

**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)

**INFORMAL COMMENTS OF THE INDEPENDENT ENERGY
PRODUCERS ASSOCIATION IN RESPONSE TO CAISO
PRESENTATION ON LTPP BASE CASE PRELIMINARY
RESULTS**

The Independent Energy Producers Association (IEP) provides its informal comments in response to the presentation of the California Independent System Operator (CAISO) on Long-Term Procurement Plan (LTPP) Base Case preliminary results, as requested in the April 30, 2013 email from Nathaniel W. Skinner of the Energy Division.

The workshop held on April 24, 2013 provided an overview of the operating flexibility study currently being performed by the CAISO. The CAISO's presentation reviewed the modeling approach and input assumptions and provided preliminary results for the 2012 LTPP Base Case scenario. IEP appreciates the efforts of Energy Division and the CAISO to advance the state of the art in modeling operating flexibility requirements and to improve the accuracy and robustness of these models. As identified in the Energy Division's Request for Comments, certain aspects of the operating flexibility study are undergoing additional review. IEP supports this additional review. IEP also strongly urges the Energy Division to reflect, to the extent possible, any changes that result from this additional study in the modeling to be

performed for the current LTPP proceeding, rather than deferring the incorporation of these changes to the 2014 LTPP proceeding. The issues identified for review in the Request for Comments could well have significant impacts on the reasonableness of the modeling results that will underlie the decisions made in the current LTPP proceeding.

IEP does not have specific comments in response to Questions 1 and 2 of the Request for Comments. However, IEP has a general comment about the scenarios and sensitivities being modeled for this LTPP that relates to Question 3.b: “Which scenarios/sensitivities from D.12-12-010 should be explored for overgeneration given limited time in this proceeding?” IEP notes that the Base Case, as ordered in D.12-12-010, assumes the nuclear plants located in California (*i.e.*, Diablo Canyon and the San Onofre Nuclear Generating Station (SONGS)), will be operating in 2022. D.12-12-010 ruled that the CAISO should perform a sensitivity case that assumes SONGS is out of service.

It may have been appropriate in December 2012 to assume that the operation of SONGS should be included in a Base Case. However, since that time, there has not been much, if any, resolution of the uncertainty regarding future operation of SONGS. As a result, the probability that SONGS will retire before 2020 is greater than in late 2012, meaning that including the continued operation of SONGS as a Base Case assumption is becoming less and less reasonable.

The potential for retirement of SONGS and the timeline for such a decision were recently addressed in remarks made by Ted Craver, Chairman and CEO of Edison International:

The NRC’s consideration of our restart plan continues to attract a level of controversy and opposition. Although the license amendment decision is a technical staff decision, the NRC Commissioners have the right to review any staff-proposed license amendment decision. Also, the public has the right to file motions to stay issuance of license amendments before the NRC and federal

courts. Even if the license amendment is approved by the Staff, their approval of our Confirmatory Action Letter restart plan for Unit 2 could still take time. Our overarching desire is for the various outside parties to let the nuclear safety technical work proceed at the NRC to assure a safe and timely restart of Unit 2, without unnecessary delay.

Without a restart of Unit 2, a decision to retire one or both units would likely be made before year-end 2013. There are many potential decision scenarios involving Unit 2 and Unit 3. They all have different implications for grid reliability, customer costs, attainment of GHG and air quality objectives, and many other factors. We look to narrow these uncertainties and the potential operating scenarios for both Units before the end of the year.¹

Clearly, the issues surrounding the restart of SONGS Unit 2 are coming to a head in 2013. The increasing likelihood of regulatory delay does not bode well for the future operation of either Unit 2 or Unit 3.

Recognizing that the Commission is unlikely to change the assumptions embedded in each of the scenarios adopted in D.12-12-010 at this point in the proceeding, IEP has three recommendations:

1. In any instance where only a subset of the scenarios or sensitivities will be studied due to time constraints (such as suggested by Question 3.b), the Commission should ensure that all “SONGS out” cases are included among the scenarios to be analyzed and modeled.
2. Given the increasing likelihood that SONGS will be retired, it would be appropriate to also consider adding a “SONGS out” sensitivity case to the “Replicating TPP” and “High DG + High DSM” scenarios if time permits.

¹ Prepared Remarks of Ted Craver, Chairman and Chief Executive Officer, Edison International, First Quarter 2013 Financial Teleconference, April 30, 2013, p. 2 (emphasis added), available at <http://ir.edisoninvestor.com/phoenix.zhtml?c=85474&p=irol-presentations> .

3. The Commission should give equal weight to any “SONGS out” scenarios when reaching its conclusions regarding the need for flexible resources in the current LTPP proceeding.

Failure to fully understand the implications of a permanent shutdown of SONGS could place ratepayers at risk of resource shortage and poor reliability.

Respectfully submitted, May 9, 2013.

2970/024/X151897.v1