

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)

**COMMENTS OF THE
CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES
ON WORKSHOP TOPICS IDENTIFIED IN ALJ'S RULING OF SEPTEMBER 14, 2012**

October 9, 2012

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The Center for Energy Efficiency and Renewable Technologies (CEERT) respectfully submits these Comments on the Workshop Topics identified in the Administrative Law Judge's (ALJ's) Ruling issued in this proceeding on September 14, 2012 (September 14 ALJ's Ruling). These Comments are filed and served pursuant to the Commission's Rules of Practice and Procedure, the September 14 ALJ's Ruling, and the ALJ's Ruling issued by electronic mail to the service list on October 4, 2012, extending the time to file these Comments to October 9, 2012.

**I.
PROCEDURAL CONCERNS**

On September 7, 2012, the Commission held a joint Workshop in this proceeding (R.12-03-014 (Long Term Procurement Plans (LTPP)) and R.10-12-007 (Energy Storage)). CEERT actively participated in that Workshop. In addition, CEERT has provided testimony, appeared at the 9 days of evidentiary hearings, and filed an Opening Brief (with a Reply Brief to follow on October 12) on local capacity requirements (LCR) in Local Reliability Track 1 of R.12-03-014.

According to the September 14 ALJ's Ruling, however, comments and reply comments in response to Workshop Topics identified by that ruling "may be used to inform either Track 1 or Track 2 (or both Tracks)."¹ If that is the case, to the extent that any issue addressed during the

¹ September 14 ALJ's Ruling, at p. 1.

Track 1 evidentiary hearings and resulting briefs overlap with the “Workshop Topics” identified in the September 14 ALJ’s Ruling, CEERT strongly urges the Commission to base its Track 1 decision in the first instance on that Track 1 evidentiary record and legal briefs.² This record is not only robust enough to support a reasoned Track 1 decision, but it is also unfair and confusing to permit an after-the-fact, informal workshop and related comments, none of which were subjected to the rigors of the hearing room (i.e., cross-examination and evidentiary rules), to have precedence over or displace that evidentiary record. Such an outcome would certainly seem to raise due process concerns.

However, the Workshop and comments here could be beneficial to the extent that they clarify, but do not conflict with, positions taken in Track 1 or any next-step process to be identified in the Track 1 decision. CEERT offers this caution and perspective not just to protect all parties’ due process rights, but also to further the integrity of the Commission’s process. To continue to encourage robust participation by multiple and varied stakeholders, especially in costly, time-consuming evidentiary hearings, the Commission should not take actions that diminish or de-value that participation.

II. RESPONSES TO WORKSHOP TOPICS

CEERT offers the following responses to the Workshop Topics posed by the September 14 ALJ’s Ruling. The topics are recited (using the same numbering as the ruling), followed by CEERT’s response.

² Specifically, of the six sets of “topics” identified by the September 14 ALJ’s Ruling nearly all reference specifically or relate to “LCR” procurement. (September 14 ALJ’s Ruling, at pp. 1-3.)

1. What changes should be made to the rules governing the Investor-owned Utilities (IOUs’) procurement process that would allow all resources (natural gas combined cycle, combustion turbine, storage, demand response, combined heat and power, renewable, etc.) to compete fairly in meeting identified needs? Please provide specific proposals for structuring an all-source procurement process.

First, as noted above, this issue was the subject of evidentiary hearings and briefs that have been filed in the Local Reliability Track 1 phase of this rulemaking. Reply briefs are due on October 12, 2012. CEERT again urges the Commission to rely on that record in the first instance in making any determination on changes to IOU procurement processes, especially those that might be used by the IOUs to meet an LCR need.

Second, CEERT has made specific recommendations in Track 1 that reflect the need for the Commission, *before authorizing any procurement or request for offer (RFO)*, to ensure that the product being solicited is adequately defined. As CEERT stated in its Opening Brief in Track 1:

“[K]ey terms that will define that eligibility to meet an LCR need, like ‘flexible’ resources or attributes and ‘operating characteristics,’ have not been, but must *first* be defined by *this Commission* in the context of a *long term* plan or forecast before any procurement can be authorized. As witness Monsen for the Independent Energy Producers Association (IEP) confirmed, without such a step being taken, the absence of clear and transparent LCR ‘product’ definitions will only create confusion and uncertainty in the market and undermine competition.”³

