

**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.

R.12-03-014
(Filed March 22, 2012)

**COMMENTS OF THE CALIFORNIA LARGE ENERGY CONSUMERS
ASSOCIATION ON PROPOSED DECISION ON TRACK I**

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January 14, 2013

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The California Large Energy Consumers Association (CLECA)¹ submits these comments on the Proposed Decision (PD) in Track 1 pursuant to Rule 14.3 of the California Public Utilities Commission’s (Commission) Rules of Practice and Procedure.

I. INTRODUCTION

The Commission’s paramount responsibility is to California ratepayers. As the PD recognizes, meeting this responsibility requires careful balancing of “ensuring reliability, reasonable rates and a clean environment.”² The PD’s efforts to achieve the necessary balance could be improved by rectifying its apparent failure to consider the full record prior to the PD’s adoption. Specifically, CLECA recommended inclusion of Demand Response to meet the Local Capacity Requirements (LCR). Additionally, CLECA suggested initial

¹ The California Large Energy Consumers Association is an *ad hoc* organization of large, high load factor industrial electric customers of Southern California Edison Company and Pacific Gas and Electric Company. CLECA has been an active participant in Commission regulatory proceedings since 1987.

² PD, at 35-36.

procurement could be undertaken while additional studies are performed— ones that incorporate non-generation solutions (transmission fixes) and preferred resources as required by statutory Loading Order directives. CLECA also recommended greater consideration of costs, particularly the impact of the CAISO’s conservative modeling assumptions and warned against procurement of as-yet unproven storage with no consideration of cost-effectiveness. Yet the PD makes no mention of CLECA’s recommendations, nor does the PD address the significant concerns CLECA raised regarding inappropriate, too-costly reliance on overly-conservative CAISO studies.

The PD should be revised to reflect CLECA’s positions and include incremental Demand Response. Proposed revisions to Findings of Fact and Ordering Paragraph 1 are attached. With incorporation of CLECA’s recommended changes, CLECA supports adoption of the PD. Additionally, CLECA agrees with the PD that the parties requesting a change in the Cost Allocation Mechanism (CAM) did not make their case and thus the current mechanism should not be changed.

II. PD REVISIONS ARE NEEDED TO ADEQUATELY REFLECT THE RECORD AND BALANCE COST CONSIDERATIONS WITH RELIABILITY AND ENVIRONMENTAL GOALS

A. Necessary Revisions to Incorporate CLECA’s Positions

At a minimum, the PD requires revision to include CLECA’s positions and recommendations. These positions and recommendations were developed based on record evidence and focused on meeting reliability requirements, cost considerations and established environmental goals. CLECA respectfully asks

that the PD be revised in **each** of the below locations³ to include CLECA's position and concerns.

- PD, at 13 (failing to include CLECA's briefs and comments in its listing of parties' filings);
- PD, at 17 (discussing CAISO's exclusion of demand response, despite its position at the top of the loading order, but failing to include CLECA's arguments that DR can and should be considered based on DR capabilities and NERC requirements in CLECA's Opening Brief at 19-22);
- PD, at 24 (citing uncertainty about generation lead times and appearing to accept references to 7- 9 year lead times for new generation (PD at 61, 89), with no discussion of CLECA's proposed alternative, which is to pay to develop and certify a site without beginning construction, so that if new generation is needed, it could be built more quickly, in CLECA's Opening Brief at 28);
- PD, at 28 (discussing TURN's critique of CAISO for ignoring ratepayer costs, but not mentioning CLECA's analysis of NERC and WECC standards and comparison to CAISO's more stringent and thus more costly requirements in CLECA's Opening Brief at 7-19);
- PD, at 37 (discussing issues of the cost of having a surplus of generation but failing to include CLECA's concerns about over-procurement and too-costly procurement in CLECA's Opening Brief at 12-19 and 27-28);
- PD, at 39 (discussing issues with CAISO model assumptions but not addressing CLECA's points on CAISO's excessively stringent planning standards in CLECA's Opening Brief at 9-19 and failing to mention CLECA's discussion of issues with the 1-in-10 double contingency approach to LCR in CLECA's Opening Brief at 2-20);

³ This is not a comprehensive list of all locations in the PD where CLECA's contribution to the record is missed, but it captures the most important points made by CLECA.

- PD, at 40-42 (discussing the OTC schedule and the possibility for its revision along with input from DRA and CEJA but not including CLECA's input on the point that the schedule can be revised or delayed at the CAISO's request, described in CLECA's Opening Brief at 22-25). The PD's conclusion that there is not enough information is questionable,⁴ given the input by CAISO, DRA, CEJA and CLECA. This conclusion warrants additional justification.

- PD, at 50-55 (wrongly ignoring the option of Demand Response in meeting some LCR need, simply because the CAISO did not run a scenario with a higher level of DR and stated incorrectly on the stand that DR cannot be dispatched locationally; CLECA's Opening Brief explained in detail why the Commission should not allow the CAISO to dictate which resources can be considered on the basis of its modeling choices at 3-25; this unwarranted Commission deference gives the CAISO too much ability to influence procurement results);

- PD, at 54-55 (relying solely on CAISO in determining how to count DR for LCR, despite the CAISO refusal to count DR for LCR and despite CLECA's Opening Brief at 20-22). The PD allows for increased amounts of other preferred resources, such as EE and CHP, since they are in the Environmentally Preferred Scenario; it should also allow for increased amounts of DR.

- PD, at 58-60 (setting an energy storage procurement target of 50 MW in the LA basin, despite admitting that it doesn't know if there are viable storage alternatives and with no discussion or acknowledgement of CLECA's concerns regarding cost-effectiveness of storage in CLECA's Opening Brief, at 34-35)

⁴ PD, at 42.

