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

COMMENTS OF THE CITY OF REDONDO BEACH ON THE ADMINISTRATIVE LAW JUDGE'S QUESTIONS FROM THE PRE-HEARING CONFERENCE ON SEPTEMBER 4, 2013

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I.

INTRODUCTION

The study conducted for the City of Redondo Beach to evaluate whether generation is needed at the location of the existing Redondo Beach generating station was augmented with an additional study. This additional study is designed to determine whether the original study results and its conclusions still hold if the area of study is expanded to include both the western LA Basin Local Capacity Requirement (LCR) area and the San Diego LCR area. The additional areas of study reflect the Long Term Procurement Plan (LTPP) Track 4's focus on the larger area impacted by the retirement of the SONGS. For this larger area, the most limiting contingency is different than for the Western LA Basin sub-area. Specifically, the additional study reflects the outage of the two 500 kV lines connecting the San Diego area to the Imperial Valley (the Category C.3 outage of the 500 kV Suncrest – Ocotillo line followed by the outage of the 500 kV ECO – Miguel line).

The conclusion of the additional study is that the Western LA basin sub-area LCRs can be met with addition of 940 MW of gas-fired resources at the location of the existing Huntington Beach generating station along with 2000 MW of additional preferred resources (e.g., Uncommitted Energy Efficiency (UEE), incremental non-Combined Heat and Power (CHP) Distributed Generation (DG), Demand Response (DR), CHP and potentially storage) provided

that the San Diego area LCRs are met as recommended and modeled in the CAISO's 2012-2013 transmission plan case.[1]

It is noted that no additional preferred resources, beyond what was assumed by the CAISO in its 2012-2013 transmission plan analysis, is needed to satisfy the San Diego area LCRs. It is probable that if additional preferred resources were modeled in the San Diego area similar to what was modeled in the Western LA basin sub-area, the need for new gas-fired generation in the San Diego area would be reduced.

Note that the additional analysis did not model the Mesa Loop-in project. Based on Southern California Edison (SCE) analysis, the addition of this transmission upgrade would significantly reduce LCRs in the LA basin LCR area.

II.

RESPONSES TO QUESTIONS

Q1a. How much of the 1400-1800 megawatt authorized procurement for the LA area from Track 1 should be assumed in Track 4?

A. The additional analysis conducted for the City of Redondo Beach confirms that only 1000 MW of the 1400-1800 MW is needed by 2022 assuming about 2000 MW of preferred resources[2] are developed in the Western LA Basin sub-area by year 2022. If less of these preferred resources are developed, other options such as automatic load

[1] The preliminary results of an additional analysis conducted for the City of Redondo Beach using the CAISO's Track 4 base case, confirms also the City's previous conclusion that, with the addition of 2000 MW of preferred resources within the Western LA Basin sub-area, 940 MW of gas-fired generation at Huntington Beach, and about 1100 MW of new generation in the San . . . Diego LCR area, no generation is needed at the location of the existing Redondo Beach generating station to meet local capacity requirements in the SONGS study area.

[2] "Preferred resources" include incremental Uncommitted Energy Efficiency, incremental non-CHP Distributed Generation (DG), new CHP, dispatchable demand response, and storage, although only the first four were modeled in the analysis.

shedding could be relied on for a few years until the needed amount of preferred resources are developed. Given the low probability of the events requiring the automatic load shedding, it is prudent to avoid over-committing to the large, long lead-time, gas-fired resources, if other options are available. Gas-fired resources are more polluting than other options available.

Q1b. Does it matter which resources are procured or what the mix of resources would be?

A. Yes. As analysis conducted for the City of Redondo Beach shows, a mix of preferred resources can be effective in meeting LCR needs. The analysis also shows, however, that the location of resources matters. For example, the amount of gas-fired generation needed to meet the Western LA Basin sub-area LCRs would be less if located at the existing Huntington Beach generating station than if located at some other existing coastal gas-fired generating stations within the Western LA Basin sub-area.

This analysis also showed that the amount of distributed preferred resources needed to meet the LCR would be higher than centralized gas-fired generation located at the most optimum locations in the Western LA basin sub-area. These preferred resources were distributed across the Western LA Basin sub-area roughly in proportion to load, but also with some locationally-targeted additions.

Q4. What is the appropriate timeline for new resource procurement which may be authorized in Track 4? In other words, do some resources have to come online earlier than others? This may also be a locational question.

A. The analysis performed for the City of Redondo Beach indicates that new dependable capacity in the Western LA basin sub-area is not needed until after the retirement of the Alamitos Once-Through-Cooling (OTC) units by year 2021 in accordance with the California State Water Resources Control Board's OTC compliance schedule.

Q6. Should the Commission consider methods to address potential market power in the SONGS area for gas-fired resources? If so, what?

A. The City of Redondo Beach believes that the best way to address potential market power in the LCR areas affected by the retirement of the SONGS is to limit the amount of authorized procurement of new gas-fired resources in the area. The additional power flow analysis conducted on behalf of the City of Redondo Beach indicates that if about 2000 MW of preferred resources such as UEE, DG, DR, CHP and storage are developed in the Western LA basin sub-area, and if the San Diego area LCRs are met, the amount of gas-fired resources required in the LA Basin LCR area would be reduced to about 1000 MW.

The same conclusion holds for the San Diego area. If additional preferred resources are assumed and modeled for the San Diego LCR area, the need for gas-fired generation in the San Diego area to meet the wider SONGS area LCRs would be reduced. Consequently, the potential ability to exercise market power in the San Diego LCR area would also be reduced. Preferred resources not only provide significant environmental benefits, but in contrast to more centralized resources, they lack the practical ability to exercise market power. Further, the addition of preferred resources has the effect of reducing the ability of existing centralized resources to exercise market power.

Q7. For those recommending preferred resources or energy storage to fill any need, please indicate how the attributes of such resources will meet LCR needs

A. The CPUC's current method for establishing compliance with LCR needs considers only (i) the magnitude of the LCR, and (ii) the dependable capacity of demand side resources and supply-side resources. The dependable capacity of supply-side resources is currently determined without regard to whether the resources are dispatchable by CAISO. For example, existing Qualifying Facilities and run-of-river hydro facilities are not dispatchable by CAISO yet have non-zero dependable capacity that is counted towards LCR needs. The attribute that matters is the amount of output from each resource that the

CAISO can reasonably expect to be available at the time of an adverse weather condition peak load.

Incremental Energy Efficiency programs that reduce peak load during extreme weather conditions (i.e., one-year-in-ten), will reduce the magnitude of the LCR and are therefore as effective as supply-side resources in meeting LCR needs. Additional Distributed Generation, including Combined Heat and Power resources, is also effective in meeting LCRs since DG is generally operating at high output levels when loads are peaking. As noted above, the CPUC currently does not require that generation be dispatchable in order to count towards LCR needs.

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Respectfully Submitted,

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