

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



To: Service list for RA proceeding R.11-10-032

Date: November 1st, 2012

Summary and Purpose of this letter:

Energy Division is issuing this letter to notify LSEs of a change to interpretation for purposes of 2013 Year Ahead RA compliance. The existing policy regarding how to list substitute capacity in Local RA filings for resources that have not yet come online was changed.

Background:

Prior to the 2009 RA compliance year, LSEs were unable to use resources under construction towards meeting their Local RA obligations the way they were able to use the resources towards meeting their system RA obligations. Resources needed to be online and delivering in order to count for Local RA; this meant that resources that were to come online during the compliance year were not allowed to count. This was leading to inefficient procurement and inability to gain the value of new construction until a later year. D.08-06-031 created a mechanism for LSEs to count a resource under construction, so long as the LSE commits another single resource to fill in the other months of the year, and the LSE counts all of the capacity of the new unit towards their RA obligation. This policy was enacted provisionally for 2009 RA compliance year. In section 4.2 of D.09-06-028 the Commission made the policy permanent, and modified the rules to facilitate counting resources under construction. D.09-06-028 allowed LSEs to use a combination of resources instead of just one until the new resource was online, because "(r)equiring that the substitute capacity come from a single resource in the local area would reduce the options available to the LSE for fulfilling its compliance obligation, which would further drive up costs."

Existing Practice:

Since 2009, Energy Division staff has interpreted the 2009 decision as requiring the LSE in the year ahead filing to specify and commit the unit or combination of units that the LSE would use or rely upon until the new resource became operational. An LSE would list a combination of one or more existing units to fill in the months until the new unit achieves commercial operation, with the firm contractual commitment that if the new resource was delayed, that exact combination of units would take the place of the new unit in the meantime. This meant that the LSE would not have the flexibility during the year to change that arrangement or substitute other units in the place of what was listed, and importantly, if the new unit did not come online as planned, the existing unit or combination of units would be extended until the new resource came online.

Modified Practice:

There is a significant amount of new Local RA capacity coming online during the course of 2013, and there are complications as to how best to contract around the uncertainty caused by the possibility that these new resources would not come online as planned. It is important to make use of the resources that will soon be available, however, so as to avoid overprocurement and excessive costs. Energy Division is clarifying the policy, modifying the requirement for LSEs to commit the existing unit or combination of units in the year ahead filing, and specifically allowing LSEs the flexibility to substitute other units in the event that the new unit does not come online as planned. This is consistent with the intent of the provisions cited in D.09-06-028 as it increases flexibility and cost effective use of new resources towards meeting RA obligations. Specifically, in the event the unit under construction determines that it will fail to achieve commercial operation as planned, the LSE may insert a new combination of units for the interim months until the new unit becomes operational and may procure that capacity during the compliance year as needed.

Thank you for your time, and please contact Ed Charkowicz (415 703-2421, ed.charkowicz@cpuc.ca.gov) in Energy Division staff if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "ER", written over a horizontal line.

Edward Randolph
Director, Energy Division