

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 THE PROPOSED DECISION AUTHORIZING LONG-TERM  
PROCUREMENT FOR LOCAL CAPACITY REQUIREMENTS**

January 14, 2013

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**TABLE OF CONTENTS**

*Page*

Table of Contents ..... i

Table of Authorities ..... ii

I. THE PROPOSED DECISION, SUPPORTED BY SOUND REASONING AND RELEVANT PRECEDENT, CONFIRMS AND FOLLOWS THE CORRECT POLICY FRAMEWORK FOR LONG-TERM LCR PROCUREMENT.....1

II. TO ENSURE THAT THE PROPOSED DECISION’S ASSUMPTIONS AND ADOPTED POLICIES “BECOME REALITY,” CERTAIN MODIFICATIONS ARE REQUIRED.....7

III. CONCLUSION.....12

**APPENDIX A: PROPOSED CONCLUSIONS OF LAW AND ORDERING PARAGRAPHS**

**TABLE OF AUTHORITIES**

*Page*

**CPUC DECISIONS**

Decision (D.) 12-01-033 .....2

**CPUC RULES OF PRACTICE AND PROCEDURE**

Article 14 .....1

**MISCELLANEOUS**

Energy Action Plan .....2, 7, 10

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The Center for Energy Efficiency and Renewable Technologies (CEERT) respectfully submits these Comments on the Proposed Decision of Administrative Law Judge (ALJ) Gamson Authorizing Long-Term Procurement for Local Capacity Requirements in the Commission's Long Term Procurement Plan (LTPP) Rulemaking (R.) 12-03-014 (Proposed Decision). The Proposed Decision was mailed on December 21, 2012. These Comments are timely filed and served pursuant to Article 14 of the Commission's Rules of Practice and Procedure and the instructions accompanying the Proposed Decision.

**I.**

**THE PROPOSED DECISION, SUPPORTED BY SOUND REASONING AND  
RELEVANT PRECEDENT, CONFIRMS AND FOLLOWS THE CORRECT POLICY  
FRAMEWORK FOR LONG-TERM LCR RESOURCE PROCUREMENT.**

CEERT commends ALJ Gamson for a Proposed Decision that clearly describes the complex issues arising in this Commission's first LTPP consideration of a utility's long-term "local capacity requirements" (LCR) and procurement and that, more importantly, defines and applies the correct policy framework for resolving those issues. As stated in CEERT's testimony and briefs in this LTPP LCR phase (Track 1), "while grid reliability must be maintained, it must be done in a manner that does not impede or compromise California's efforts to overhaul the State's electricity infrastructure to reduce dependence on volatile fossil

fuels, significantly reduce emissions of greenhouse gases and criteria pollutants in our most sensitive urban areas, and achieve other environmental goals’ including ‘ending the destructive practice of using huge volumes of ocean water for OTC [once-through cooling].’”<sup>1</sup>

From CEERT’s perspective, therefore, the Commission’s preeminent duty in resolving the LCR issues here was to do so in a manner that “maintain[s] its commitment to the Energy Action Plan ‘Loading Order,’ which *requires* utility investment first in preferred resources, including energy efficiency, demand response, and renewable generation, before investment in gas-fired generation” to meet *any* resource need.<sup>2</sup> Such a “policy imperative” is particularly significant and acute “in an urban area like the LA [Los Angeles] Basin” where both statewide greenhouse gas (GHG) emission reductions and strict air quality regulations apply.<sup>3</sup>

As a result, CEERT’s first recommendation for the Commission’s decision on SCE’s long-term LCR need was for the Commission to “re-confirm that its Energy Action Plan ‘Loading Order’ applies to *all* jurisdictional utility procurement, including any undertaken to meet a long-term, forecasted ‘local capacity requirement’ (LCR).”<sup>4</sup> This recommendation took on even greater importance based on investor-owned utility (IOU) positions that were “discouragingly dismissive of preferred resources in the Commission’s Loading Order” and appeared on track to continue their historic failure to comply with the Loading Order.<sup>5</sup>

In its testimony and briefs, CEERT, therefore, urged the Commission to “take strong enforcement action to refute and counter the dismissive approach taken by the utilities to the

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<sup>1</sup> CEERT Opening Brief, at p. 2 (citing Ex. CEERT-01, at p. II-3 (CEERT (Caldwell)); emphasis original.

