

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)

**THE DIVISION OF RATEPAYER ADVOCATES REPLY COMMENTS ON
PROPOSED DECISION ADOPTING LONG-TERM PROCUREMENT PLANS
TRACK 2 ASSUMPTIONS AND SCENARIOS**

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I. INTRODUCTION AND SUMMARY

Pursuant to the Commission’s Rules of Practice and Procedure Rule 14.3, the Division of Ratepayer Advocates (DRA) submits the following reply comments on Administrative Law Judge Gamson’s Proposed Decision (PD) on the Long-Term Procurement Planning proceeding, Rulemaking (R.)12-03-014 Track 2 Standardized Planning Assumptions. DRA generally supports the Planning Assumptions adopted in the PD and agrees that the Base Scenario is “designed to reflect a modestly conservative future world with little change from existing procurement policies.”¹ In other words, the Base Scenario is the “expected case, already discounted for uncertainties that could impact reliability.”² Thus, it is only logical that the Base Scenario should have the highest priority for the operating flexibility modeling and should be used by the investor-owned utilities (IOUs) in their bundled plan forecasts in Track 3 of this proceeding. DRA responds below to the opening comments of some of the parties.

A. Operating flexibility modeling

The Commission should reject the California Independent System Operator’s (CAISO) erroneous claim that the Base Scenario does not provide a realistic operational scenario. The Base Scenario, discounted for uncertainties that could impact reliability, provides the most likely outcome and should be given the highest priority for the operating flexibility modeling.

B. IOUs bundled plan forecasts

The Base Scenario provides common assumptions for all three IOUs’ bundled plans and, consistent with Decision (D.)12-01-033, should be used by all of the IOUs in their bundled plan forecasts in Track 3 of this proceeding.

C. SCE’s recommendation to use the best available information in studies utilizing the Standard Planning Assumptions

If the Commission grants Southern California Edison Company’s (SCE) recommendation to use the best available information in studies utilizing the Standard Planning Assumptions, it should ensure that such information is of comparable quality as that used to develop that Standardized Planning Assumptions, and that stakeholders have an opportunity to comment on the proposed best available information.

¹ PD, p. 30.

² PD, p. 28.

II. DISCUSSION

A. **The Commission should reject CAISO's erroneous claim that the Base Scenario does not provide a realistic operational scenario for Operating Flexibility modeling.**

In opening comments on the PD, CAISO erroneously claims that the Replicating Transmission Planning Process (TPP) Scenario is realistic, while the Base Scenario is not.³ The Base Scenario uses a 1-in-2 load forecast while the Replicating TPP uses a 1-in-5 load forecast. As operating flexibility is a system issue, a 1-in-2 load forecast is the appropriate metric to use in a realistic scenario. By definition, a 1-in-2 peak load forecast has a probability of occurring once every two years, or a 50% probability. A 1-in-5 peak load forecast has a probability of occurring once every five years, or a 20% probability. The Replicating TPP scenario, which contains a load forecast with a 20% probability, cannot be more realistic than the Base Scenario, which contains a load forecast with a 50% probability.

Furthermore, the Base Scenario adjusts the load forecast for the mid value of incremental Energy Efficiency (EE) and Demand Response (DR). DRA believes that the Base Scenario would be more realistic with the inclusion of an additional 2500 MW of EE as recommended in the opening comments of the Natural Resources Defense Council, Sierra Club California, and the Community Environmental Council.⁴ Nevertheless, as compared to the Replicating TPP, which assumes zero incremental EE and DR, the Base Scenario is the better option. The Replicating TPP assumes that the Commission will terminate its policies relating to preferred resources. This view is not realistic given the Commission's mandate to ensure compliance with the loading order.⁵ The Energy Action Plan guides California's energy policies and designates cost-effective EE and DR as the most preferred resources in the loading order, followed by renewable resources, distributed generation resources and finally combined heat and power (CHP).⁶ Thus,

³ Comments of the California Independent System Operator Corporation on Proposed Decision Adopting Long-Term Procurement Plans Track 2 Assumptions and Scenarios, December 10, 2012, p. 3.

⁴ Comments of the Natural Resources Defense Council (NRDC), Sierra Club California, and Community Environmental Council on the Proposed Decision on Long Term Procurement Plan System Scenarios and Assumptions; December 10, 2012. pp. 3-5; *see also* Response of the Division of Ratepayer Advocates to the Revised Assigned Commissioner's Ruling Setting Forth Standardized Planning Scenarios for Comment October 5, 2012, Attachment A.

⁵ Public Utilities Code Sections 454.5(b)(9)(C).

⁶ *Energy Action Plan II*, p. 2.

the Base Scenario recognizes the Commission’s commitment to continue its policies on preferred resources.

