

**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.

R.12-03-014  
(Filed March 22, 2012)

**COMMENTS OF THE  
CALIFORNIA LARGE ENERGY CONSUMERS ASSOCIATION**

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September 10, 2013

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The California Large Energy Consumers Association (CLECA)<sup>1</sup> submits these comments pursuant to the bench ruling of Administrative Law Judge Gamson at the September 4 Pre-Hearing Conference. These comments address various proposed schedules for Track 4 on local capacity requirements due to the loss of the San Onofre Nuclear Generating Station and may also address the schedule for Track 2 on system need and flexibility requirements for renewable integration.

**I. INTRODUCTION**

CLECA recommends a brief delay in Track 4 to enable consideration of the California Independent System Operator (ISO) transmission alternative study results; unnecessary procurement places needless pressure on rates and should be avoided. A brief delay in Track 4 would likely allow consideration of more cost-effective, non-generation options, specifically load shedding and demand

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<sup>1</sup> The California Large Energy Consumers Association is an *ad hoc* organization of large, high load factor industrial electric customers of Southern California Edison Company and Pacific Gas and Electric Company. CLECA has been an active participant in Commission regulatory proceedings since 1987.

response in addition to transmission alternatives; a brief delay should be granted. An interim decision granting additional procurement authority in Track 4 may be problematic if such non-generation options are foreclosed. Unlike Track 4, there is no need to delay Track 2, with its focus on flexibility. Numbered sections 1 to 6 below correspond to the Administrative Law Judge's numbered questions.

## **II. COMMENTS**

### **1. Interim Decision in Track 4 by early next year with expected level of capacity needed to replace SONGS for SCE and SDG&E in early 2014**

Any interim decision in Track 4 should not assume new generation resources are the only or the best option. If transmission and other alternatives are viable from a cost, performance and environmental perspective, they must be included in the procurement decision-making process. Southern California Edison Company has looked at transmission and other alternatives to new generation; certain alternatives appear to substantially reduce or eliminate the need for any additional generation resources, depending on whether controlled load shedding can be used to address a Category C contingency in San Diego. San Diego Gas & Electric Company (SDG&E) has looked at transmission but not at preferred resources. The ISO has not yet looked at any non-generation alternatives, and seeks a delay in Track 4 to permit consideration of its study of transmission alternatives. While not opposing an interim decision, the ISO emailed its preference for a "holistic decision, including transmission alternatives... as soon as possible." CLECA supports a brief delay in track 4 to

enable the consideration of transmission and other alternatives, like targeted demand response.

- 2. Interim Decision in Track 4 with assumptions on resources in place, including**
  - a. those already approved, planned, pending approval, or otherwise anticipated**
  - b. transmission upgrades proposed by SCE and SDG&E but not yet formally studied or put forth in TPP**
  - c. facilities to provide voltage support**
  - d. resources expected to retire**
  - e. other resources**

If the interim decision is to include such assumptions, data on additional facilities to provide voltage support will have to come from the utilities; it will not be available from the ISO because this is addressed in the TPP. As for “other resources”, SCE has done a preliminary assessment of possible preferred resource alternatives, and suggested an exploratory pilot program, but has not provided fully fleshed out figures. However, given SCE’s proposal for a pilot study of preferred resources and additional storage, there should be room to include these resources with backstop procurement options, if necessary. SDG&E has not looked at other, i.e., preferred, resources, which might provide a cost-effective and environmentally preferable alternative to new generation.

Moreover, the ISO just announced the start of a stakeholder process to evaluate the use of non-conventional resources for Local Capacity Requirements; this suggests that the ISO will have no proposals along these lines until 2014 and in fact, the ISO has not even identified what these resources should look like. Despite the implication that this new stakeholder process is focused on transmission planning and local reliability, the ISO’s issue paper

addresses non-conventional resources from the perspective of the duck curve. The duck curve relates to flexibility for renewable integration, a Track 2 issue, rather than availability for contingencies, a Track 4 issue. Thus, it may be hard to adopt assumptions on “other resources” for LCR purposes in an interim decision, which may lead to an overstatement of need for generation resources.

Regarding resources expected to retire, SCE and ISO testimony recommend changes in the Planning Assumptions for Etiwanda and Coolwater (non-Once Through Cooling plants) for several transitional years. If it must go forward with an interim Track 4 decision, the Commission should consider incorporating these recommended changes.

Lastly, this list does not address options for changing the load curve - which could mitigate LCR risk. As discussed below, this significant oversight can also lead to over-statement of need for generation or other alternatives.<sup>2</sup>

**3. Interim Decision would authorize procurement of resources to meet identified need on interim basis specifying type of resources to be prepared and process for procurement**

See comments on 2. Interim procurement authorization may work, if deemed necessary, as long as it clearly provides for potential downward adjustments to that authorization based on any of the following:

- results of SCE’s preferred resources pilot;
- possible delayed retirement of non-OTC plants;
- additional information, if any, from ISO TPP study results, and

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<sup>2</sup> Notably, the draft demand response rulemaking issued yesterday specifically raises the issue of the anticipated load impacts from the introduction of TOU and CPP rates for smaller customers.

