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 SAN DIEGO GAS AND ELECTRIC COMPANY (U 902 E) ON PROPOSED DECISION AUTHORIZING LONG-TERM PROCUREMENT FOR LOCAL CAPACITY REQUIREMENTS

AIMEE M. SMITH

101 Ash Street, HQ-12
San Diego, California 92101
Telephone: (619) 699-5042
Facsimile: (619) 699-5027
amsmith@semprautilities.com

Attorney for
SAN DIEGO GAS & ELECTRIC COMPANY

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I. INTRODUCTION

Pursuant to Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission (the "Commission"), San Diego Gas and Electric Company ("SDG&E") provides these comments regarding the Proposed *Decision Authorizing Long-Term Procurement for Local Capacity Requirements* (the "PD").

The PD, *inter alia*, authorizes Southern California Edison Company ("SCE") to undertake procurement to meet long-term local capacity requirements ("LCRs") by 2021 and declines to adopt proposed changes to the Cost Allocation Mechanism ("CAM") approved in Decisions ("D.") 06-07-029, D.07-09-044, D.08-09-012 and D.11-05-005. As discussed in more detail below, SDG&E notes that the PD incorrectly characterizes the analysis performed by the California Independent System Operator ("CAISO") regarding LCR need. In addition, the PD improperly omits discussion of procurement to meet LCR need in the Ellis sub-area of the Los Angeles ("LA") basin local area, which is necessary to ensure that the import capacity assumed in the CAISO study to the San Diego and Greater Imperial Valley-San Diego areas is maintained.

II.
CHARACTERIZATION OF CAISO ANALYSIS

In discussing the CAISO's need analysis, the PD questions whether "the ISO's general methodology is reasonable" and whether the Commission "should authorize procurement of up to several thousand MW of capacity based on [the] rare set of circumstances" assumed in the CAISO's analysis.[1/] As CAISO witness Millar, explained the CAISO's recommendations are principally driven by its obligation to meet the applicable reliability requirements adopted and enforced by the Federal Energy Regulatory Commission ("FERC"), the North American Electric Reliability Corporation ("NERC") and the Western Electricity Coordinating Council ("WECC").[2/] CAISO witness Sparks, for example, noted that the CAISO's recommendations regarding the need for additional flexible generating resources located in the Western LA Basin subarea represent are designed to address potential reliability issues in this control area.[3/] Hence, the PD's observation that "the ISO models use assumptions of rare and unusual circumstances, which may never occur" improperly characterizes the CAISO's methodology by suggesting that the CAISO might have selected assumptions of circumstances that are more likely to occur.[4/]

Plainly, the CAISO is obligated to apply the modeling required under the NERC/FERC/WECC reliability criteria and may not unilaterally adjust either the reliability criteria or the models used in its analysis. Accordingly, SDG&E recommends that the PD be revised to more clearly acknowledge the relationship between the CAISO's analysis and recommendations, and the NERC/FERC/WECC reliability criteria, and to eliminate the reference to "rare and unusual circumstances" that appears on page 39 of the PD.

1/ PD, p. 39.
2/ CAISO/Millar, Tr. Vol. 3, pp. 378, 390-391, 504-505.
3/ CAISO/Sparks, CAISO-1, p. 17; *see also* Tr. Vol. 2, p. 192.
4/ *See* PD, p. 39.

III.
ELLIS SUB-AREA AND MAINTENANCE OF IMPORT CAPABILITY

The LCR determination in the Ellis sub-area has an impact on the LCR in the San Diego and Greater Imperial Valley-San Diego areas. As SDG&E witness Jontry explained, "[t]he ability to import energy into [the San Diego and Greater Imperial Valley-San Diego areas] via Path 44 . . . is affected by the amount and location of dependable generation in the Los Angeles basin. *Therefore, the San Diego and Greater Imperial Valley-San Diego LCRs could be affected by the LCR determinations for the Western LA Basin sub-area* ***and the Ellis sub-area***."[5/] The PD, however, makes no mention of the LCR need in Ellis sub-area, focusing instead on LCR need in the Western LA sub-area.

