

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 UTILITY REFORM NETWORK
TO POST-WORKSHOP QUESTIONS



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TO POST-WORKSHOP QUESTIONS**

Pursuant to the September 14th Administrative Law Judge Ruling, The Utility Reform Network (TURN) responds to questions relating to the September 7 workshop on Long-term procurement planning and energy storage issues. The ALJ ruling asks six detailed questions regarding potential changes the Commission may wish to make to its electric power procurement policies to better address the specific procurement needs that may arise from Tracks 1 and 2 of this Long-Term Procurement Plan (LTPP) proceeding.

TURN focuses these comments on the potential procurement order the Commission may issue in Track 1, which could trigger near-term efforts to procure new capacity to meet local needs in Southern California. Other changes to procurement policies may also be desirable by the time the Commission issues an order later next year in Track 2 authorizing procurement for general system and flexible capacity needs, but TURN anticipates that these issues will receive further attention in Track 2.

Questions 1 and 2 (Changes to IOUs' 'Procurement Processes' and 'Requests for Offers'): TURN first observes that, to the best of its knowledge, any resource that can receive a Net Qualifying Capacity (NQC) would qualify to satisfy LCR needs. Further, there are well-established methods for comparing the value of "use limited" or other non-traditional resources that can qualify for NQCs to the value of "conventional" gas-fired generation. TURN thus believes that any resource that qualifies for an NQC can compete in "All Source" utility Requests for Offers (RFOs). The amendments to IOU procurement and RFO processes that would allow such resources to compete with traditional resources would thus be relatively modest. TURN addresses issues related to resources that cannot currently qualify for an NQC or compete effectively in an RFO below.

TURN does have concerns about whether the methodology used to score all-source RFO bids is suited to adequately assessing the value of storage and demand response technologies. The Commission is exploring the development of cost-effectiveness methodologies for storage technologies in R.10-12-007 but may not have a final approach developed in time for use in an upcoming LCR RFO. As part of authorizing an all-source RFO, TURN believes that the Commission may need to direct the IOUs (and particularly SCE) to take a fresh look at the metrics for determining cost-effectiveness for non-generation technologies.

Question 3 (Capacity Value (MW)): As this question seems to anticipate, TURN does not believe that changes to NQC policy itself are feasible given the potential shortness of time until the possible issuance of an RFO pursuant to Track 1. However, it is possible that some progress could be made on addressing these issues next year during the administration of any RFO to meet local needs. (See Question 4.B below.) TURN also believes such progress may be possible in Track 2 and in other dockets, such as Rulemaking (R.) 10-12-007 (Storage), though such advances may not be applicable in a Track 1 procurement process. TURN does not have more specific recommendations on this issue at this time.

Question 4 (Procurement Methods): Before commenting specifically on the five procurement options listed in Question 4, TURN first observes that they are not all necessarily self-exclusive.

- A. Current Practices: As discussed herein, TURN believes current procurement processes can work for many resources that could meet potential LCR needs at issue in Track 1, but that some amendments to current practice may be made to accommodate some resources.
- B. “Portfolio Approach”: TURN opposes the “portfolio approach” seemingly described here, in which need would apparently be allocated among various

technologies. TURN has concerns about requiring specific technologies or resource types to meet a fixed percentage of local resource need. Should SCE manage an RFO to meet local needs, TURN would prefer that SCE use the “All-Source RFO” approach it described at the September 7 workshop. However, TURN is open to SCE pursuing a separate but parallel “study track” to analyze other technologies that may not currently qualify for a NQC. But if SCE pursues such a “study track,” TURN believes *SCE’s analysis and selection of technologies outside the RFO must still be based on binding commercial commitments from vendors as to the cost and performance of such technologies*, and not on non-binding data about such resources’ cost and performance that is often used in study processes.

- C. Minimum Operational Criteria: TURN opposes establishing minimum operational criteria at this time. There are neither established definitions of such criteria nor a proven need for them.
- D. Strong Showing: TURN endorses the “strong showing” or similar requirement envisioned in this subpart.
- E. Existing Procurement Mechanisms for Programmatic Resources: Though TURN prefers an “All-Source RFO” process for meeting potential LCR need in Track 1, TURN recognizes that some resources may not be able to compete effectively in such venues. For example, the sizes of some projects may not make competing in an RFO feasible. Smaller renewable energy projects may not participate due to the financial and time commitments required for participation in an extended solicitation process. In such cases, alternate and streamlined procurement mechanisms may be appropriate. *However, such alternative approaches should still require alternative technologies to be selected based on binding commercial commitments regarding a project’s cost and performance.*

To the extent that projects bidding into existing RAM or RPS solicitations can satisfy some portion of unmet LCR needs identified in Track 1, the

Commission may wish to direct SCE to give these bids some preference in the relevant solicitation. The preference could be based on the additional value that these projects would contribute by reducing the need for conventional capacity procurement in the relevant LCR area. If done correctly, selecting projects that count towards RAM targets and satisfy unmet LCR needs should result in lower overall costs for ratepayers.

Question 5 (Retrofits): Per TURN's response to Questions 1 and 2 above, analyzing retrofits to existing generation is not an analytically challenging problem and can be accommodated within existing IOU RFO processes.¹ TURN would expect payments for upgraded capacity to be higher than payments for existing capacity, but the key issue in such an analysis will be the cost-effectiveness of any upgrade proposal taken as a whole.

Question 6 (Demand Response Resources): TURN has no comments in response to Question 6 at this time.

TURN appreciates the opportunity provide these comments

¹ For example, PG&E made such analyses in Applications 09-10-022 and 09-10-034, in which the Commission authorized the upgrading of existing resources pursuant to long-term contracts with PG&E.

Respectfully submitted,

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