
Subject: RE: question on capacity markets

Hello,

Here are my remaining questions.

1. can the commission develop a flexibility component to an RA RFO? i.e., a resource that can demonstrate certain characteristics (ramping, DR, storage, etc).

IOUs execute RA RFOs to procure products that meet the RA requirements. If the RA requirements include a flexibility component, an IOU will procure to meet that flexibility component of the requirement. This issue is currently in scope in the RA proceeding for the 2014 RA showing.

2. is a multi-year plan feasible (i.e., 2, 5, 10 years)

Sorry, I'm confused. What "plan"?

3. why is a 20 year planning horizon?

Sorry, I'm confused. Is this about the LTPP planning horizon? In LTPP, planning horizon has been for 10 years. For 2012 LTPP, planning horizon is through 2022.

4. is demand being appropriately accounted?

In what context? The LTPP?

5. what impacts does uncommitted DG have on the plans, grid, and costs?

This is a really big and challenging question many stakeholders in California have been grappling with! More in-depth discussion is warranted than a short, quick e-mail reply from me.

6. is there a difference between wholesale RA and local RA? should one be valued higher than the other?

Sorry, I'm confused. Do you mean "system" RA in contrast to "local" RA? If so, under the current RA rules, a resource that qualifies as counting for local RA also qualifies as counting for system RA. Consequently, a resource that qualifies for local RA gets more value (per kW-year) than a different resource that qualifies just for system RA.

if this is too much, and will take a long time then no worries. I don't want to take too much of your time.

marzia

From: Strauss, Todd [<mailto:TxSq@pge.com>]
Sent: Monday, October 15, 2012 5:46 PM
To: Zafar, Marzia
Subject: Re: question on capacity markets

Marzia,

Simply put, the LTPP need assessment counts various resources, and then makes a determination of physical need for incremental resources. (It is important to note that this is a physical, not a contractual, look at resources. The need is physically for the system (or local) -- the need is not for contracts to be added to an IOU's bundled portfolio.) The Commission deems the combination of "incremental" resources and "counted" resources to be adequate to meet projected load, at the specified probability/risk level the Commission implicitly has set.

So if the Commission determines an existing generating unit is a "counted" resource, then that existing generating unit doesn't fulfill the incremental need that the LTPP Decision authorizes to be procured. (Doing so would be double counting the existing generating unit.)

There are additional technical details, of course. (For example, how the "counting" is done, and what the Commission formally describes the counting in its Decision.) And the issue of need for operational flexibility to integrate intermittent renewable resources makes the picture more complicated. But I've tried to provide a simple and straightforward answer that is still accurate.

I welcome any follow-up questions or comments you may have.

Todd Strauss

From: Zafar, Marzia [<mailto:marzia.zafar@cpuc.ca.gov>]
Sent: Monday, October 15, 2012 04:35 PM

To: Strauss, Todd
Subject: question on capacity markets

Hi Todd,

Quick question. Sorry if it is an ignorant question.

Why don't we allow existing generation to bid into RFOs for new capacity in the LTPP process?

Thanks,

marzia

Marzia Zafar – California Public Utilities Commission – Zaf@cpuc.ca.gov – 415-703-1997

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