<sup>2</sup> CEERT Opening Brief, at p. 2.

<sup>3</sup> CEERT Opening Brief, at pp. 4, 7, citing Decision (D.) 12-01-033, at pp. 17-20. As noted in CEERT’s Reply Brief (at pages 4-8), this position was also voiced by a diverse group of other parties. (See, e.g., California Environmental Justice Alliance (CEJA) Opening Brief, at p. 4; Division of Ratepayer Advocates (DRA) Opening Brief, at p. 16; EnerNOC, Inc. (EnerNOC) Opening Brief, at pp. 5, 17; and Natural Resources Defense Council (NRDC) Opening Brief, at p. 14.)

<sup>4</sup> CEERT Opening Brief, at p. 4.

<sup>5</sup> CEERT Reply Brief, at p. 14.

Loading Order in their testimony and briefs here.”<sup>6</sup> Further, CEERT, along with a wide-range of stakeholders representing ratepayers, the environment, and business, recommended caution, limitation, and even rejection by the Commission of recommendations made by the California Independent System Operator (CAISO) as to its forecasted LCR need for SCE in the LA Basin and Big Creek/Ventura areas and its definitions and conclusions that effectively limited that need being determined and met only by gas-fired generation and not preferred resources.<sup>7</sup>

ALJ Gamson’s Proposed Decision answers the need for the Commission to provide *and* apply a definitive, appropriate, and strong policy framework in addressing all utility resource needs and, at issue here specifically, determining the extent of SCE’s long-term LCR need and how it will be met. Further, the Proposed Decision adopts many of the recommendations urged by CEERT, as supported by the record and applicable policy and law, that will continue California’s progress toward a clean energy future.

On these points, the Proposed Decision correctly does all of the following:

- The Proposed Decision confirms that the “Loading Order” governs jurisdictional electric utility procurement and imposes an “ongoing” requirement on IOUs “to continue to procure the preferred resources,” namely, “energy efficiency and demand-side resources, followed by renewable resources,” “to the extent that they are feasibly available and cost effective,” and that “IOUs are *not* relieved of their duty to follow the Loading Order” simply because procurement targets have been achieved.<sup>8</sup>
- The Proposed Decision recognizes and confirms the Commission’s ongoing “commitment” to the resources at the “top of the loading order,” namely, energy efficiency and demand response, which commitment is expected to “continue, if not strengthen.”<sup>9</sup> The Proposed

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<sup>6</sup> CEERT Reply Brief, at p. 16.

<sup>7</sup> See, CEERT Reply Brief, at pp. 2- 13 (referring, e.g., to Division of Ratepayer Advocates (DRA), California Environmental Justice Alliance (CEJA), Natural Resources Defense Council (NRDC), EnerNOC, Inc., and Calpine Corporation.)

<sup>8</sup> Proposed Decision, at pp. 10-11; emphasis added.

<sup>9</sup> Proposed Decision, at pp. 47-48, 50-51, 54.

Decision also “reiterate[s] our commitment to a strong demand response program” and, significantly, finds that demand response resources “are likely to be able to provide capabilities which should reduce LCR needs” and “meet ISO criteria for meeting LCR needs.”<sup>10</sup> The Proposed Decision, therefore, concludes that this likelihood can be used as a “directional indicator” to “strengthen conclusions about the overall LCR need” and support the Proposed Decision’s “determination that far lower levels of new generation procurement are needed to satisfy LCR needs in the LA basic local area than recommended by the CAISO.”<sup>11</sup>