Such clear “product” definitions are required for any procurement to be “successful” for both utility customers and State energy policies. Thus, as CEERT recommended in its Track 1 Opening Brief, the Commission must “re-confirm that its Energy Action Plan ‘Loading Order’” of “preferred resources” (energy efficiency, demand response, renewable and distributed

³ CEERT Track 1 Opening Brief, at pp. 3-4; emphasis original (also referencing Ex. DRA-3, at p. 14 (Division of Ratepayer Advocates (DRA) (Spencer)), in which Mr. Spencer noted the importance to market development and competition of having specific, Commission-established definitions to assess “system/operational needs” and provide “transparent” evaluation methods.)

generation) “applies to *all* jurisdictional utility procurement, including any undertaken to meet a long-term, forecasted ‘local capacity requirement’ (LCR).”⁴

With respect to procurement undertaken to meet an LCR need, CEERT has further recommended in Track 1 the following:

“2. The Commission should not authorize *any* LCR procurement by any utility, including Southern California Edison Company (SCE), unless and until the Commission has issued a decision that includes orders that: (1) define terms such as ‘flexible’ capacity or attributes and ‘operating characteristics’ as applied to LCR resources, including distinctions, if any, in the use or meaning of these terms between meeting annual Resource Adequacy (RA) requirements versus a multi-year Long Term Procurement Plan (LTPP) LCR need, (2) identify the ‘eligibility’ criteria and performance metrics for “non-traditional” (i.e., not gas-fired), preferred resources wishing to participate in meeting any identified LCR need; (3) confirm that, in a utility LCR procurement, each resource procured is not required to have *all* of the flexible attributes or operating characteristics potentially identified with LCR resources, but, instead, that the overall procurement portfolio, inclusive of preferred resources, can meet this need; and (4) ensure coordination and consistency on these determinations between all tracks of this LTPP Rulemaking (R.) 12-03-014, R.11-10-023 (RA), and A.11-05-023 (San Diego Gas & Electric Company (SDG&E)).”⁵

CEERT’s ultimate recommendation on this point in Track 1 is that “[o]nly after the Commission has made the determinations identified in Recommendations 2. and 4. [economic assessments of preferred resources to reduce or meet an LCR need] above and has directed any needed revisions to an RFO to procure such resources conforming to the Loading Order, pursuant to its current inquiry defined in the ALJ’s Ruling issued on September 14, 2012, should the Commission consider authorizing an all source LCR procurement for SCE for the LA Basin.”⁶ Of note, the ruling referenced is the September 14 ALJ’s Ruling to which these comments are responding.

⁴ CEERT Track 1 Opening Brief, at pp. iv, 4; emphasis original.

⁵ *Id.*; emphasis original.

⁶ *Id.*

Clearly, CEERT believes that coordination between this inquiry (September 14 ALJ's Ruling) and the Track 1 evidentiary record and briefs is critical to get to the right answer of how the utility procurement process should be defined going forward. "All source procurement" can only advance the Loading Order if all steps identified by CEERT in its Track 1 testimony and brief are taken first by the Commission. Otherwise, CEERT does not believe that a single "all source procurement," based on any current rules or definitions, will or can be the appropriate mechanism to procure resources to meet an LCR need that respects the Loading Order.

2. What amendments, if any, would be necessary to the most recent long-term Request for Offers issued by Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric (SDG&E), and Southern California Edison (SCE) to ensure that all resources are eligible to compete in meeting future Request for Offers (RFO)? Are there any changes specific to meeting Local Capacity Requirements (LCR)?

CEERT has answered this question above and in its testimony and Opening Brief in Track 1, and incorporates both herein. CEERT notes that, in addition, to its Track 1 Recommendation 2 tasks being undertaken and completed before or in defining an RFO or RFO rules to meet LCR needs, CEERT further recommended in its Opening Brief as follows: "The Commission should find and direct additional assessments of the economics and viability of preferred resources to reduce or meet an LCR need and of transmission solutions to mitigate the LCR need in the LA Basin and Big Creek/Ventura before authorizing SCE to conduct an LCR procurement."⁷ This step is a prerequisite to any procurement being authorized in the first place and will further inform the RFO, especially in developing criteria to meet the LCR need that fully accounts for the attributes of preferred resources available today and as well as those expected in the period covered by this LTPP (e.g., locally dispatchable and fast-response demand response (DR)).

⁷ Id.

