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
REPLY COMMENTS ON PROPOSED DECISION IN TRACK 1
LOCAL CAPACITY REQUIREMENTS

January 22, 2013

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TABLE OF CONTENTS

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LOCAL CAPACITY REQUIREMENTS

Women's Energy Matters (WEM) appreciates this opportunity to reply to parties' 1-14-13 opening comments on the Proposed Decision ("PD") in Track 1, Local Capacity Requirements.[1]

Track 1 failed to consider SONGS outage but now the PD claims it's included

CAISO argues for the PD to include procurement to address the potential loss of the San Onofre Nuclear Generating Station (SONGS):

> The 1500 MW limit is insufficient, particularly with known planning uncertainties. For instance, the partial or total loss of SONGS is a real uncertainty that can only exacerbate, not ameliorate, procurement needs in Southern California. CAISO, p. 2.

WEM has urged the Commission to plan for the possible sudden loss of SONGS (and Diablo Canyon) ever since May 2011 in R1005006. However, portions of our testimony in Track 1 related to SONGS were struck pursuant to an SCE Motion, and no detailed evidence on this issue was allowed, despite the Scoping Memo's promise: "parties will have the opportunity to present evidence that …the Commission should consider additional factors beyond the ISO's studies, for the purposes of determining local reliability needs."[2]

> Track 2 is the appropriate venue for consideration of issues related to retirement of SONGS. Further, as Track 1 of this proceeding concerns long-term local capacity requirements, this is not the proper venue for considering issues related to the current outage.[3]

Despite this ban, the PD claims SONGS is somehow included in its authorization:

> We have set minimum and maximum LCR procurement levels herein. Within this range, SCE will need to consider a variety of issues. These issues include … availability of SONGS and other existing resources…[4]

If the range authorized by the PD is intended to include replacement of SONGS, it lacks foundation. While WEM believes there is at most only a small need for resources to replace

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[1] All references are to parties' 1-14-13 comments unless otherwise marked.
[2] Scoping Memo, p. 5.
[3] 7-17-12 AC and ALJ's Ruling Partially Granting Motion To Strike Testimony, p. 2. During the 2012 hearings, ALJ Gamson indicated that there would be a chance to consider LCRs related to SONGS in Track 2. Now it seems this topic will be put off further: "As discussed further below, we will revisit LCR needs in the next long -term procurement proceeding, expected to commence in 2014." PD p. 65.
[4] PD, p. 86.

SONGS (and conventional resources should be avoided because of the GHG implications), we also believe that the record lacks enough information to rule either way.

A4NR excoriates the Commission for failing to address the SONGS outage:

> A4NR remains deeply concerned over the Commission's difficulty in adapting its cumbersome procurement processes to address the rapidly declining prospects for SONGS availability… Omission of any candid acknowledgment … in the PD invites talk of a parallel universe."[5]

The Alliance appends a letter from the current chair of the Energy Commission decrying the rejection of the Pio Pico Energy Center by the PD in A1105023, which he claims is essential in the absence of SONGS. He proposes a novel solution: □ð

> I recommend, if the record in the underlying proceeding is in fact inadequate, that the CPUC use its power to take official notice of the official acts of the CAISO, the CPUC, and the Energy Commission to remedy this evidentiary deficit.[6]

While CPUC has many faults, WEM (and most likely many others) would hardly see such an override of due process as an improvement. However, WEM fully concurs that the Commission must consider replacement for SONGS in context of the entire LCR corridor from LA to San Diego, and both SCE and SDG&E.

More lip service for the Loading Order?

PG&E attacks the set-aside for storage, but utters not a peep of protest about the gas plant set-aside. It insists that storage "must be allowed to compete with other resources to meet the local reliability needs in southern California."[7] What competition? It is squelched throughout the PD.

Owners of existing OTC gas plants will have the inside track for bilateral contracts for the gas plant set-aside, and SCE will conduct a "study" of preferred resources and unilaterally decide whether any of them are cost-effective, after it meets privately with CAISO to determine what (if anything) will be included in the "study." PG&E let the cat out of the bag, as *"demand-side resources and CHP"* shrinks into just *"demand response"* in just three paragraphs.[8]

Perhaps the slight opening for demand response is why CEERT praises the PD?[9] CEJA embraces the demand response, but eloquently opposes the fossil fuel set-aside.[10]

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[5] A4NR, p. 3.
[6] 12-13-12 Letter to Pres. Michael Peevey from CEC Chair Robert B. Weisenmiller, p. 2.
[7] PG&E, p. 4.
[8] PG&E, pp. 4-5.
[9] CEERT, pp. 1-3.
[10] CEJA, pp. 7-9.

CAISO continues to obsess about the "risks" but dutifully pledges to "work closely with SCE and the Commission to facilitate the ability of preferred resources to participate in the solicitation process."[11] *They might work harder to facilitate preferred resources if there's a need for them, than if the need has already been filled by gas plants*.

Involving clean energy parties and the public in the process of figuring out how preferred resources shall participate in solicitations is essential. Up to now in this proceeding, SCE and CAISO have spent lots of energy and ink arguing *against* allowing clean energy to participate in solicitations. There must be knowledgeable people in the room who understand the intricacies of preferred resources *and respect* the real concerns that CAISO must deal with.

Energy Division cannot be expected to possess enough expertise in all the myriad combinations and permutations of clean resources (as well as financing, development and deployment) to be able to speak about all the solutions that might address the needs. We note that after a workshop just last summer, ED staff in this proceeding informed WEM that the Loading Order does not apply to LCRs.

