

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)

OPENING COMMENTS OF THE UTILITY REFORM NETWORK
ON TRACK III RULES ISSUES



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Pursuant to the *Administrative Law Judge's Ruling Seeking Comment on Track III Rules Issues* dated March 21, 2013 (Ruling), The Utility Reform Network (TURN) offers the following opening comments on issues 1a, 2a, 3a and 5.

Issue 1 - Maximum and minimum limits on IOU forward purchasing of energy, capacity, fuel, and hedges

a. Should the Commission modify the Assembly Bill (AB) 57 bundled procurement guidelines to indicate minimum and maximum limits for which the three IOUs must procure for future years? If so, should these minimum and maximum limits address energy, system resource adequacy (RA), local RA, and/or flexibility?

As a representative of small bundled customers greatly affected by the IOU bundled procurement guidelines, TURN is concerned that imposing minimum and maximum limits for procuring any particular electric product or service could increase IOU costs for serving bundled customers. TURN is open to the possibility that new constraints might serve important purposes such as minimizing customers' financial risk or increasing system reliability. But TURN does not see how the Commission could implement additional rules for bundled plans based solely on today's comments and forthcoming reply comments. Rather, any additional constraint should only be adopted following (a) a review of problems that should be solved in bundled plans and/or potential improvements that could be made to bundled plans, and then (b) a review of the specific maximum or minimum limits or other changes that could improve bundled procurement plans.

TURN suspects that some of the potential constraints contemplated by this question may be maximum and minimum procurement quantities for resources possibly necessary to provide reliable service in future years. If so, TURN's comments in

response to Question 2.a below describe the information that should be developed to address the extent of any problem related to mid-term procurement for reliability purposes.

Issue 2 - Impacts of transparency on forward procurement

a. Should the Commission require the three major electric IOUs to provide more public transparency into the levels of future procurement for which each has entered into a contract? What confidentiality rules could be changed or removed? In particular how can IOUs provide visibility to the California Independent System Operator (CAISO) regarding their midterm procurement contracts?

TURN generally agrees with the goal of providing the public more transparency as to “the levels of future procurement”.¹ One step the Commission could take now is to aggregate the IOUs’ procurement data – along with those of other Load-Serving Entities² – to the extent they are knowable – and make this aggregated information public to the extent possible. Much of this data is already public although often not easily found by non-experts. And even some of the data that is reasonably considered confidential on an individual basis might be made public if they are aggregated with data from other IOUs and/or LSEs. Release of such data would be helpful to market participants in assessing market conditions and to policy-makers in analyzing system reliability challenges. In particular, TURN believes the aggregation and public release of such data would help stop the spread of the “urban myth” that the Commission has only a “two-part” capacity procurement mechanism consisting of the year-ahead RA program and the system need assessment conducted in Long-Term Procurement Plan dockets.

¹ TURN is not commenting on the specific question of changing confidentiality rules so that the IOUs would “provide more public transparency into the levels of future procurement for which each has entered into a contract”. TURN is focused on alternative approaches to enhancing transparency of procurement data.

² Load-Serving Entities in California include smaller IOUs, Publicly-Owned Utilities (POUs), Energy Services Providers (ESPs) and Community Choice Aggregators (CCAs).

The Commission should also consider another step to improve the transparency of IOU procurement efforts to market participants and policy-makers. The IOUs each issue short- to mid-term Requests for Offers (RFOs) for contracts with terms of up to five years, to meet various capacity and energy needs. TURN believes the IOUs' issuance of such RFOs is largely at management's discretion. The Commission should consider requiring the IOUs to issue their short- to mid-term Requests for Offers (RFOs) at regular annual or bi-annual intervals instead or take other steps to communicate with the market their short- to mid-term procurement expectations.

TURN believes that IOU managements should have the ability to issue such RFOs as and when they find it necessary meet procurement goals and requirements. But regular communication from the IOUs regarding the timing of their short- to mid-term RFOs and the products to be sought and the length of such purchases – or even just a statement that they face no near-term procurement need – would provide valuable information to the market and policy-makers.³

Finally, TURN believes the State of California would benefit greatly if the CAISO had more information about the IOUs' mid-term procurement activities and positions, particularly relating to those contracts that provide financial support to existing capacity. In principle, TURN supports changing Commission confidentiality policy to the extent necessary to provide the CAISO better visibility of these IOU activities. However, TURN believes it may also be possible for the CAISO to get some of this information without any change to Commission policy if it chooses to execute appropriate non-disclosure agreements with the IOUs and/or the Commission.

³ For every year since at least 2008, the Southern California Edison Company has held an "All Source RFO" seeking a variety of energy and capacity products for terms of up to four years. TURN does not know if SCE will hold such an RFO this year. PG&E has held three such RFOs since 2008, one in 2008, one in 2010 and one that just closed earlier this month. SDG&E issued such an RFO in 2009 and will issue another such RFO in early May. Each utility is also active in short-term markets as needed to meet capacity and energy needs.

Issue 3 - Long-term contract solicitation rules

a. Should the Commission adopt a rule that explicitly indicates that existing power plants may bid upgrades or repowers into new-generation RFOs?

Yes. The Commission should facilitate the IOU competitive contracting for upgrades or repowers of existing power plants. Such projects could be particularly valuable in addressing potential retirements of generators using Once-Through Cooling (OTC) technology and/or generators that may wish to refurbish their generators to operate more flexibly and provide such services to CAISO markets.

5. Changes to the Commission's adopted Cost Allocation Mechanism (CAM) per Senate Bill (SB) 695, SB 790, Decision 11-05-005 and relevant previous decisions

TURN does not see any positive value in revisiting CAM issues at this time.

TURN appreciates the opportunity provide these comments.

Respectfully submitted,

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