- PD, at 60-65 (the discussion of authorized procurement levels should mention CLECA's proposal for a phased approach with a procurement maximum but no minimum in CLECA's Opening Brief at 25 and CLECA's other procurement proposals in CLECA's Opening Brief at 28);
- PD, at 86 (discussing SCE's recommendations for further analysis prior to actual procurement with no mention of CLECA's similar position and recommendations);
- PD, at 96-109 (addressing various parties' positions and arguments regarding use of the CAM, with no mention of CLECA's support for continued use of the CAM in its Opening Brief at 30-33).

In considering this request to include most of CLECA's positions in the PD, we respectfully remind the Commission of the scarcity of party resources.

Particularly for parties NOT funded by intervenor compensation - such as CLECA – this scarcity of resources by necessity drives selective participation in only certain dockets. If not considered, participation by parties who do not receive intervenor funding in Commission proceedings will be chilled; records will be less developed and less informed by key stakeholders. This public agency should strive to avoid that outcome. Commissioners and staff should ensure that all parties' contributions to Commission records are taken into consideration. Not only is this a requirement for agency decisions which must explain their bases in findings of fact and conclusions of law based on the record, it is also good public policy.

B. Greater Consideration of Costs Should be Reflected In the Final Track 1 Decision

1. CAISO Studies Are Insufficient to Reasonably Be Relied Upon Without Further Study

Commission authorization of procurement and guidance for Local Capacity Requirements (LCR) should be based on comprehensive and substantiated analysis that includes alternatives in compliance with the state's Loading Order. The unduly conservative and limited nature of the CAISO studies is readily apparent.⁵ For example, the Commission cannot reasonably accept the results of the CAISO OTC studies to authorize LCR procurement without modification and the consideration of additional factors. The PD acknowledges the fact that CAISO doesn't consider costs in fulfilling its obligation to ensure reliability while the Commission must do so, but it accepts the CAISO's OTC study without change, despite record evidence and ratepayer objections.

The ultimate Track 1 determination must not fail to protect ratepayers against unreasonable costs. CLECA thus supports the PD's statement that SCE must:

consider a variety of issues ... including effectiveness of siting, changes in load forecasts, potential cost-effective transmission upgrades, availability of SONGS, and other existing resources, and potential market power of bidders⁶

before "locking down all the assumptions to use for LCR procurement."⁷ CLECA strongly supports the performance of additional studies prior to any LCR

⁵ CLECA Reply Brief, at 2-4.

⁶ PD, at 86.

⁷ Id.

procurement pursuant to any authority granted as a result of this Track 1.

2. The 50 MW Storage Procurement Target Is Not Based On Requisite Cost Effectiveness Findings And Should Be Rejected

The PD calls for a procurement target of 50 MW of storage, with no cost limitations, no cost-effectiveness requirement, and no commercial feasibility requirement.⁸ Despite the PD's discussions elsewhere of cost-effectiveness and minimizing ratepayer impacts⁹, these principles are not applied to the storage target. This mandate is inconsistent with the Commission's stated goals of balancing reliability, ratepayer impact, and environmental concerns. This 50 MW target for storage in the LA Basin should be removed as unsupported by the record and more appropriately considered in the storage docket, if it is demonstrated to be cost-effective for ratepayers.

III. CONCLUSION

This Commission must determine that any procurement it authorizes is just and reasonable from a ratepayer perspective. CLECA's concerns regarding the impact on ratepayers of the additional generation to meet the CAISO's more stringent reliability standards is not adequately addressed in the PD; the PD should be revised to include CLECA's analysis and input on the failings of the CAISO's studies, along with CLECA's other key positions. The 50 MW target for storage should be removed from the PD as unsupported by the record, but the

⁸ PD, at 60.

⁹ PD at 78-79.

PD's treatment of the CAM should be maintained based on the record in this proceeding.

Respectfully submitted,

A handwritten signature in black ink that reads "Nora Sheriff". The signature is written in a cursive, slightly slanted style.

Nora Sheriff

Counsel to the California Large Energy
Consumers Association

January 14, 2013

**PROPOSED REVISIONS TO
FINDINGS OF FACT AND ORDERING PARAGRAPH 1
(Insertions underlined; deletions ~~stricken through~~)**

FINDINGS OF FACT

- New Finding of Fact: “Parties raised concerns regarding various aspects of the ISO’s studies and modeling.”
- Finding of Fact 6 “The ISO forecasted LCR needs 10 years into the future for the first time; these forecasts (like other forecasts) are subject to error due to input assumptions and significant changes in circumstances over time, given this potential for error and parties’ concerns regarding the ISO studies and modeling, it is reasonable to require SCE to take into account updated load forecasts and all available current information, including demand response data, before undertaking any LCR procurement.”

On Demand Response

- FOF 12 “The four RPS Scenarios analyzed by the ISO do not include any uncommitted energy efficiency or uncommitted CHP analyzed by the CEC; nor do they include incremental demand response.”
- FOF 19: “It may be possible to develop specific demand response programs which would be able to count for long-term local reliability purposes, possibly including programs targeted to specific local areas, or to shave peak load (which would reduce the load forecast). However, While the ISO believes that there are no demand response programs at this time which the ISO believes meet reliability criteria, other parties disagree, and it is reasonable to require SCE to investigate what demand response programs are available prior to undertaking any LCR procurement.”
- FOF 21: “It is likely that some amount of locally-dispatchable demand response resources will be available to meet or reduce future LCR needs by 2021 or sooner.”

ORDERING PARAGRAPH

1.b. ~~At least 50 MW of capacity must be procured from energy storage resources.~~