

**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 THE INDEPENDENT ENERGY
PRODUCERS ASSOCIATION TO PG&E'S MOTION TO
MOVE MULTIYEAR PROCUREMENT ISSUES**

INDEPENDENT ENERGY PRODUCERS
ASSOCIATION
Steven Kelly
Policy Director
1215 K Street, Suite 900
Sacramento, CA 95814
Telephone: (916) 448-9499
Facsimile: (916) 448-0182
Email: steven@iepa.com

GOODIN, MACBRIDE, SQUERI,
DAY & LAMPREY, LLP
Brian T. Cragg
505 Sansome Street, Suite 900
San Francisco, California 94111
Telephone: (415) 392-7900
Facsimile: (415) 398-4321
Email: bcragg@goodinmacbride.com

Attorneys for the Independent Energy Producers
Association

Dated: October 5, 2012

**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 THE INDEPENDENT ENERGY
PRODUCERS ASSOCIATION TO PG&E'S MOTION TO
MOVE MULTIYEAR PROCUREMENT ISSUES**

Pacific Gas and Electric Company (PG&E) has asked the Commission to move issues related to multiyear procurement from Track 3 of this proceeding on the utilities' Long-Term Procurement Plans (LTTPs) to the current Resource Adequacy (RA) proceeding, Rulemaking 11-10-023.¹ The Independent Energy Producers Association (IEP) supports PG&E's motion.

The current RA proceeding is already considering how to identify the flexible operating attributes that the California Independent System Operator (CAISO) will need to maintain the reliability of the electric grid as increasing levels of intermittent renewable energy are integrated into the system. There is a growing recognition that the existing one-year forward focus of the RA requirement is insufficient to assure the CAISO that resources with the required operating attributes will be available when needed. A multiyear procurement requirement, combined with clear definitions of the flexible attributes that the CAISO requires, is needed to

¹ PG&E also filed a companion motion in R.11.10-023. IEP is not responding separately to that motion.

meet the challenges of renewables integration and the retirement of plants using once-through cooling for the next few years.

A multiyear RA requirement would not conflict with the existing multiyear focus of the LTPP proceeding. The LTPP proceeding identifies the amount of incremental (typically new) capacity that will be needed to meet expected demand over a 10-year planning horizon. The RA requirement, by contrast, is typically met by existing resources. A multiyear RA obligation would build on the existing RA structure to develop RA products that are better suited to meet the reliability needs foreseen by the CAISO. Although no timeframe is identified in PG&E's motion, IEP expects that the multiyear RA product would be for three to five years forward. A three- to five-year commitment would probably not provide sufficient incentive for investment in new generation resources, but it could help ensure that the existing resources that are needed to maintain grid reliability will be available when they are needed. A multiyear RA requirement could also help the operators of needed existing resources to maintain their plants in top operating condition and make modest investments in upgrades to improve the facilities' operating efficiency and flexibility. Thus, the focus of the RA proceeding would continue to be on short-term obligations involving existing resources, not the longer-term obligations resulting from the LTPP.

IEP also agrees with PG&E that the remaining Track 3 issues can be deferred until the Commission completes its work on Track 2. Although many of the Track 3 issues are important, it is critical for the Commission to maintain its regular procurement process and schedule. Track 2 is the forum for considering the final results of the CAISO's renewables integration studies, and the Commission should complete its review of system needs and reliability in Track 2 before turning to the Track 3 issues.

For all these reasons, IEP respectfully urges the Commission to grant PG&E's motion.

Respectfully submitted this 5th day of October, 2012 at San Francisco, California.

GOODIN, MACBRIDE, SQUERI,
DAY & LAMPREY, LLP
Brian T. Cragg
505 Sansome Street, Suite 900
San Francisco, California 94111
Telephone: (415) 392-7900
Facsimile: (415) 398-4321
Email: bcragg@goodinmacbride.com

By /s/ Brian T. Cragg

Brian T. Cragg

Attorneys for the Independent Energy Producers
Association

2970/024/X144917.v1