Changes sorely needed in utility procurement practices as well as CA planning

Western Power Trading Forum (WPTF) recommends that the Commission phase in capacity auctions administered by CAISO and phase out its LTPPs.[12] In the interim, WPTF argues for coordinating the LTPP better with the Resource Adequacy proceeding.

These are helpful but partial solutions. More is needed. RA is "short-term" and LTPP is "long-term" and there's really nothing in between. Both the outage of SONGS and the advent of preferred resources in procurement greatly blur these distinctions.

There's an essential precursor to a CAISO market: giving it visibility of distribution grids. As DRA recommended, the PD requires SCE to "work with the ISO to determine a priority-ordered listing of the most electrically beneficial locations for preferred resources deployment.[13] While WEM supports this effort, *the Commission must first address the problem that CAISO has no visibility of the distribution grid, which is where almost all preferred resources are located — so how could it determine beneficial locations?*

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[11] CAISO, p. 2.
[12] WPTF, p. 2.
[13] PD, p. 85.

The Cost Allocation Mechanism: illegal and anti-competitive

AReM, DACC, and MEA describe how they responded in good faith to the invitation in the OIR to address CAM issues, only to be met with a PD that impatiently brushes off their well-reasoned arguments without addressing the substance, which they summarized:

> [The Commission] must develop a mechanism for determining when CAM is and IS NOT appropriate, and the only way to do that in a meaningful way, is to link the imposition of CAM to a determination as to whether or not the reliability needs of retail choice customers – who do not receive their electricity supply from the utilities – are being met by the competitive suppliers they have chosen. If so, then IOU investment by definition does not benefit them, and the costs should not be allocated to them.[14]

This issue directly and negatively impacts ratepayers of Marin Energy Authority, whom WEM has long worked to defend from the predatory actions of PG&E:

> In short, the IOUs have successfully created a policy to undermine their competition and the PD would sanction this expanded and anti-competitive result. …
> In the case of MEA, it has a stable customer base and enters into long-term contracts on a regular basis to serve its existing and projected loads. These contracts include provisions regarding resource adequacy. By creating extreme uncertainty regarding the amount of procurement which will be done by Pacific Gas & Electric ("PG&E") "on behalf of" MEA, the Commission is creating a significant perverse incentive to encourage shorter-term contracting, rather than the long-term planning processes approved by the MEA Board in its approved Integrated Resource Plan.[15]

Another in the queue of soon-to-be CCAs, the City and County of San Francisco points out that the PD largely eliminates the "choice" from "Community Choice:"

> [T]he PD would allow the IOUs to indiscriminately procure capacity on behalf of CCA and direct access customers, even after these have departed bundled service. The PD hence relegates retail competition largely to energy. This outcome unduly restricts competition; <u>many customers seek retail competition precisely in order to have more control over the type of new generation added to the system to meet their needs.</u>[16]

It has been obvious to WEM since it was first introduced in 2006 that the CAM is a crude utility power grab falsely portrayed as a concern for "reliability." Now that it's enshrined in statute, the PD confirms its anti-competitive origins by failing to put reasonable limits on utility recovery or

[14] AReM, DACC, and MEA, p. 7.
[15] AReM, DACC, and MEA, pp. 7-10.
[16] CCSF, p. 1.

to demonstrate supposed "benefits" to non-utility customers. PG&E "strongly supports" the PD's failure to address the few protections the law allowed.[17]

In sharp contrast to CA utilities which both missed their RPS targets by two years, MEA is currently offering a minimum of 50% renewables, with 100% renewables for "deep green" customers. CCSF intended to offer 100% to all customers but the PD makes that impossible, violating several statutes including CCAs' right to determine their own generation resources under Section 380 (h)(5) and 380 (b).[18] Sounding like the red queen in Alice-in-Wonderland, the PD petulantly requires that the opposing camps must first come to an agreement in order for the Commission to ever address the topic of a CAM opt-out.[19]

It is illegal and morally craven to force CCA customers to pay the CAM for PG&E's ongoing binge of unnecessary power plant construction, and now also for new gas plants in SCE territory. But even thieves fall out. Not content with collecting from everyone in its own territory, SCE is requiring even PG&E customers to pay for SCE's bundled customer capacity! PG&E pushed back against SCE's overreach,[20] and WEM expects this issue will be addressed.

WEM supports the AReM, DACC, and MEA proposal that since this PD shows little intention to address CAM issues, and none to address them fairly, this issue should be removed and incorporated into the proceeding instituted pursuant to P.12-12-010, the petition for rulemaking filed by MEA and a large coalition of allies; and "until that proceeding is concluded there should be a moratorium on any further CAM application."[21]

Conclusion

Little has changed, despite all the talk about the "Loading Order." Pursuant to this PD, IOUs only have to count the preferred resource targets ordered in other proceedings, and then assume everything else is gas power plants.

In order to get ADDITIONAL, NEW preferred resources into consideration, *preferred resource developers must be allowed to bid into an auction or solicitation*. The idea that SCE would determine the "cost-effectiveness" and other characteristics of a preferred resource — without actually allowing any preferred resource to step up and make an offer — is insulting.

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[17] PG&E, pp. 1-3.
[18] CCSF, pp. 3-4.
[19] AReM, DACC, and MEA, p. 13; CCSF, p. 6.
[20] PG&E, p. 1.
[21] AReM, DACC, and MEA, p. 14.

The most important task for the Commission at this time is to improve policies regarding preferred resources, to enable them to bid into all solicitations, and require bidders to meet characteristics that would allow CAISO to work with them.

Dated: January 22, 2013

Respectfully Submitted,

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