

**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)

**WOMEN'S ENERGY MATTERS
OPENING COMMENTS ON PROPOSED DECISION IN TRACK 1
LOCAL CAPACITY REQUIREMENTS (LCRS)**

January 14, 2013

Barbara George, Executive Director
Women's Energy Matters
P.O. Box 548
Fairfax CA 94978
415-755-3147
wem@igc.org

TABLE OF CONTENTS

Introduction	1
Public process essential in order to transition from gas to preferred	2
The ED mandates gas and equivocates as to preferred resources	3
Set aside for particular technologies violate the Loading Order	4
Devil in the details	5
Confusion around bilateral contracts provision	5
Resource Adequacy	5
Tracking the location of Energy Efficiency and other preferred resources	6
The only fair way to determine "availability" of resources is to allow	7
bid	7
The criteria for local reliability	7
Conclusion	8
INDEX	1
Proposed Revisions	1
Revised Findings of Fact	1
Revised Conclusions of Law	2
Revised Order	2

TABLE OF AUTHORITIES

Other Authorities **ð**

Loading Order 3, 8

CPUC Decisions and Resolutions **ð**

D1201033..... 3

D1204046..... 2

D1211015. 1

California Public Utilities Code **ð**

§454.5(b)(9)(C) 3

TABLE OF RECOMMENDATIONS

In order to accomplish necessary changes, including changes in other venues, this PD should be more specific about the barriers that need to be removed, and map out a public process that would likely lead to that result.	2	<input type="checkbox"/>	ð
The PD should order public workshops to define “integration” and discuss the integration of preferred resources to meet local capacity requirements.	3	<input type="checkbox"/>	ð
The decision should order SCE to consider resource combinations that bid as a unit or could be combined from separate bids to address constraints.	4	<input type="checkbox"/>	ð
The PD needs to provide a process whereby entities who believe resources other than gas plants and storage can be effective would assist in developing “assumptions on the effectiveness of any resource for which the RA program does not provide clear guidance.” These assumptions should be developed by the Commission, in concert with CAISO, other parties and the public — and all utilities, not just SCE, should be ordered to use them.	6	<input type="checkbox"/>	ð
The Commission should order utilities to begin tracking the amounts of energy efficiency and other preferred resources by substation, and reporting those amounts monthly to the CAISO.	6	<input type="checkbox"/>	ð
The PD should allow preferred resources to bid, rather than relegate them to a backroom study conducted by SCE. It is clear from the record in this proceeding that SCE doubts the “availability, economics, viability and effectiveness” of preferred resources and is the wrong entity to conduct such a study.	7	<input type="checkbox"/>	ð
WEM provided the ISO-New England Manual for Measurement and Verification of Demand Reduction Value from Demand Resources, which demonstrated that written criteria for reliability exists in other venues. The Manual would provide a useful template for the Commission to use as a starting point.	8	<input type="checkbox"/>	ð

WOMEN'S ENERGY MATTERS
OPENING COMMENTS ON PROPOSED DECISION IN TRACK 1
LOCAL CAPACITY REQUIREMENTS (LCRS)

Women's Energy Matters (WEM) appreciates this opportunity to provide opening comments on the Proposed Decision ("PD") on Procurement for Local Capacity Requirements.

Introduction

The Proposed Decision gingerly offers a very new and welcome vision of a world where preferred resources grow up and take their place at the forefront of our energy future. Almost immediately though, it retreats to where the game is still rigged against clean energy. From behind a barricade of obsolete barriers piled high, the ALJ's decision waves the twinkling promise of a not-quite-attainable future — but hands the future to the frackers.

It's 35 years since California became the beacon of hope for the clean energy world, etc. but again and again that beacon flickers and dims — while empty simulations mock us with their unreality. California keeps stalling out on its promise, limping where it should be soaring...

WEM believes we have a very short window to get this right. The precautionary principle advises us to avoid risky choices and embrace safe ones — to consider the children of the seventh generation. This is very difficult to achieve in a time of short-term thinking where the profits of a few override the health and welfare of the many.

The conventional energy suppliers are geared up and beginning to use the most invasive technology ever invented to ravish the earth's most sensitive places, in search of ever-more dirty and GHG-emitting, difficult-to-reach, expensive-to-process resources. This country is in our second decade of an "endless war" to force other nations to let our corporations grab those resources wherever they find them and pay a pittance or nothing at all.

The only thing that could prevent these horrors (other than a catastrophe beyond anything yet experienced) is the swift development and use of preferred resources.