- The Proposed Decision concludes that, while “[a] primary responsibility of this Commission is to ensure reliability in the electrical system,” a “significant difference between the ISO’s reliability mission and the Commission’s reliability emphasis is that the Commission must balance its reliability mandate with other statutory and policy considerations,” including “reasonableness of rates and a commitment to a clean environment.”<sup>12</sup> Thus, it is necessary for the Commission to “strike a balance among the Commission’s three primary statutory directives for ensuring reliability, reasonable rates and a clean environment” and can and will do so without having to “sacrifice or ignore any of these imperatives.”<sup>13</sup>
- The Proposed Decision recognizes the need to avoid over-procurement or under-procurement based on “imperfect” future forecasts and permits opportunities to “adjust to the inevitable changes in circumstances” over the “long planning horizon” addressed in this proceeding.<sup>14</sup> Thus, the Proposed Decision finds that it is appropriate for SCE, in its “procurement application” ordered by the Proposed Decision or “future procurement proceedings,” to “account” for and “incorporate” “any extensions to OTC closure deadlines” that occur or “certain transmission fixes” that may “become feasible and cost-effective, including the use of synchronous condensers, static var compensators and shut capacitors.”<sup>15</sup>
- In appropriately achieving the balance of the Commission’s responsibilities (i.e., reliability, ratemaking, and environment) along with meaningful consideration of preferred resources,

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<sup>10</sup> Proposed Decision, at p. 54.

<sup>11</sup> Proposed Decision, at pp. 2, 20, 54, 63.

<sup>12</sup> Proposed Decision, at pp. 34-35.

<sup>13</sup> Proposed Decision, at pp. 35-36.

<sup>14</sup> Proposed Decision, at p. 38.

<sup>15</sup> Proposed Decision, at pp. 42-43.

the Proposed Decision reaches a reasonable determination of the minimum and maximum LCR procurement to be authorized for SCE based on the “ISO’s Environmentally Constrained scenario analysis,” and not CAISO’s much higher “Trajectory” scenario forecast.<sup>16</sup> Thus, the Proposed Decision “interpolate[s] between the Environmentally Constrained scenario need level and the need in the sensitivity analysis,” to authorize SCE “to procure between 1,050 and 1,500” MWs of electrical capacity in the West Los Angeles sub-area of the LA basin local reliability area.<sup>17</sup>

- The Proposed Decision appropriately requires that SCE demonstrate, as part of its LCR procurement plan and application ordered by the Proposed Decision, “that it has done everything it could to obtain cost-effective demand-side resources which can reduce the LCR need, and cost-effective preferred resources and energy storage resources to meet LCR needs.”<sup>18</sup>
- Finally, the Proposed Decision correctly rejects the CAISO’s and IOUs’ recommendation to incorporate or require “particular flexible attributes” for LCR resources or “define flexibility for LCR procurement purposes.”<sup>19</sup> As the Proposed Decision appropriately finds, this issue is being addressed, but has not yet been decided in R.11-10-023 (Resource Adequacy (RA)), and there was an “insufficient record at this time” to make such a determination here.<sup>20</sup>

With respect to “flexibility” eligibility criteria or attributes, if those proposed by the CAISO and ISOs had been imposed or adopted, CEERT’s concerns, raised in its testimony and briefs, would have remained. Namely, without an adequate and fair definition of “flexibility” with input by all parties, such “attributes” could have been used as a means to inappropriately

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<sup>16</sup> Proposed Decision, at pp. 20-21, 63-64.

<sup>17</sup> Proposed Decision, at pp. 2, 64. CEERT does continue to dispute the need for LCR procurement in the Big Creek/Ventura local area, but does concede that the amount authorized by the Proposed Decision (215 to 290 MW) would allow SCE time and authority “to take advantage of different technologies and combinations of potential solutions” to address such a need *if* it is not otherwise resolved or eliminated prior to the submission of its procurement plan or application. (Proposed Decision, at pp. 70-71. )

<sup>18</sup> Proposed Decision, at p. 76.

<sup>19</sup> Proposed Decision, at p. 92.