3. What specific characteristics or attributes must any resource -- including demand-side, energy storage, or distributed -- provide in order to meet future procurement needs? In the absence of a Net Qualifying Capacity, what methodology should be used to determine a proxy capacity value for resources lacking a Net Qualifying Capacity for use in LCR capacity accounting? How can these characteristics or criteria be turned into criteria to evaluate resources bid into a Request for Offers to meet LCR or other needs? How should those criteria be weighted?

Again, this issue – especially as to whether or how “flexibility” or “operating characteristics” required to meet an LCR need – was and is being addressed in Track 1 through both testimony and briefs. The first issue to be addressed is what agency is going to define these critical terms. CEERT has made clear in its Opening Brief that such “attributes” or “characteristics,” if they are to guide a jurisdictional-utility’s procurement, must be defined by the Commission. However, the CAISO and utilities in Track 1, have suggested that such definitions will be established through internal communications or assessments by or between the CAISO and IOUs.⁸ Such a non-transparent approach is not supported by CEERT.

Instead, if the record in Track 1 is not deemed sufficient for the Commission to define these terms in its Track 1 decision, it is incumbent on the Commission to initiate a process that goes beyond the one-day Workshop held on September 7 and responsive comments, especially where that Workshop was not coordinated or noticed to be held with R.11-10-023 (Resource Adequacy (RA)), for which these terms also have significance. Again, consistent with its recommendation in Track 1, the Commission must “(1) define terms such as ‘flexible’ capacity or attributes and ‘operating characteristics’ as applied to LCR resources, including distinctions, if any, in the use or meaning of these terms between meeting annual Resource Adequacy (RA) requirements versus a multi-year Long Term Procurement Plan (LTPP) LCR need, (2) identify the ‘eligibility’ criteria and performance metrics for “non-traditional” (i.e., not gas-fired), preferred resources wishing to participate in meeting any identified LCR need; (3) confirm that,

⁸ CEERT Track 1 Opening Brief, at pp. 37-38; see also, Reporter’s Transcript (RT) at 1212 (SDG&E (Anderson)).

in a utility LCR procurement, each resource procured is not required to have *all* of the flexible attributes or operating characteristics potentially identified with LCR resources, but, instead, that the overall procurement portfolio, inclusive of preferred resources, can meet this need; and (4) ensure coordination and consistency on these determinations between all tracks of this LTPP Rulemaking (R.) 12-03-014, R.11-10-023 (RA), and A.11-05-023 (San Diego Gas & Electric Company (SDG&E)).”⁹

Quite simply, the September 7 Workshop and comment process is not sufficient to achieve these goals in a transparent and detailed manner. CEERT does observe, however, that, again consistent with its Track 1 position, resources procured to satisfy an LCR need must be in the appropriate location, be transparent to and dispatchable by the CAISO in as close to real time as possible or as part of a portfolio that meets this need, and be accountable for performing as and when expected.

CEERT is also uncertain as to the Commission’s intended use of Net Qualifying Capacity (“NQC”) in an LCR procurement. NQC, a term arising from and applicable to Resource Adequacy procurement, is a *planning* tool to ensure the physical availability of enough system “capacity” to meet reliability needs. From CEERT’s perspective, this particular planning tool is also one that is likely to undergo significant reform in R.11-10-023 (RA) or its successor, regardless of whether the “Exceedance Methodology” or the more accurate and commonly accepted “Effective Load Carrying Capability (ELCC) Methodology” is used to calculate NQC.

In contrast, LCR is an *operational* need, not a planning tool. While the two concepts (NQC and LCR) are obviously related, they are not equivalent. Resources that have zero NQC can certainly potentially mitigate the amount of LCR need if located appropriately, and some resources that have a real NQC, even if favorably located, cannot supply the dispatchable

⁹ Id.; emphasis original.

contingency reserves demanded to fill an LCR need. Perhaps the confusion arises from the fact that for certain resources like natural gas fired generation, the distinction between RA and LCR is not meaningful once location is established. It is only when other types of resources are considered, such as Loading Order preferred resources, that this distinction is material.

4. What are the pros and cons of the following procurement methods with regard to: 1) local procurement considered in Track 1 of LTPP, and 2) operational flexibility and general system procurement considered in Track 2 of LTPP?