Although it may be useful to design extreme case scenarios such as the Replicating TPP Scenario and Stress Peak Case sensitivity, specifically for the Operating Flexibility modeling effort, it is not appropriate to label them as realistic or to rely on them as a basis for authorizing procurement. The PD correctly recognizes that the Base Scenario provides the most likely outcome and should be given the highest priority for the operating flexibility modeling.⁷

B. The Commission should reject San Diego’s Gas & Electric Company’s request to not require reliance on Base Scenario assumptions in the IOUs’ bundled plan forecasts.

San Diego Gas & Electric Company (SDG&E) proposes revising the PD to not require reliance on Base Scenario assumptions in the IOUs’ Track 3 bundled plan filings.⁸ The PD correctly recognizes that the 2010 LTPP Track 2 Bundled Plan Decision (D.12-01-033) ordered the use of common assumptions for bundled plans.⁹ Since the Base Scenario is the most realistic planning scenario and provides a set of common assumptions for all three IOUs, it is reasonable to require the IOUs to model their bundled plans in Track 3 of the 2012 LTPP by using the Base Scenario. In D.12-01-033, the Commission details the exhaustive and extensive process that was undertaken to settle on a set of standardized planning assumptions for the IOUs to use in their 2010 bundled procurement plans. The Commission states that the intent of establishing these standardized planning assumptions is to “ensure that the IOUs’ plans can be more easily compared to each other and to maintain consistency across utilities to the extent possible.”¹⁰ The Commission further notes that:

“one important purpose for the standardized planning assumptions was to allow for the utilities’ plans to be more readily comparable. Absent some common basis, it would be impossible for the Commission to perform a meaningful comparative analysis of the utilities’ procurement plans, and more difficult for the Commission

⁷ PD, p. 10

⁸ Comment of San Diego Gas & Electric Company on Proposed Decision Adopting Long-Term Procurement Plans Track 2 Assumptions and Scenarios, December 10, 201, pp. 1-2.

⁹ PD, p. 6.

¹⁰ R.10-05-006 Assigned Commissioner and Administrative Law Judge’s Joint Scoping Memo and Ruling, December 10, 2010, pp. 39 – 40.

to ensure that those plans are consistent with the requirements of § 454.5.”¹¹

D.12-01-033 concluded that the use of standardized planning assumptions allows the Commission to approve the IOUs procurement plans in advance, without requiring after the fact reasonableness review.¹² That rationale still applies. DRA therefore agrees with the PD that the Base Scenario and adopted standardized planning assumptions are the appropriate reference points for the IOUs to formulate their bundled procurement plans, consistent with the guidance in D.12-01-033.

C. If the Commission adopts SCE’s recommendation to use the best available information in studies utilizing the Standard Planning Assumptions, it should ensure that such information is of comparable quality as that used to develop that Standardized Planning Assumptions, and that stakeholders have an opportunity to comment.

SCE recommends that the Commission allow sufficient flexibility so that studies utilizing the Standardized Planning Assumptions can use the “best available information” regarding the operation of the San Onofre Generation Station (SONGS), load forecast in SCE’s service territory, and LCR procurement ordered in response to once-through cooling (OTC) retirements.¹³ The Commission has recognized that “any forecast, no matter how carefully made, will end up being at least somewhat off the mark.”¹⁴ While DRA agrees that the Standardized Planning Assumptions would likely be more accurate through the use of more recent information, at some point the revisions must stop in order to move forward with the bundled plans. If the Commission believes it is feasible to allow continued updating of the Standardized Planning Assumptions prior to the IOUs’ submission of their bundled procurement plans, DRA recommends that it require that the use of the “best available information” provide adequate opportunity for stakeholders to comment on whether the “best available information” is in fact an improvement over the Standardized Planning Assumptions, and that the “best available information” be of the same quality as the information used to develop the Standardized

¹¹ D.12-01-033, p. 6.

¹² D.12-01-033, pp. 10-11.

¹³ Opening Comments of Southern California Edison Company on Track 2 Scenarios Proposed Decision, December 13, 2012, pp. 3-4.

¹⁴ D.12-01-033, p. 6.

Planning Assumptions. For example, any updates to the load forecast in the Base Scenario should be made through an update of the California Energy Demand forecast, and should be approved by the California Energy Commission.¹⁵

III. CONCLUSION

DRA recommends that the Base Scenario have the highest priority for the operating flexibility modeling and should be used by the IOUs in their bundled procurement plan forecasts in Track 3 of this proceeding. The Commission should require that any use of “best available information” to update Standardized Planning Assumptions used in studies allow adequate stakeholder input and that the information be of the same quality used to develop the Standardized Planning Assumptions.

Respectfully submitted,

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¹⁵ This is the process that was required in order to adopt DRA’s recommendations regarding permanent load shifting.