<sup>20</sup> Proposed Decision, at p. 92.



limit procurement only to gas-fired generation and unfairly restrict preferred resources from meeting an LCR need.<sup>21</sup>

CEERT also embraces the Proposed Decision’s statement regarding SCE’s resource procurement in response to its directives as follows:

“In addition to authorizing SCE to procure new generation resources, SCE continues to be authorized or required to obtain other resources, as detailed in decisions in the Commission’s energy efficiency demand response, RPS and other proceedings. Nothing in this decision is intended to supersede or limit any authority or requirement stemming from any other commission proceeding. SCE’s efforts to obtain these resources are critical to *ensuring that the assumptions embedded in this decision will become reality* and the reliability needs in SCE’s territory will be met.”<sup>22</sup>

However, it is on this last point – whether the Proposed Decision’s assumptions and policy directives *will* “become reality” – that CEERT believes that the Proposed Decision should be modified to better “*ensure*” that outcome. These modifications are discussed in the following section and focus on clarifying the resources to be procured and the manner in which SCE’s resource procurement plan or solicitation process is reviewed and approved to ensure that SCE’s application for approval of its selected resources is consistent with Commission policy and expectations. Once SCE’s application is filed in 2014, it may be very difficult, if not impossible, to unravel, re-consider, or even reject after-the-fact and closer-to-OTC-deadlines the procurement commitments or contracts offered for approval. These modifications are addressed in the following section and incorporated in CEERT’s Proposed Findings of Fact, Conclusions of Law, and Ordering Paragraphs contained in Appendix A (incorporated herein).

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<sup>21</sup> CEERT Opening Brief, at pp. 42-43.

<sup>22</sup> Proposed Decision, at p. 80; emphasis added.

**II.**  
**TO ENSURE THAT THE PROPOSED DECISION’S ASSUMPTIONS AND ADOPTED  
POLICIES “BECOME REALITY,” CERTAIN MODIFICATIONS ARE REQUIRED.**

For the reasons identified above, the Proposed Decision presents a sound policy framework for identifying and meeting long-term LCR need that, at its core, commits to reliance on Loading Order preferred resources first being considered to meet that need. CEERT clearly supports the goal stated by the Proposed Decision that its “assumptions,” which CEERT believes includes its commitment to “preferred resources,” “will become reality.”<sup>23</sup>

For CEERT, however, certain modifications to the Proposed Decision are needed to ensure that these “assumptions” are meaningful translated into “reality.” These modifications start with requiring SCE to procure preferred resources in the same manner as the Proposed Decision now guarantees for energy storage.

Specifically, while CEERT agrees that energy storage is a valuable resource, it is not yet among the list of Energy Action Plan Loading Order preferred resources and has not been elevated by the Proposed Decision to the “top” of that Loading Order, now occupied by energy efficiency and demand response. At most, the Proposed Decision states that “[e]nergy storage resources should be considered *along with* preferred resources.”<sup>24</sup>

Further, the Proposed Decision recognizes that, in this long term planning period, there will likely be a “significant” growth in uncommitted energy efficiency and demand response programs that will “meet ISO criteria for meeting LCR needs.”<sup>25</sup> Yet, the Proposed Decision does no more than *permit* SCE to procure “as much as 450 MW” of preferred resources within the authorized LCR capacity range of up to 1,500 MWs.<sup>26</sup>

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<sup>23</sup> Proposed Decision, at p. 16.

<sup>24</sup> Proposed Decision, at p. 3; emphasis added.

<sup>25</sup> Proposed Decision, at p. 48, 54.

<sup>26</sup> Proposed Decision, at pp. 2, 124.

In addition to this 450 MW being a matter of discretionary procurement by SCE, the Proposed Decision adopts SCE’s recommendation that its LCR procurement will be subject to “existing RA program rules to assess the effectiveness of proposed generation solutions for meeting LCR need.”<sup>27</sup> While this reference in the Proposed Decision is to “generation solutions,” there is no discussion in the Proposed Decision limiting this “effectiveness” consideration only to “generation,” as opposed to “demand side” resources; no analysis of the relevance or impact of applying such rules to preferred resources such as demand response; and no consideration of whether such rules, developed as part of an *annual* (not long-term) RA assessment, are appropriate to determine the “effectiveness” of long-term preferred resources.