A. Continuation of current practices for procurement with minor clarifications;

CEERT's Answers to Questions 1 through 3 above are incorporated herein in response to this question. It is certainly not appropriate to rely on or continue "current practices for procurement" to meet an LCR need when the Commission has not yet adopted well-vetted and supported specific definitions of terms like "flexible" attributes or "operating characteristics" or other "eligibility" metrics that will in fact define the resources that can meet that need. As stated in CEERT's Track 1 Opening Brief: "CEERT does not believe that *any* 'rules' have yet been adopted by this Commission that can and should define the attributes or characteristics of the resources that can meet SCE's or any other IOU's LCR need, to the extent that one exists."¹⁰ This needed "rule" development is and cannot be taken merely with "minor clarifications" of current practices.

B. A "portfolio approach" that allocates, based on strategic/portfolio considerations, the total quantity of new flexible resources among various eligible resources (for example, how could/should the allocations be adjusted periodically based on current or expected conditions?)

As stated above and in its Track 1 Opening Brief, CEERT does support a "portfolio" approach to procurement of resources that can meet an LCR need. Thus, "in a utility LCR procurement, each resource procured is not required to have *all* of the flexible attributes or

¹⁰ CEERT Track 1 Opening Brief, at p. 43; emphasis original.

operating characteristics potentially identified with LCR resources, but, instead, that the overall procurement portfolio, inclusive of preferred resources, can meet this need.”¹¹ The evidentiary record in Track 1 demonstrated that, even conventional generation may not possess *all* of the attributes or characteristics claimed by the CAISO or the utilities to be required to meet an LCR need.¹² Further, as SCE testified in Track 1, “certain resources that don’t have all of those flexibility attributes,” as defined by the CAISO, “can be partially effective in meeting an LCR need.”¹³

In these circumstances, it is certainly appropriate, especially to preserve the policy commitment of the Loading Order, to ensure full consideration of and reliance on, to the extent possible, preferred resources. A “strategic” portfolio, with allocations among resources as appropriate, could be one means to ensure that outcome.

- a. SCE provided two proposed alternatives to filling any LCR need at the September 7, 2012 workshop, one with flexibility for SCE in procuring resources via two separate tracks, and another approach using an all-source RFO. Is there some way to blend these approaches? If so, how, and should the Commission attempt to do so?**

SCE’s decision to present these alternatives in its September 7 Workshop Presentation, is to be commended. The first alternative was entitled “Overview of IOU Flexibility Approach” and the other “Overview of Open RFO Approach with Objective Selection Criteria.”¹⁴

While CEERT continues to believe that the Track 1 evidentiary record and briefs should serve as the primary basis for deciding Track 1 issues of LCR need and procurement, SCE’s

¹¹ CEERT Track 1 Opening Brief, at pp. iv, 4, 17; emphasis original.

¹² RT at 358 (CAISO (Millar)); RT at 604-605, 607-610 (SCE (Cushnie)); RT at 296, 298 (CAISO (Rothleder)).

¹³ RT at 604-605, 607-610 (SCE (Cushnie)).

¹⁴ SCE’s September 7 Workshop Presentation has not been formally filed, but notice of its posting to the Commission’s website was provided to parties by electronic mail from Arthur O’Donnell (Energy Division) on September 11, 2012. The link provided is: <http://www.cpuc.ca.gov/NR/rdonlyres/DC090215-EE6B-4781-B878-4FC16F68641B/0/2012LTPPStorageAllSourceRFOWorkshop090712.pdf>. The alternatives at issue in this question can be found at Slides 16 through 17 of SCE’s September 7 Workshop Presentation. These slides are entitled “Overview of IOU Flexibility Approach” and “Overview of Open RFO Approach with Objective Selection Criteria.”

alternatives proposed at the Workshop do help to focus attention on key procurement issues. In this regard, procurement tasks were specified clearly by SCE in its presentation, but that fact only accentuates the flaws in the procurement *process* proposed by SCE to which CEERT has objected in Track 1 and continues to object here.

Specifically, SCE proposes that the Commission issue a single-point determination of LCR need and then give SCE (and any other utility for which an LCR need is found) complete discretion to conduct the entire multi-part, multi-year “solicitation” as it sees fit with only Commission approval of the results by Advice Letter(s) at the end of that process. What this means in terms of Track 1 is that SCE seeks upfront authorization to procure “up to 2370 MW (if the most effective sites can be obtained) and up to 3,741 MW (if other less effective sites must be used) of *new generation resources*,”¹⁵ with little or no oversight or public review before that procurement takes place. Instead, SCE plans to “submit any *resulting* procurement for Commission approval” and only in that after-the-fact application will SCE “address any further action it intends to take with regard to *unutilized authority*.”¹⁶ In other words, SCE seeks “flexibility” not only as to how it procures the LCR need, but even *if* it procures that need.