All in all the PD tortures us clean energy advocates with missed opportunities, what-might-have-been solved here rather than kicked down the road some more — but then clumsily, almost advertently leaves a few doors open, just a crack.

Clean energy advocates and providers are pushed out those doors, willy-nilly, and left to sink or swim in a dysfunctional process — a little like being dumped off a moving train in a land of outlaws, though it's better than staying on a train which is out of control and about to fall off a broken bridge...

Public process essential in order to transition from gas to preferred resources

As currently written, the PD errs in its supposed objective (to follow the Loading Order) by failing to provide a viable process for ensuring that SCE will identify preferred resources that can function in the context of procurement, much less choose to use them. Worse still, the PD endorses SCE's proposed processes, which are designed to *avoid* preferred resources and also to avoid competition.

In order to accomplish necessary changes, including changes in other venues, this PD should be more specific about the barriers that need to be removed, and map out a public process that would likely lead to that result.

Instead, the PD orders processes that are *private and non-participatory*, and the only parties at the table (other than Energy Division) are SCE and sometimes CAISO — the two parties that expressed a determination to exclude almost all preferred resources.

OP 6 and 7 task Energy Division (ED) with reviewing the results of SCE's backroom process:

7. In its proposed procurement plan to be reviewed by Energy Division, Southern California Edison Company shall show that it has a specific plan to undertake integration of energy efficiency, demand response, energy storage and distributed generation resources in order to meet or reduce local capacity requirement needs through 2021.

ED has not demonstrated and could not be expected to know the capabilities and costs of the whole market of preferred resources, much less how these resources could be “integrated.” (It's not clear what is meant by integration. The topic of “renewables integration” was not covered in Track 1 studies, and has been deferred to later in the proceeding.¹) Only market providers and other experts in those resources could even begin to describe the full range of capabilities of the myriad of preferred resources — *but these entities are excluded from SCE's backroom process as well as ED's backroom review.*

¹ The PD describes the agreement in the settlement approved in D1204046 for ISO to present a renewables integration study. PD, pp. 9- 10. It fails to clarify that this topic has been renamed “flexibility” and kicked into Track 2.

The PD should order public workshops to define “integration” and discuss the integration of preferred resources to meet local capacity requirements.

The PD mandates gas and equivocates as to preferred resources

The PD passes around a plate of goodies with something for almost every party in the proceeding, which is very gracious. WEM particularly loves this section:

OP 5e. No provisions specifically or implicitly excluding any resource from the bidding process due to resource type;

However, this is surrounded by other sections that will do exactly that — unless major changes occur, some of which must take place in other venues.

The Order itself begins by excluding all but conventional gas plants to bid for all or almost all of the identified need:

OP 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...

OP 1a. At least 1,000 MW, but no more than 1,200 MW, of this capacity *must be* from conventional gas-fired resources;

OP 1b. says that another 50 MW *must be* procured from storage, but when it comes to preferred resources, the language is optional: “up to 450 MW of capacity *may be* procured through preferred resources...”

Set-asides for particular technologies violate the Loading Order

Section §454.5(b)(9)(C), D1201033 and the Loading Order requires that all procurement follow the Loading Order in an ongoing way; therefore the Commission cannot order a set-aside for any particular technology.

While the PD may assume that this set-aside would allow the OTC plant owners to repower with cleaner technology, there is no reason why they should not have to compete with preferred resources, storage and transmission fixes.

There is every reason to consider any and all possible substitutes for gas power plants, especially in the LA basin, which is notorious for dirty air. While new gas plants are cleaner than old ones, the new ones will eventually get old too and pollution will rise. In addition, new gas plants would spur greater development of fracking in the Monterey shale, which must be avoided at all costs to protect California’s water resources from the toxic soup that fracking is leaving behind in other parts of the country.

We must begin to consider the GHG emissions of gas development as well as use. Fracking causes many more leaks, and methane is at least 20 times more powerful than CO₂; national experts now consider the emissions from fracked gas as rivaling coal. These emissions are not yet considered in the CARB cap and trade process, but could be added in the future — therefore the calculations of the added cost of GHG emissions for natural gas plants will likely be too low.

Devil in the details

Here are other examples of elements in the PD that may undermine progress towards procuring preferred resources:

OP 5a. The resource must meet the identified reliability constraint identified by the California Independent System Operator (ISO);

SCE and CAISO claimed only gas resources were able to meet the ISO's reliability constraints. We see too little in this decision that would make them change their minds by the time SCE files its applications in late 2013 or 2014. (Note: even SCE witness Cushnie stated that it might be good to loosen up the requirements for preferred resources to meet the “most stringent” constraints.

