

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 DIVISION OF RATEPAYER ADVOCATES
TO MOTION OF PACIFIC GAS AND ELECTRIC COMPANY TO MOVE THE TRACK
III MULTI-YEAR PROCUREMENT REQUIREMENT ISSUE TO THE RESOURCE
ADEQUACY PROCEEDING, AND TO DEFER REMAINING TRACK III ISSUES**

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I. INTRODUCTION

Pursuant to Rule 11.1(e) of the California Public Utilities Commission's (Commission's) Rules of Practice and Procedure, the Division of Ratepayer Advocates (DRA) submits this response to the "Motion of Pacific Gas and Electric Company to Move the Track 3 Multi-Year Procurement Requirement Issue to the Resource Adequacy Proceeding, and to Defer Remaining Track 3 Issues" (Motion). The Motion requests that the Commission move consideration of three issues related to flexible resources and multi-year procurement policies to the Commission's resource adequacy (RA) proceeding, Rulemaking (R.) 11-10-023.

DRA does not oppose consideration within the RA proceeding of the multi-year procurement requirement and flexible resources issues that are currently included within the scope of Track III in this proceeding. DRA, however, recommends that the Commission reserve consideration of multi-year procurement requirement issues and flexible resources issues within this long-term procurement plan (LTPP) proceeding to ensure adequate resolution of the issues and coordination between the RA and LTPP proceedings. DRA does not construe the Motion as attempting to expand the scope of the LTPP or RA proceedings to consider a new multi-year forward procurement mechanism for market-based development of new generation resources. DRA opposes any attempt to expand the scope of the LTPP or RA proceedings to consider such a mechanism.

PG&E's Motion also asks that the Commission defer consideration of remaining issues identified in Track III of this LTPP proceeding until the conclusion of Track II and the conclusion of consideration of flexibility and multi-year forward procurement issues. Granting such an open-ended deferral of Track III issues risks affords too little time to consider these issues prior to the start of the next long-term procurement plan (LTPP) proceeding. DRA therefore recommends a shorter deferral until the first quarter of 2013.

II. DISCUSSION

A. Consideration of issues related to flexible capacity and forward procurement requirements

The May 17, 2012 "Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge" (Scoping Memo) listed the following three issues as among those that the Commission will consider in Track 3 of this proceeding:

- Flexible resources procurement and contract policies;

- Policies related to ISO new markets and market products, including flexi-ramp products and intra-hour products; and
- Multi-year forward procurement requirements.¹

Issues related to flexible capacity and forward procurement requirements are within the scope of the RA proceeding, R.11-10-023,² although that proceeding looks at a shorter time frame than the LTPP and meeting RA requirements can generally be done with existing infrastructure. In contrast, the LTPP considers whether new resources are needed.

According to PG&E, there is “an emerging consensus” among interested stakeholders that the current, one year forward resource adequacy program should be improved to take into account resource “flexibility” needed to operate the system reliably given California’s increasing use of intermittent renewable resources.³ In addition, the California Independent System Operator (CAISO) believes that the current one-year forward requirement is inadequate for ensuring system reliability. DRA agrees that issues concerning flexible capacity and forward procurement requirements merit prompt consideration so that they can be timely resolved to inform the RA proceeding and the LTPP as well. Given the myriad of issues in the LTPP proceeding, it may be possible to resolve them sooner in the RA proceeding. However, DRA does not support removing these issues from the LTPP proceeding, but recommends reserving their consideration in the proceeding in the event that certain matters are not resolved in the RA proceeding.⁴

The CAISO noted in its Opening Brief on local reliability issues filed September 24, 2012 that Southern California Edison recommends that the Commission should work with the CAISO “to establish a new multi-year forward procurement mechanism for market-based development of new generation resources.”⁵ The CAISO claims that PG&E’s Motion in this docket

¹ Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge, May 17, 2012 (Scoping Memo), at 12.

² R.11-10-023, Phase I Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge, December 27, 2011 at 4.

³ Motion at 2.

⁴ For example, the RA scoping memo included flexible capacity as a Phase 1 issue, but given lack of details in the proposals presented in the proceeding, D.12-06-025 did not resolve issues related to flexible capacity.

⁵ Opening Brief of the CAISO, September 24, 2012, at 55.

and R.11-10-023 seeks to move the consideration of this mechanism from Track III in LTPP to the RA proceeding. DRA disagrees that this is the purpose of PG&E's Motion, but in any case, the "new multi-year forward procurement mechanism for market based development of new generation resources" is not currently within the scope of the LTPP proceeding or the RA proceeding. DRA does not support expanding the scope of either proceeding to consider "a new multi-year forward procurement mechanism for market-based development of new generation resources," and suggests that the appropriate venue for considering such a mechanism is a new proceeding.⁶

B. Deferral of Track III Issues

PG&E's Motion requests that the Commission delay consideration of remaining issues identified in Track III of this LTPP proceeding until the conclusion of Track II and the conclusion of consideration of flexibility and multi-year forward procurement issues. Granting such an open-ended deferral of Track III issues may not allow adequate time for consideration of these issues prior to the start of the next long-term procurement plan (LTPP) proceeding. DRA therefore recommends a shorter deferral until the first quarter of 2013.

III. CONCLUSION

The Commission should authorize a short delay in consideration of Track III issues until the first quarter of 2013, and should authorize consideration of the following three issues in the RA proceeding, while not foreclosing their resolution in the LTPP proceeding.

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

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⁶ The Commission in D.10-06-018 recognized the significant risks and complexity involved with the development of a centralized capacity market. *See e.g.* Finding of Fact 16 and 16 at 78-79.

Respectfully submitted,

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