Such an after-the-fact application or advice letter request for approval of individual contracts is a totally inadequate means of Commission oversight for this critical procurement. Instead, this process must be made much more transparent and open to stakeholder input at critical junctures for the following key reasons.

First, filling any identified LCR need represents the most critical procurement since the State began the process of overhauling its electric infrastructure for the twenty-first century by building renewables at a pace faster than load growth, thereby forcing the retirement of

¹⁵ Track 1 Ex. SCE-1, at p. 2 (SCE (Cushnie)); emphasis original and added.

¹⁶ Id., at p.3 (SCE (Cushnie)); emphasis added.

conventional fossil resources. This critical decision must be made in a way that preserves reliability, but does stall or compromise the State's movement beyond a 33% RPS. Getting this decision wrong could mean an RPS that is or appears to be 33% of 133% generating resources and renewables appear expensive because they were forced to carry surplus investment in expensive conventional generation resources. Getting the decision right, however, will mean an efficient, clean head start on a grid that will be the envy of the world. California will have taken advantage of the State's abundance of renewable resources that is truly second to none on the planet and be in a position to export both clean energy to the rest of the West and technology and policy prescriptions to the rest of the World for the benefit of the citizens of California. Achieving this outcome, however, will not result from discretionary, non-transparent decisions by a single utility, but rather sound policy and procurement directives made openly with public input *before resources are procured*.

Second, to ensure the most effective solutions, the Commission, CAISO, and IOUs must consider options that may be beyond past or typical experience and avoid relying on solutions because they worked in the past. Any reliance on more central station fossil plants must be defended in real time against the ideas and enthusiasm of purveyors of new clean, efficient technology. A public process, however "inconvenient," to ensure consideration of those options is essential to a good outcome.

CEERT also strongly believes that the timing of Commission approval in SCE's proposal is misplaced and carries with it a very high risk of failure. The initial determination of need, however real, is recognized by all to be highly uncertain and subject to significant change as facts become clearer and options are narrowed. Even in its Track 1 testimony, SCE itself has

identified many of the uncertainties of forecasting a 10-year LCR need.¹⁷ Both the Track 1 testimony and Opening Briefs of multiple parties, including CEERT, have demonstrated that the LCR need assessment is uncertain and likely to be reduced by appropriate consideration of Loading Order preferred resources and transmission mitigation in the years at issue.

In these circumstances, there is no need to authorize a significant LCR procurement immediately or given SCE unbridled discretion now with only a maximum cap on procurement authority. It will be too expensive, time consuming, and contentious to rely on an ex post Commission rescission of executed contracts to correct any perceived deficiencies in the outcome of SCE's internal process.

Instead, CEERT reiterates its position taken in its Track 1 testimony and Opening Brief cited above. Again, no LCR procurement should be authorized without the Commission first having properly and fully defined product terms and resource eligibility criteria, with public stakeholder input, and has publicly assessed transmission mitigation measures and demand reduction that will reduce LCR need.¹⁸ CEERT notes that even SCE in its "Flexibility" alternative recognizes the need for such assessments, but instead proposes that they take place on an internal basis, simultaneously with procurement. Such an approach is flawed as to how (internal) and when (simultaneous) it takes place. Instead, these kinds of assessments, and their impact on LCR need, should be vetted publicly and completed before any procurement is authorized.

The priority tasks are to complete and publically present the studies for the non-dispatchable generation alternatives like location specific rooftop PV and other embedded behind the meter Distributed Generation, targeted location specific energy efficiency, and transmission

¹⁷ Track 1 Ex. SCE-1, at pp. 5 – 9 (SCE (Minick/Cabell)).

¹⁸ CEERT Track 1 Opening Brief, at pp. iv, 4.

and quasi-transmission solutions. The “studies” must include not just a good estimate of potential supply, cost, and timing, but also hard targets, milestones, performance metrics, funding sources and program design required to achieve those targets. At the conclusion of this Phase, the CAISO should rerun its LCR need analysis and recalculate a new LCR need given these now “firm” results for these preferred non-generation resources.