This section forces *each resource* to meet the reliability constraints, rather than allowing for the possibility that *a basket* of preferred resources could meet the constraints. WEM and others argued that new resources should not necessarily have to meet constraints — existing resources (for example the nuclear plant SONGS when it used to be running) are not all capable of doing that.

Some of the new preferred resources could serve load, freeing up existing resources that do meet constraints.² Other new resources could provide certain “characteristics” but not others, for example, local solar DG could provide peak resources. If desired, local solar could be combined with storage to meet constraints at other times. WEM described installations that wholistically combine EE, thermal storage, and Demand Response, which could meet constraints.

The decision should order SCE to consider resource combinations that bid as a unit or could be combined from separate bids to address constraints.

OP 5h. Provisions designed to minimize costs to ratepayers by procuring the most cost-effective resources consistent with a least cost/best fit analysis;

² Contracts for existing resources might have to be adjusted, but we understand that some existing resources lack contracts, whether because they never had them or they have expired.

It's possible, even likely, that only Energy Efficiency (EE) would beat gas for cost-effectiveness, so this section would assist SCE to eliminate all other preferred resources. Whether SCE's backroom "studies for preferred resources" would even recognize the cost-effectiveness of EE is doubtful. SCE is also on record claiming (without evidence) that preferred resources wouldn't even want to bid. Witness Silsbee presented a canned argument in this proceeding that he also presented in R1005006, claiming that there is no reason why energy efficiency providers would or even could bid in procurement. This argument is completely undermined by the fact that EE, DR, and local solar providers are in fact bidding into the procurement auction held by ISO-New England, as WEM explained in numerous filings.

The PD put Edison in control of determining cost-effectiveness of both conventional and preferred resources. Edison lacks the information and the willingness to consider the true costs of preferred resources — but the PD fails to envision a process whereby resource providers could provide information that SCE fails to consider.

Most importantly, all of these sections pertain to an RFO:

OP 5. 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...

The PD notes that Edison made it clear that it would only resort to an RFO (if at all) after it conducts bilateral solicitations, claiming that this would somehow avoid market power. The PD seemed to accept this at face value.

Confusion around bilateral contracts provision

This section is confusing:

OP 5i. 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; [emphasis added]

It appears to be saying that SCE's bilateral contracts would not be counted towards the LCR, which would result in excess procurement and conflict with OP 8 which states "Southern California Edison Company is authorized to procure bilateral cost-of-service contracts to meet authorize local capacity requirements..." Perhaps OP 5i refers instead to the 50 MW of storage and 450 MW of optional preferred resources — ?

Resource Adequacy

The following section would disqualify almost all preferred resources:

OP 5d. A requirement that resources offer the performance characteristics needed to be eligible to count as local Resource Adequacy capacity;

Currently, most “demand-side” resources are excluded from counting as Resource Adequacy (RA). An upcoming decision in RA may or may not change this, but we understand that it may only address demand response and CHP; EE has been left out of RA discussions. This is sad, because Energy Efficiency has much to offer for RA. The most cost-effective resource and the top of the Loading Order, EE can meet constraints in some cases, and in all cases it can simply *eliminate the constraints* or greatly reduce them by reducing the load on particular substations or lines.

OP 3 softens OP 5d: “... SCE shall identify its assumptions on the effectiveness of any resource for which the RA program does not provide clear guidance.” However, SCE is on record in this proceeding claiming that currently only gas resources can meet RA or LCRs.

The PD needs to provide a process whereby entities who believe resources other than gas plants and storage can be effective would assist in developing “assumptions on the effectiveness of any resource for which the RA program does not provide clear guidance.” These assumptions should be developed by the Commission, in concert with CAISO, other parties and the public — and all utilities, not just SCE, should be ordered to use them.

Southern California Edison Company shall begin tracking the amounts of energy efficiency and other preferred resources by substation, and reporting those amounts monthly to the California

Tracking the location of Energy Efficiency and other preferred resources

The PD mentions “location” of resources as having a significant impact on their “effectiveness” at serving load and meeting constraints. It errs by failing to discuss the fact that preferred resources are “invisible” to CAISO. There are two problems, one: most of them are situated on the distribution lines, rather than transmission. Two, the utilities fail to track where energy efficiency installations and other preferred resources are located. *Without this information, the effectiveness of preferred resources cannot be determined.*

This can easily be remedied — and must be dealt with in this decision, to give preferred resources viability, and satisfy CAISO’s need for visibility of all resources.