For “energy storage,” neither these RA rules nor any utility discretion are applied to limit its mandated procurement by SCE to meet its LCR need. Instead, the Proposed Decision orders that “*at least 50 MW of capacity must be procured from energy storage resources*” by SCE.<sup>28</sup>

The Proposed Decision offers no basis for making this distinction between a mandated amount of procurement of energy storage and discretionary procurement of preferred resources. Instead, the Proposed Decision only describes this energy storage procurement as a “modest” amount adopted “to promote the inclusion of energy storage technologies in SCE’s upcoming procurement process.”<sup>29</sup> Further, this determination is made while also finding that the Commission does “*not* have sufficient information to determine how many viable energy storage facilities will emerge between now and 2012 that can be used for local reliability purposes in the LA basin local area (or elsewhere).”<sup>30</sup>

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<sup>27</sup> Proposed Decision, at p. 73.

<sup>28</sup> Proposed Decision, at p. 124; emphasis added.

<sup>29</sup> Proposed Decision, at p. 60.

<sup>30</sup> Id.; emphasis added.

CEERT believes that the Proposed Decisions disparate treatment of preferred resources and energy storage in SCE’s upcoming LCR procurement is inconsistent with the record and the Proposed Decision’s adopted policies and must be resolved and harmonized. From CEERT’s perspective, this harmonization can be simply achieved by mandating that SCE, in meeting its LCR need of up to 1,500 MW, procure at least 150 MW of demand response resources. The remaining 300 MW of the 450 MW of preferred resource procurement designated by the Proposed Decision could continue to be permitted, but not mandated, as part of SCE LCR procurement. Requiring procurement by SCE of at least 150 MW of demand response resources, however, is a necessary part of *ensuring* that preferred resources will be part of meeting long term LCR need and will begin needed experience and information in meeting such needs without exclusive reliance on gas-fired resources.

To that end, the Proposed Decision’s Conclusions of Law 4, 7, and 8, and Ordering Paragraph 1 must be modified to facilitate procurement of preferred resources and energy storage to meet SCE’s LCR need. Those modifications are detailed in Appendix A hereto.

Again, CEERT considers that this approach is necessary to “ensure” and preserve the Loading Order in SCE’s LCR procurement, achieve an appropriate “balance” between the Commission’s obligations to ratepayers, reliability, and the environment, and yield a “modest” amount of such procurement when compared to the 1,000 MWs of gas-fired generation procurement authorized by the Proposed Decision. It is also consistent with the Proposed Decision’s priority given to preferred resources as an outcome of SCE’s procurement plan and application as follows:

“To the extent that the availability, viability and effectiveness of resources higher in the Loading Order are comparable to fossil-fueled resources, we intend to ensure that SCE contracts with these preferred resources first.”<sup>31</sup>

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<sup>31</sup> Proposed Decision, at p. 77.

In terms of other needed modifications to the Proposed Decision, CEERT notes that SCE's solicitation "plan" required by the Proposed Decision and subject to Energy Division review also represents a critical point at which the Commission can ensure that its assumptions and policies become reality in SCE's LCR procurement. Certainly, this appears to be the goal of the Proposed Decision - to achieve "the dual objectives of reliability and adherence to the policy objectives of the Energy Action Plan"<sup>32</sup> - by requiring that:

"SCE's procurement plan shall be consistent to the extent possible with the multi-agency Energy Action Plan, which places cost-effective energy efficiency and demand response resources first in the Loading Order, followed by renewable resources and then fossil-fuel resources."<sup>33</sup>

Similarly, the Proposed Decision finds:

"As part of our review of SCE's procurement plan, and when considering SCE's procurement application, we will require SCE to show that it has done everything it could to obtain cost-effective demand-side resources which can reduce the LCR need, and cost-effective preferred resources and energy storage resources to meet LCR needs."<sup>34</sup>

Thus, both the development and review of this plan by the Energy Division represent critical steps, especially to avoid leaving the important determination of whether the Commission's policy goals have been met to an ex-post contract review in SCE's application when it may likely be too late to alter those results, even if they do not comport to the directions and expectations of the Commission.<sup>35</sup>

Specific to criteria related to RA rules and counting, the resources procured by SCE through its LCR authorization will, by definition, become a part of SCE's annual RA showing and appear in the CAISO's Operating Reserves ancillary services markets. This result is

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<sup>32</sup> Proposed Decision, at p. 78.