While this effort is taking place, SCE, the CAISO and the Commission must work together to design the “generation” procurement RFO. Critical to this task will be to establish the performance metrics and operational protocols to allow locationally specific, dispatchable DR and energy storage to bid into this RFO on an equal footing with conventional generation.

Once *both* of these initial tasks have been completed, the Commission can then comfortably authorize actual procurement of a definite quantity in definite locations of dispatchable resources to fill the remaining LCR need in an all source RFO. Of course, individual contracts with successful bidders, as well as a determination that the RFO itself met the requirements of the Loading Order, would also be subject to Commission approval.

CEERT is very cognizant of the need for this process to be conducted in a timely manner. However, CEERT believes that conducting and completing these sequenced tasks will, in the end, be quicker, less risky, and more certain than the open-ended discretionary process proposed by SCE. There are numerous places in the permitting and approval process for new combustion fueled generation where intervenors will demand a thorough analysis of alternatives in a California Environmental Quality Act (“CEQA”) process. Failure to conduct the procurement in phases as outlined above dramatically increases the risk of successful intervention in individual cases. This intervention will occur deep into the process itself jeopardizing a timely outcome.

The exploration of alternatives and the final definition of the quantity of LCR need must occur early in the process.

Nevertheless, CEERT also recognizes that events could unfold in a manner that may require some partial authorization for generation procurement. The easiest example to think of would be an early resolution that SONGS will permanently retire. It may indeed be necessary to take at least some early action before the full process has been completed. There is nothing to prevent SCE or others to petition the Commission to take specific targeted action at that point if it occurs.

Finally, CEERT believes that there are several, specific points that must be taken into account in this process. These include the following:

- Project viability is critical. Significant “contract failure” is not an option. CEERT believes that, at a minimum, *generation* projects must have achieved at least data adequacy for all major environmental permits and completed a Facilities Study or equivalent for required transmission upgrades in order to be eligible to bid into the RFO.
- The “transmission study” is critical. By this juncture, it is clear that the combined circumstances of OTC retirements, potential SONGS early retirement, and large quantities of wind and solar on the grid represents a major challenge to the transmission grid. What must also be emphasized, however, is the unprecedented opportunity that these circumstances also represent. The usual rejoinders against a truly robust transmission study are: “We have already studied everything.” However, there has never been a serious study of the grid without SONGS in at least forty years. Or, alternately, “There is no way we can site new transmission in an urban setting.” That is simply not true.¹⁹ Robust technical solutions are readily available to, for example, interconnect the LADWP and CAISO systems for shared

¹⁹ To cite two examples: There is an existing tie between the SCE and LADWP grids at the Century substation on Century Blvd at Martin Luther King Blvd. It is normally open because the phase angle difference between the two systems at that point is too large. Strong points on the two grids at the Haynes and Los Alamitos Generating Stations are less than one mile apart with only the San Gabriel River channel between them.

reliability and mitigation of LCR need.²⁰ Cost, ownership, cost allocation, and operating protocols are obvious stumbling blocks, but the large stakes demand a serious effort.

- Existing EE and DG programs can be easily used nearly “as is” to fit the situation. Locational adders to reward the avoidance of expensive and polluting generation procurement for development of targeted specific programs make obvious policy sense. CEERT would only ask that these adders be paid for actual performance over time rather than be given to developers up front based on how much the systems cost.

C. Establishing a set of minimum criteria for operational flexibility characteristics for all acquired resources.

Again, a single day of a broad and generic Workshop, followed by comments, will not develop a record sufficient for the Commission to define the key terms, attributes, or metrics that will establish the eligibility criteria for an LCR RFO. However, if the Commission elects to move forward to establish “a set of minimum criteria for operational flexibility characteristics” based on that “record,” CEERT believes that, at the least, there should be *no* “minimum” criteria for attributes such as lower minimum load level (Pmin), ramp rate, or start time. These terms must be defined and the total portfolio must, in aggregate, meet system needs. Any contribution of any of these characteristics by individual resources is of value.

D. A “strong showing” requirement that the utility must demonstrate that its procurement process was substantially open to all resource types and appropriately considered all of the values discussed above and that the resulting portfolio of resources is an optimal solution.

