

**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)

**RESPONSE OF THE WESTERN POWER TRADING FORUM
TO THE MOTION OF PACIFIC GAS AND ELECTRIC COMPANY**

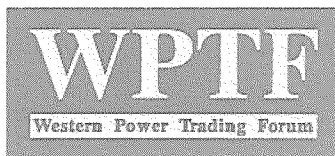
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October 5, 2012



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Pursuant to Rule 11.1(e) of the Rules of Practice and Procedure of the California Public Utilities Commission, the Western Power Trading Forum¹ respectfully submits this response to the motion of Pacific Gas and Electric Company (“PG&E”) submitted September 20, 2012 to move certain issues pertaining to flexible capacity and multi-year procurement obligations from Track 3 of this Long-Term Procurement Plan (“LTPP”) proceeding to the Resource Adequacy (“RA”) proceeding, Rulemaking (“R.”) 11-10-023, and to delay consideration of the remaining Track 3 issues (“Motion”).

I. DESCRIPTION OF MOTION AND RESPONSE

PG&E’s Motion requests that the Commission move the following three issues from Track 3 of the LTPP to the RA proceeding²:

1. Flexible resources procurement and contract policies;
9. Policies related to ISO new markets and market products, including flexi-ramp products and intra-hour products;
12. Multi-year forward procurement requirements.³

¹ WPTF is a California non-profit, mutual benefit corporation. It is a broadly based membership organization dedicated to enhancing competition in Western electric markets in order to reduce the cost of electricity to consumers throughout the region while maintaining the current high level of system reliability. WPTF actions are focused on supporting development of competitive electricity markets throughout the region and developing uniform operating rules to facilitate transactions among market participants.

² The un-sequential numbering reflects the number accorded each of these issues in the May 17, 2012 Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge (“Scoping Memo”), at p. 12.

³ Motion, at pp. 1-2

In support of this proposal, PG&E argues that “[t]here appears to be emerging consensus...that the current one-year, forward [RA] program should be improved in at least two aspects...First, it should take in account the need for some level of ‘resource flexibility’ in order for the system to be operated reliably....Second, the current, one-year forward resource adequacy procurement requirement applicable to all load-serving entities should be extended to a multi-year timeframe” namely to take into account flexibility of the resource and to extend the RA program to a multi-year timeframe.”⁴ WPTF expresses support for the Motion to the extent that it results in the Commission addressing the issues of flexible attributes in capacity procurement and the multi-year forward procurement of capacity to satisfy RA obligations in the RA proceeding. To the extent that CAISO products must be addressed to understand the need for flexible attributes in RA procurement (i.e., Topic 9 above), then it would make sense to expand the scope of the RA proceeding to address them. However, to the extent that IOU bundled procurement plans must be updated to address new CAISO products, then that issue properly resides in the LTPP.

Further, we note that the LTPP Track 1 issue on flexible resources⁵ is not mentioned by PG&E and it is unclear why it should remain in the LTPP even though the Track 3 flexible resource issues are moved. It would seem appropriate for the Commission to consider moving the Track 1 issue on flexible resources to the RA proceeding also. If left in separate proceedings, this could lead to disparate and/or conflicting results, which it would be prudent to avoid.

⁴ Id at p. 2.

⁵ The May 17, 2012, *Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge* in R.12-03-014 provides at p. 5 that Track 1 issue #2 shall be: “Whether flexible capacity attributes should be incorporated into a decision regarding additional capacity required to meet local reliability needs between 2014 and 2021 and, if so, how.”

However, with regard to its request to delay consideration of remaining Track 3 issues, PG&E is not nearly so persuasive. It simply asserts that the issues “are not as pressing” and that many were “just considered” in the previous LTPP proceeding (R.10-05-006).⁶ These statements are both inaccurate and unpersuasive. While WPTF can support the proposal to move the issues of flexible attributes in capacity procurement and the multi-year forward procurement of capacity to satisfy RA obligations to the RA proceeding, it strongly opposes the requested deferral of action on the remaining Track 3 issues.

The three issues noted above are part of fifteen issues that the Scoping Memo identified for consideration in Track 3. The others included:

2. Preserving competition in the resource adequacy market;
3. Ensuring utilities reduce their need to procure GHG compliance instruments by pursuing cost-effective GHG emissions reductions on a portfolio-wide basis;
4. Addressing any unresolved issues or issues that need to be revisited from the 2010 LTPP related to GHG compliance product procurement authority;
5. Establishing a fair standard under which to compare Utility-Owned Generation renewable applications to other recent renewable proposals and contracts;
6. Making enhancements to the Energy Resource Recovery Account compliance filing requirements;
7. OTC power procurement policies;
8. Nuclear fuel procurement policies;
10. Refinements to the Procurement Review Group;
11. Refinements to the independent evaluator process;
13. Long-term contract solicitation rules;
14. Changes to the Commission’s adopted CAM per SB 695, SB 790, D.11-05-005 and any relevant previous decisions (beyond any changes considered in Track 1);
15. GHG procurement policies necessary to facilitate the implementation of the California Air Resources Board’s cap-and-trade program.⁷

⁶ Motion, at p. 3.

⁷ Scoping Memo at pp. 12-13, footnotes omitted.

These issues encompass a number of topics on which WPTF and, we presume, other parties as well intend to engage on in Track 3. The casual dismissal of these issues as “not pressing” is not merited. Rather, WPTF strongly recommends that after moving the issues pertaining to flexible capacity and multi-year procurement obligations from Track 3 of this LTPP proceeding to the RA proceeding, the Commission should move forward with concurrent consideration of all these issues in their respective proceedings.

PG&E suggests that Commission action on Track 3 be deferred until work on Track 2 (System Plans) is completed and “the conclusion of the Commission’s consideration of the flexibility and multi-year procurement issues.”⁸ However, the LTPP Scoping Memo contains no specific timeline for completion of Track 2. Rather, it specifies that a proposed decision on “scenarios issued” is to issue in November. Further, a “Schedule to incorporate ISO updated Renewable Integration Report and determine system needs” is described as “To be determined in a future Ruling.”⁹ This provides no certainty whatsoever as to when work on Track 2 will be completed and thus approval of PG&E’s request would effectively result in an indefinite deferral of all remaining Track 3 issues. Accordingly, WPTF recommends that the Commission reject PG&E’s request to delay the remaining Track 3 issues that are not transferred to the RA proceeding.

⁸ Motion, at p. 4.

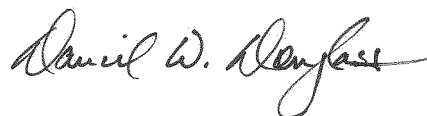
⁹ Scoping Memo at p. 10.

II. CONCLUSION

WPTF supports PG&E's request to transfer issues pertaining to flexible capacity and multi-year procurement obligations to the RA proceeding. Issues pertaining to flexible capacity and multi-year procurement obligations are indeed closely related, although it remains to be seen whether in fact there either is, or will emerge, any sort of real broad-based consensus on how these issues should be finally resolved. Nevertheless, it is time to move forward on them. WPTF endorses this effort and will participate directly in the consideration of these issues. Careful analysis is required in order to ensure that any decisions made with respect to flexible capacity and multi-year procurement obligations are consistent with competitive wholesale and retail market design; that they provide price transparency; and that appropriate incentives are offered for the development of products and services that support renewable integration.

However, WPTF strongly opposes the PG&E request that the Commission delay consideration of the remaining Track 3 issues. Instead, we recommend the Commission commence with concurrent consideration of all these issues in their respective proceedings.

Respectfully submitted,



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