The Commission should order utilities to begin tracking the amounts of energy efficiency and other preferred resources by substation, and reporting those amounts monthly to the CAISO.

This should not be an over-complicated process, and need not involve smart meters or the Livermore Labs contract. After all, every day food providers and supermarkets track heads of lettuce, cartons of milk, and cuts of meat through a labyrinth of locations, in order to ensure food safety and financial accountability. It should be comparatively simple to track EE installations and solar panels, as WEM has long recommended.

The only fair way to determine “availability” of resources is to allow them to bid

The PD acquiesces to SCE’s proposal:

SCE proposes to demonstrate that any proposed contract is consistent with the Loading Order by identifying each preferred resource and then assessing the availability, economics, viability and effectiveness of that supply in meeting the LCR need.¹⁸⁷ Per SCE witness Cushnie, SCE would also perform a cost/benefit analysis of the various procurement options.¹⁸⁸ This study would be performed in parallel with any RFO and/or bilateral negotiations for supply. PD, pp. 73-74.

WEM appreciates that the “demand-side” designation of most preferred resources makes it more difficult to consider them side by side with supplies.³ That’s why CAISO is advocating for preferred resources to be considered supplies for the purposes of procurement.⁴

SCE’s solution is for itself to be the sole decider of the “availability, economics, viability and effectiveness” of preferred resources. SCE has demonstrated clearly in this proceeding that it is an inappropriate entity to conduct this evaluation. For that matter, it has never been clear in the record why there should be a “study” instead of an opportunity for preferred resources to bid, which is the normal way for resources to demonstrate their “availability, economics, viability and effectiveness.”

The PD should allow preferred resources to bid, rather than relegate them to a backroom study conducted by SCE. It is clear from the record in this proceeding that SCE doubts the “availability, economics, viability and effectiveness” of preferred resources and is the wrong entity to conduct such a study.

The criteria for local reliability

The PD noted:

³ The fact that there are “programs” — outside of the context of procurement— that promote these resources, also seems to be confusing to people. WEM believes this is a red herring. ISONew England allows entities to bid in procurement that also conduct “programs.”

⁴ 10-9-12 CAISO comments on the Energy Storage workshop.

In general, SCE would procure resources that will meet ISO criteria for local reliability. However, as ISO witness Millar testified, there is no specific written protocol or tariff that can be referenced to determine the ISO's performance criteria for local reliability. 184 PD, p. 72.

WEM provided the ISO-New England Manual for Measurement and Verification of Demand Reduction Value from Demand Resources,⁵ which demonstrated that written criteria for reliability exists in other venues. The Manual would provide a useful template for the Commission to use as a starting point.⁶

If it is at all serious about using preferred resources in procurement, the Commission must open up the process of determining protocols to preferred resource providers, other parties and the public. It is very unlikely that SCE and ISO will come up with anything comprehensive in the backroom.

Conclusion

WEM appreciates all the work by the ALJ and Commissioner, ED staff, CAISO, IOUs and parties in this proceeding, to try to make preferred resources eligible for LCR procurement and allow them to participate as the Loading Order requires. We're not there yet. More work is needed before we'll see even 450 MW of preferred resources chosen in a fair solicitation.

Given SCE's resistance, a public process will be necessary to define the attributes that various preferred resources would need in order to make them equivalent with conventional resources. WEM recommends that the PD order that process to begin immediately in public workshops.

This should be nuanced, from load-serving capabilities up through transmission constraints and even more stringent flexibility characteristics. Not every existing resource provides all of these, and it is reasonable to excuse new preferred resources from providing all of them.

Dated: January 14, 2013

Respectfully Submitted,

/s/ Barbara George

Barbara George, Executive Director
Women's Energy Matters
P.O. Box 548

⁵ WEM X-ISO-2.

⁶ WEM believes the Manual should be mentioned in the PD as the basis for the process to develop criteria.

- 9 -

Fairfax CA 94978
415-755-3147
wem@igc.org

INDEX

Proposed Revisions

Revised Findings of Fact

10.5 The Loading Order requires that all procurement follow the Loading Order in an ongoing way; therefore the Commission cannot order a set-aside for any particular technology.