To preserve the Loading Order commitment made by the Commission, this “showing” must be made by the utility and found reasonable by the Commission *prior* to the Commission approving any procurement by the utility of conventional gas capacity. In other words, this

²⁰ Phase shifting transformers are only the most obvious technical solution to once again reconnect the systems for shared reliability and potentially even economy trades. Modern Flexible AC Transmission (“FACTS”) devices and/or large scale but short time scale storage devices, such as those used in similar circumstances on the East Coast, or even AC/DC:DC/AC interconnections, such as the three that tie the non-synchronized Western and Eastern Interconnections or the two that connect the Eastern Interconnection with ERCOT, are certainly feasible.

should not be an after-the-fact assessment when it will be costly, in terms of time and rates, to alter the manner or outcome of that procurement.

E. Adjusting existing procurement mechanisms, such as the Renewable Auction Mechanism, to focus on the physical locations with needs that can be met by that programmatic resource.

CEERT is not aware of any demonstration that has been made in this (or any other) proceeding that links the “Renewable Auction Mechanism” to procurement that extends to other “preferred resources,” (i.e., energy efficiency and demand response). CEERT is also not aware that RAM has been or was developed in the first instance to procure resources that have the attributes (i.e., dispatchability or fast-response) or locational criteria required to meet an LCR need. Simply asking this question is completely insufficient to develop any record within the time constraints posed by Track 1 to permit this “mechanism” to be converted or used for that purpose (meeting an LCR need).

In this regard, while it is good policy to create some kind of an incentive payment or procurement priority for RAM resources in specific locations that might *mitigate* all or a portion of an LCR need (see, CEERT’s Answer to Question 4.B.a above), such an adjustment should be primarily for the purpose for which the RAM program was developed – to encourage renewable generation resources of a particular size (up to 20 MWs) to meet Renewable Portfolio Standard (RPS) goals. Again, there is no evidence that this program, initiated for that purpose, can or should be “harmonized” with an LCR procurement, especially one that seeks to incorporate *all* preferred resources.

- 5. At the September 7th workshop, some parties discussed retrofits to existing generation assets as a potential source of incremental capacity. What, if any, changes would need to be made to the most recent long term RFO issued by PG&E, SDG&E, and SCE to allow for incremental capacity associated with retrofits to existing generation to compete to meet Local Capacity Requirements? Are there any differences in payment streams that should be given for existing capacity, as opposed to upgraded capacity?**

Given the record in Track 1, the most suitable response to this question and most appropriate action by the Commission would be to cancel the most recent RFO for new capacity and issue a new one that asks for cost of service bids for the investment required to justify retrofits to existing plant to provide additional hot weather peak capacity, a lower Pmin, reduced start time, and/or increased ramp rate. Payment for calling upon this revised and enhanced capability can be done by today's market mechanisms without any changes.

- 6. At the September 7th workshop, both SCE and Enernoc raised concerns that it would be difficult to procure demand response resources that match the online dates (2017 to 2020) and duration (e.g., 20 years) of the conventional generation that is being contemplated as a source of LCR capacity. How could a demand side program be authorized through this LCR procurement process that delivers an on-line date and a duration that is comparable to conventional generation? What additional values are currently attributed to demand response resources in other markets that are currently not accounted for in California, and that might be taken into account as part of an LCR procurement process?**

There is absolutely no need to wait for on line dates of 2017 to 2020 or to demand 20-year durations for demand side programs to provide LCR capacity. LCR capacity from demand response is valuable today and should be procured when it becomes available and for as long as the facility is willing to commit.

Further, trying to have DR mirror a conventional gas peaking plant as to on-line date and contract duration simply makes no sense and ensures that this extremely valuable resource will be underutilized in California. The principal "attribute" of demand response in other markets is that it is *much* cheaper, as well as being more flexible, and environmentally superior to building new fossil generation. The assumption that 20-year contracts should be the default procurement

mechanism for a need as fluid as LCR is misplaced. Instead, California needs to quickly and enthusiastically tap into cleaner, cheaper DR resources in a manner that reflects their availability over a much shorter lead time than fossil generation and that tracks DR's likely technological improvements in the near- and long-term.

III. CONCLUSION

For the reasons stated herein, CEERT respectfully requests that the Commission, in the first instance, reach a decision in Track 1 that relies on the evidentiary record and briefs developed and submitted in Track I of R12-03-014 in determining whether, and to what extent, there is any need for LCR capacity and how, when, and if utility procurement will be authorized to meet that need. The September 7 Workshop and parties' comments on that Workshop should only be used to clarify positions taken in the Track I proceeding.

Respectfully submitted,

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