- possible demand-side (load) adjustments.

**4. Interim Decision would also set policy for any additional procurement which may be necessary after review of the TPP**

In setting such a policy, the concerns raised above in comment sections 2 and 3 should be clearly and explicitly addressed.

**5. Interim Decision would provide method for SCE and SDG&E to procure more or less than authorized in the interim decision**

The ability to adjust procurement up or down is critical and any such method for achieving increases or reductions must be clearly detailed in the interim decision; moreover, utility RFOs must also be clear that such interim authority is provisional and may change. Any final decision on needed adjustments should consider results of preferred resource pilots, further transmission-related analysis, and potential load modification options. The California Energy Demand 2014-2024 Preliminary Forecast for the 2013 Integrated Energy Policy Report<sup>3</sup> appears to anticipate slower growth in demand compared with the 2012 IEPR; the updated IEPR preliminary forecast should also be taken into account.

**6. After CAISO files the TPP with the Commission, parties could comment on whether any changes are needed to the interim decision**

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<sup>3</sup> <http://www.energy.ca.gov/2013publications/CEC-200-2013-004/CEC-200-2013-004-SD-V1.pdf>

This ability to comment on whether changes may be needed is essential. Moreover, if the ISO results differ significantly from the SCE or SDG&E results, hearings may be necessary.

## **7. Timing of Track 2**

While ALJ Gamson proposed no change to Track 2, parties can propose alternatives to the current schedule. SCE stated at the pre-hearing conference that its stochastic analysis suggests that no additional resources are needed for renewable integration. The ISO's workshop presentations on its deterministic analysis suggest some need but the results of the stochastic analysis by its consultant, E3, while preliminary, suggest otherwise. The status of the E3 analysis is unclear in terms of when more final results would be available.

The stochastic analysis is critical in order to avoid unnecessary procurement. If the risk is only for a few hours a year, load adjustments are likely to be far more cost-effective than procurement of new generation that would be rarely used. Reliability demand response programs like BIP can be and have been used for transmission-related problems. Furthermore, the ISO study involves a load shape based on historical usage patterns. This does not reflect the potential for different load shapes from changing rate design, such as the impact of Time of Use and dynamic pricing for residential and small business customers. Approved small commercial and agricultural rate design changes are being rolled out. The Commission is also examining residential rate design, and parties in R.12-06-013 have actively explored residential TOU rates. Track 2 and Track 4 decisions should be informed not only by the supply side, but also the

demand side. The Commission cannot reasonably rely on an assumption that there is no ability to change the load shape, particularly given the progress in other dockets on this issue.

The ISO has requested a delay in Track 2 until after its updated post-TPP Track 4 testimony is served and the Commission reaches a final decision on Track 4. We question whether a delay for this reason is necessary. Transmission planning studies are made for a limited number of hours when there may be failures of network elements that lead to thermal overloads or reductions in reactive margins. The ISO itself has stated that ramping requirements, not the system peak, drives need for renewable integration, the subject of Track 2. Renewable integration, in contrast to transmission planning, is a matter of thousands of hours.

There is no clear reason why Track 2 should follow Track 4. A decision can be made on Track 2 recognizing that at least some of the resources later authorized in connection with Track 4, if any, could offset needs identified in Track 2, if any.

**8. Two important points are missing from the ALJ's list of questions from the Pre Hearing Conference.**

First, SCE has pointed out that the ISO reliability standards, which exceed the NERC/WECC standards, preclude the use of controlled load shedding for a Category C contingency; this results in a possible need for an additional 500 MW of gas-fired generation. CLECA briefed the difference between NERC/WECC and ISO reliability standards for a Category C contingency in Track 1 in this



proceeding, but the Track 1 decision did not address this issue. The costs and benefits of the higher ISO standards should be addressed in Track 4.

Second, as noted above, the Track 4 determination should consider the impact on the starting load shape of authorized, time-based and dynamic small commercial/agricultural rate design currently being implemented. Further, the potential impact on the system load shape of future changes in residential load resulting from TOU rates and dynamic pricing should be considered in Track 2 and Track 4. Evidence from the residential rate design proceeding (R. 12-06-013) could be incorporated into this proceeding to enable this consideration.

### **III. CONCLUSION**

For all of the foregoing reasons, CLECA recommends a slight delay in Track 4 to enable a holistic determination of the local capacity requirements in the absence of SONGS. A delay in Track 2 does not, however, seem required.

Respectfully submitted,

A handwritten signature in black ink that reads "Nora Sheriff". The signature is written in a cursive, slightly slanted style.

Nora Sheriff

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Consumers Association

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