<sup>33</sup> Proposed Decision, at p. 3.

<sup>34</sup> Proposed Decision, at p. 76.

<sup>35</sup> See, e.g., Proposed Decision, at pp. 86-87.

required, among other things, to avoid double procurement of RA and/or Operating Reserves in future years.

Therefore, a significant piece of the Energy Division’s procurement plan review must be ensuring that the non-gas fired resources, *including* energy storage for which LCR procurement is now mandated by the Proposed Decision, be assigned an appropriate net qualifying capacity (NQC) value and be eligible to participate in CAISO ancillary services markets. While it may be the case that current demand response, energy storage, or distributed generation may not have Commission-approved protocols for assigning NQC values or yet qualify to provide ancillary services in CAISO’s market, these matters must be addressed and fairly resolved by the Commission prior to and/or as part of Energy Division’s review of SCE’s procurement plan. In this regard, there is ample evidence in this record that, in other balancing authorities, these resources can supply capacity and ancillary services,<sup>36</sup> and, significantly, the CAISO itself has confirmed that demand response resources are technically capable of supplying ancillary services.<sup>37</sup>

To that end, the Proposed Decision must be modified to facilitate procurement of preferred resources and energy storage to meet SCE’s LCR need. Specifically, the following “screen” listed among the “elements” required for SCE’s solicitation process and plan at page 86 and Ordering Paragraph 5 (page 125) of the Proposed Decision, must be modified to read: “d) A requirement that resources offer the performance characteristics needed to be eligible to count as local RA capacity, **with the caveat that preferred resources and energy storage have been or are assigned net qualifying capacity (NQC) values appropriate to those resources and are**

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<sup>36</sup> See, e.g., Ex. EnerNOC-2 (EnerNOC (Hoffman)).

<sup>37</sup> Specifically, the CAISO has stated: “The ISO can confidently state that the PLP [Participating Load Pilot] projects have demonstrated and affirmed that smaller demand response resources can successfully participate in and enhance ISO markets and reliably provide ancillary services, on a basis closely comparable to supply-side resources.” CAISO Participating Load Pilot Project Report, February 18, 2010, at p. 4.

**assumed to have the capability to provide ancillary services.”**<sup>38</sup> This modification is also reflected and included in Appendix A hereto.

### **III. CONCLUSION**

CEERT strongly supports the policy framework adopted in the Proposed Decision applicable to SCE’s LCR need and procurement. CEERT asks, however, that certain modifications be made to the Proposed Decision, as indicated in Section II above and reflected in Appendix A hereto, to “ensure” that the Proposed Decision’s assumptions and expectations for SCE’s LCR procurement “become reality.”<sup>39</sup>

Respectfully submitted,

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<sup>38</sup> Proposed Decision, at p. 86.

<sup>39</sup> Proposed Decision, at p. 80.

## APPENDIX A

### CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES PROPOSED CONCLUSIONS OF LAW AND ORDERING PARAGRAPHS

The Center for Energy Efficiency and Renewable Technologies (CEERT) strongly supports the issuance of the Proposed Decision of ALJ Gamson Authorizing Long-Term Procurement for Local Capacity Requirements (Proposed Decision) mailed in R.12-03-014 (LTPP) on December 21, 2012, with certain modifications. To that end, CEERT proposes the following changes be made in the Conclusions of Law and Ordering Paragraphs of the Proposed Decision below. Please note the following:

- A page citation to the Proposed Decision is provided in brackets for each Conclusion of Law or Ordering Paragraph for which a modification is proposed.
- Added language is indicated by **bold type**; removed language is indicated by **bold strike-through**.