Tables 3-6 on pages 19-20 of the PD show the CAISO-identified need in each sub-area. The Ellis sub-area shows 225 MW of LCR need across all four renewable scenarios. The CAISO's analysis in Tables 3-6 indicates that the limiting contingency in the Ellis sub-area results in voltage collapse, which would affect a large area and a significant number of customers. Given this fact and the importance of the LCR in the Ellis sub-area to SDG&E's import capability, the PD should be revised to address LCR need in the Ellis sub-area.

In addition, while the Ellis sub-area and Western LA Basin sub-areas are independent, and addition of generation in the Ellis sub-area does not reduce the LCR need in the Western LA Basin on a one-to-one basis, CAISO witness Sparks pointed out that "generation in the Ellis subarea is highly effective at mitigating the Western LA Basin constraint."[6/] This suggests that generation procured in the Ellis sub-area would still significantly reduce the generation needed in the Western LA sub-area. The PD should be revised to take account of this fact.

[5/] Exh. SDG&E-1, p. 1.
[6/] CAISO/Sparks CAISO-1, p. 10.

Accordingly, SDG&E recommends that the PD be revised to address the LCR need of at least 225 MW identified in the Ellis sub-area. The PD should also be revised to acknowledge that generation in the Ellis sub-area is highly effective at mitigating transmission constraints in the Western LA Basin sub-area, and to provide that to the extent generation procured in the Ellis sub-area mitigates transmission constraints for the Western LA Basin sub-area, the amount of generation procured for the Western LA basin may be reduced by an equivalent amount. These proposed changes to the PD will further the goal of maintaining the import capacity assumed in the CAISO study to the San Diego and Greater Imperial Valley-San Diego areas and of minimizing the combined LCRs for the San Diego and Los Angeles basin areas.

IV.
CONCLUSION

For the reasons set forth above, the PD should be revised in accordance with the recommendations described herein and set forth in Attachment A hereto.

Dated this 14th day of January, 2013 in San Diego, California.

Respectfully submitted,

/s/ Aimee M. Smith
AIMEE M. SMITH

101 Ash Street, HQ-12
San Diego, California 92101
Telephone: (619) 699-5042
Facsimile: (619) 699-5027
amsmith@semprautilities.com

Attorney for
SAN DIEGO GAS & ELECTRIC COMPANY

ATTACHMENT A

Proposed Finding of Fact, Conclusion of Law and Ordering Paragraph

PROPOSED FINDING OF FACT:

32. The ISO's Environmentally Constrained scenario sensitivity analysis includes the highest reasonable levels of uncommitted energy efficiency and uncommitted CHP. This forecast shows an LCR need of 1,042 MW **in the Western LA section of** ~~for~~ the LA basin local area for effective sites **and an LCR need of at least 225 MW in the Ellis sub-area**. **Generation in the Ellis sub-area is highly effective at mitigating transmission constraints in the Western LA Basin sub-area.**

PROPOSED CONCLUSION OF LAW

7. SCE should be authorized to start the process to procure a minimum of **(i) 225 MW in the Ellis sub-area; and (ii)** 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 **of the generation procured in the West LA sub-area** should be from conventional gas-fired sources **and** up to 450 MW may be 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.

PROPOSED ORDERING PARAGRAPH:

1. In this decision, we authorized Southern California Edison Company to procure **(i) at least 225 Megawatts (MW) of electrical capacity in the Ellis sub-area; and (ii)** 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. **To the extent that**

generation procured in the Ellis sub-area mitigates transmission constraints for the Western LA Basin sub-area, the amount of generation procured for the Western LA basin may be reduced by an equivalent amount. Procurement **in the West Los Angeles sub-area** must abide by the following guidelines:

a. 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;

c. Up to 450 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.