

**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 CALPINE CORPORATION
ON PROPOSED DECISION OF ALJ GAMSON**

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Pursuant to Rule 14.3 of the California Public Utilities Commission (“Commission”) Rules of Practice and Procedure, Calpine Corporation (“Calpine”) submits these comments on the proposed decision authorizing long-term procurement for local capacity requirements (“PD”). Calpine generally supports the PD but believes the following revisions are necessary to ensure that more efficient and cost-effective procurement decisions are made:

- Restrictions limiting the procurement of combined heat and power (“CHP”) resources that have the same performance characteristics for local reliability as gas-fired resources should be eliminated.
- Specific mandates to procure 50 MW of storage in the Los Angeles basin should be eliminated absent the Commission making a determination in the pending storage rulemaking (R.10-12-007) that the adoption of a specific procurement target for energy storage is appropriate.

The goal of procurement should be to satisfy reliability needs with least-cost/best fit resources and the most effective way to accomplish this goal is to not unnecessarily limit the universe of options to meet these needs.

I. THE PD SHOULD BE REVISED TO ELIMINATE RESTRICTIONS ON THE PROCUREMENT OF CHP RESOURCES THAT HAVE THE SAME PERFORMANCE CHARACTERISTICS FOR LOCAL RELIABILITY AS GAS-FIRED RESOURCES

The PD authorizes Southern California Edison (“SCE”) to procure at least 1,050 MW of capacity to meet 2021 Local Capacity Requirements (“LCR”) in the West Los Angeles sub-area

of the Los Angeles basin. The PD further specifies that “[i]ncluded in that 1,050 MW shall be 1,000 MW of conventional gas-fired generation and at least 50 MW of energy storage capacity.”¹

In specifying the procurement of conventional gas-fired generation, the PD reasons that the procurement of at least 1,000 MW of gas-fired generation in the Los Angeles basin local area is necessary “to ensure a base level of procurement certain to ensure reliability under the most stringent criteria.”² However, in a footnote, the PD concludes that “[c]onventional gas-fired generation does not include CHP” and effectively excludes any CHP from contributing to the minimum procurement of gas-fired generation needed to ensure reliability for the West Los Angeles sub-area of the Los Angeles basin.³

While Calpine agrees that a floor on the procurement of gas-fired generation or its equivalent may be warranted, the record provides no justification for restricting that procurement to non-CHP gas-fired generation. In fact, as the PD itself acknowledges, the ISO has determined that “resources (or combination of resources) which have the same performance criteria as gas-fired generation” can satisfy local reliability requirements as well as gas-fired generation.⁴

CHP resources can have the same characteristics as non-CHP gas-fired generation. For example, some CHP plants are dispatchable over wide ranges of output, are available for dispatch throughout the year and for most hours of the day, are not generally energy limited, and participate actively in CAISO markets. The PD finds that CHP may meet the same performance criteria as gas-fired generation in the future, but fails to acknowledge that some existing CHP already meets the criteria.⁵ Thus, to the extent that CHP resources have the same performance

¹ PD, at 80 (footnote omitted).

² PD, at 79.

³ PD, at 80 (fn. 200).

⁴ PD, at 72 (emphasis added)

⁵ PD, at 72.

characteristics as gas-fired resources,⁶ SCE should be allowed to procure such resources towards the conventional gas-fired generation procurement minimum.

II. THE PD SHOULD BE REVISED TO ELIMINATE THE REQUIREMENT TO PROCURE 50 MW OF ENERGY STORAGE

The PD authorizes SCE to procure “at least 50 MW of energy storage capacity” to meet 2021 LCR in the West Los Angeles sub-area of the Los Angeles basin.⁷ Such authorization, however, is premature pending the outcome of the Commission’s ongoing storage rulemaking (R.10-12-007). Specifically, in the storage rulemaking, the Commission has not yet determined if the adoption of a specific procurement target for energy storage is appropriate, let alone directed SCE to procure a specific amount of storage.⁸ On the contrary, to date, the Commission has only adopted a framework for analyzing storage needs.⁹ Decisions mandating the procurement of energy storage should not be made – if at all - until the Commission has first determined in the storage rulemaking whether a specific procurement target for energy storage is even appropriate.

Given the PD’s adoption of a minimum LCR need of 1,050 MW for the West Los Angeles sub-area of the Los Angeles basin local area¹⁰ and the PD’s desire “to ensure a base level of procurement certain to ensure reliability under the most stringent criteria,”¹¹ the PD should be revised to eliminate the requirement that SCE procure at least 50 MW of energy storage and should instead require that a minimum of 1,050 MW be procured from gas-fired

⁶ See, e.g., Testimony of Mark Rothleder, on behalf of ISO, at 9 (lines 4-9) describing the performance characteristics of flexible conventional generation as including such attributes as “voltage support, flexibility, frequency response, sustained energy supply, reliable responsiveness, no significant use limitations, and the ability to provide energy regulation, operating reserves, and load following.”

⁷ PD, at 80.

⁸ D.12-08-016, mimeo at 29 (“[The prioritization of end-uses for storage] will allow us to identify those relevant situations where storage can be utilized and whether it would be appropriate to set targets to encourage the cost-effective deployment of energy storage systems.”).

⁹ See D.12-08-016.

¹⁰ PD, at 63.

¹¹ PD, at 79.

resources or resources that have the same performance characteristics for local reliability as gas-fired resources (potentially including dispatchable CHP).

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Appendix A

Proposed Revisions to Proposed Decision

Conclusions of Law

4. 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~~, 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. 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 resources and up to 450 MW may be from preferred resources **that do not have the same performance characteristics for local reliability as gas-fired resources** in addition to resources already authorized or required to be obtained via Commission decisions in energy efficiency, demand response, RPS and relevant dockets. **At least 1,050 MW of the authorized procurement should be from gas-fired resources or resources that have the same performance characteristics for local reliability as gas-fired resources (potentially including dispatchable Combined Heat and Power resources).**

~~8. SCE should be required to procure at least 50 MW of energy storage resources in the LA basin local area to meet LCR needs.~~

Ordering Paragraphs

1. 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. ~~At least 1,000~~ **1,050 MW from gas-fired resources or resources that have the same performance characteristics for local reliability as gas-fired resources potentially including dispatchable Combined Heat and Power resources**, 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 **that do not have the same performance characteristics for local reliability as gas-fired 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.