#### **PROPOSED CONCLUSIONS OF LAW:**

4. [121] SCE's procurement process should have no provisions specifically or implicitly excluding any resource from the bidding process due to technology, except for amounts above 1,200 MW in the LA basin local area and a requirement to procure 50 MW of energy storage resources, **and 150 MW of demand response resources**, SCE must have provisions designed to be consistent with the Loading Order approved by the Commission in the Energy Action Plan and § 454.5(b)(9(C)).

7. [121] SCE should be authorized to start the process to procure a minimum of 1,050 MW and a maximum of 1,500 MW in the West LA sub-area of the LA basin local reliability area. No more than 1,200 MW should be from conventional gas-fired sources, **with an additional 150 MW required to be procured from demand response resources, and with up to an additional 450 300 MW that may should be procured** from preferred resources in addition to resources already authorized or required to be obtained via Commission decisions in energy efficiency, demand response, RPS and relevant dockets.



8. [121] SCE should be required to procure at least 50 MW of energy storage resources in the LA basin local area to meet LCR needs **and at least 150 MW of demand response resources.**

**PROPOSED ORDERING PARAGRAPHS:**

1. [123] In this decision, we authorized Southern California Edison Company to procure between 1,050 and 1,500 Megawatts (MW) of electrical capacity in the West Los Angeles sub-area of the Los Angeles basin local reliability area to meet long-term local capacity requirements by 2021. Procurement must abide by the following guidelines:

- a. [124] At least 1,000 MW, but no more than 1,200 MW, of this capacity must be from conventional gas-fired resources;
- b. At least 50 MW of capacity must be procured from energy storage resources, **and at least 150 MW of capacity must be procured from demand response resources;**
- c. Up to ~~450~~ **an additional 300** MW of capacity may be procured through preferred resources consistent with the Loading Order of the Energy Action Plan and/or energy storage resources. Distributed generation procured as part of this authorization must be incremental to the 1,519 MW of distributed generation already forecast to be available in the LA Basin in the California Independent System Operator Environmentally Constrained portfolio. To the extent that 1,519 MW of distributed generation has not already been authorized in other Commission decisions, such authorization is granted here.

5. [124] Any Requests for Offers (RFO) issued by Southern California Edison Company as part of the procurement process authorized by this Order shall include the following elements, in addition to any RFO requirements not delineated herein but specified by previous Commission procurement decisions (including Decision 07-12-052) and the authorization and requirements of this decision:

- a. [125] The resource must meet the identified reliability constraint identified by the California Independent System Operator (ISO);
- b. The resource must be demonstrably incremental to the assumptions used in the California ISO studies, to ensure that a given resource is not double counted;
- c. The consideration of costs and benefits must be adjusted by their relative effectiveness factor at meeting the California ISO identified constraint;
- d. A requirement that resources offer the performance characteristics needed to be eligible to count as local Resource Adequacy capacity **with the caveat that preferred resources and energy storage have been or are assigned net**

**qualifying capacity (NQC) values appropriate to those resources and are assumed to have the capability to provide ancillary services.;**

- e. No provisions specifically or implicitly excluding any resource from the bidding process due to resource type;
- f. No provision limiting bids to any specific contract length;
- g. Provisions designed to be consistent with the Loading Order approved by the Commission in the Energy Action Plan and to pursue all cost-effective preferred resources in meeting local capacity needs;
- h. Provisions designed to minimize costs to ratepayers by procuring the most cost-effective resources consistent with a least cost/best fit analysis;
- i. A reasonable method designed to procure local capacity requirement amounts at or within the levels authorized or required in this decision, not counting amounts procured through cost-of-service contracts;
- j. An assessment of projected greenhouse gas emissions as part of the cost/benefit analysis;
- k. [126] A method to consider flexibility of resources without a requirement that only flexibility of resources be considered; and
- l. Use of the most up-to-date effectiveness ratings.