11. Each of the four RPS scenarios analyzed by the ISO contain a reasonable minimum level of energy efficiency from CEC forecasts ~~which can be used for the purposes of determining LCR needs for the LA basin local reliability area.~~

13. The ISO's Environmentally Constrained scenario assumes 1,519 MW of distributed generation in the LA basin local area. It is unclear whether SCE has sufficient authority to procure this amount of distributed resources in this local area absent this decision.

13.5 In the past, SCE has failed to use its authority to procure 500 MW of DG in its territory. A public process is necessary to help ensure that SCE's DG efforts move forward.

14. To the extent uncommitted energy efficiency and uncommitted CHP resources ultimately develop, they can be helpful in reducing overall net demand. Reducing overall net demand reduces LCR needs.

14.5. It is reasonable to consider energy efficiency and other preferred resources on the supply side as well, as CAISO recommends. Energy efficiency providers and other preferred resource developers should be allowed to bid to serve specific loads and/or meet constraints identified by CAISO.

~~15. A significant amount of what is categorized by the CEC as uncommitted energy efficiency is certain to occur because it is based on standards already adopted by the CPUC, the CEC and federal agencies.~~

16. Some of what is categorized by the CEC as uncommitted energy efficiency is not certain to occur because it is based on policies, such as the Commission's BBEES, which are not yet implemented.

16.5. Substantial additional energy efficiency will be developed with funding from Prop 39 and financing programs authorized by D1211015.

16.75 In order to determine the amounts of energy efficiency and other preferred resources targeted to the local capacity area, and achieved there, it will be necessary for the utilities to track EE by substation.

28. Given the amount of preferred resources that already exist but may not have been counted, plus additional amounts that are almost certain to appear in the next few years, It is likely that some LCR procurement opportunities would be

~~lost if there is no problem if there is a few months to a year's~~
~~there is a delay in approving a procurement process for the LA basin local~~
~~reliability area and the Big Creek/Ventura local reliability area. While~~
~~conventional gas-fired resources require a five, due to a seven to~~
~~nine year lead time, for conventional gas-fired resources, preferred resources can~~
~~be obtained in as little as weeks or months. The time we take to develop~~
~~essential processes to ensure that preferred resources are allowed to participate~~
~~in procurement to the maximum extent possible, will provide ongoing benefits to~~
~~ratepayers in this local capacity area and throughout the state.~~

45. It may take one year or more after today's decision before SCE can submit an application to the Commission with final LCR procurement contracts for Commission approval, after procurement solicitations, and bilateral negotiations, ~~and~~ ~~studies for preferred resources.~~

Revised Conclusions of Law

2. Consistent with § 454.5(b)(9)(C), which states that utilities must first meet their "unmet resource needs through all available energy efficiency and demand reduction resources that are cost-effective, reliable and feasible," and the Commission's Loading Order established in the Energy Action Plan, utility LCR procurement must take into account the availability of preferred resources before procuring non-preferred resources. The most effective way to determine "availability" is for preferred resources to bid into procurement solicitations.

Revised Order

1. a. There will be no set-aside; all resources will be expected to bid.
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.

5. 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. The resource ~~may~~must meet the identified reliability constraint identified by the California Independent System

Operator (ISO); alternatively, a preferred resource may demonstrate that it can serve load and free up a former load-serving fossil fuel resource with an expired contract, which would now be available to address the constraint

b. The resource ~~must~~must be demonstrably incremental to the assumptions used in the California ISO studies, to ensure that a given resource is not double counted;

Thus there is no need for a preferred resource to already exist; the PPA would provide funds for it to materialize; at the same time, the fact that a preferred resource may also have funding from other sources would not disqualify it from competing in procurement;

c. The consideration of costs and benefits ~~must be adjusted~~by their shall weigh many factors, including the relative effectiveness factor at meeting the California ISO identified constraint;

d. An opportunity for requirement that resource bidders to argue why they can offer the performance characteristics needed to be eligible to count as equivalent to those qualifying for local

Resource Adequacy capacity in prior years;

9. Southern California Edison Company shall work with the California Independent System Operator to determine a priority-ordered listing of the most electrically beneficial locations for preferred resources deployment.

9.5 Southern California Edison Company shall begin tracking the amounts of energy efficiency and other preferred resources by substation, and reporting those amounts monthly to the California Independent System Operator.

11. Southern California Edison Company (SCE) shall provide documentation in its Applications required by Ordering Paragraph 10 of efforts to consult with the California Independent System Operator, preferred resource providers, other parties and the public, to develop performance characteristics for local reliability, and how SCE meets any such performance characteristics. Such characteristics will be the subject of public workshops that

| will be convened immediately.