**BEFORE THE PUBLIC UTILITIES COMMISSION**

**OF THE STATE OF CALIFORNIA**

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| Order Instituting Rulemaking to Integrate and Refine Procurement Policies and Consider Long-Term Procurement Plans | Rulemaking 12-03-014<br><br>(Filed March 22, 2012) |

# COMMENTS OF THE CALIFORNIA WIND ENERGY ASSOCIATION ON ALJ QUESTIONS FROM 9/4/13PRE-HEARING CONFERENCE ON TRACK 4 ISSUES


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***On behalf of the California Wind Energy Association***


September 30, 2013

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**OF THE STATE OF CALIFORNIA**

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Pursuant to the instructions of Administrative Law Judge David Gamson ("ALJ Gamson") at the September 4, 2013, Pre-Hearing Conference ("PHC") and subsequent September 16, 2013, Assigned Commissioner and Administrative Law Judge's Ruling Regarding Track 2 and Track 4 Schedules, the California Wind Energy Association ("CalWEA") provides comments on the questions posed at the PHC by ALJ Gamson for comment regarding Track 4 policy-related issues. We limit our comments to Questions 1 (pertaining to the mix of local reliability resources), Question 2 (pertaining to the Proposed Decision on Energy Storage), Question 4 (pertaining to the appropriate timeline for any new resource procurement which may be authorized), Question 5 (pertaining to contingency plans), and Question 7 (pertaining to attributes of preferred resources).

## Question 1 – Does it matter which resources are procured or what the mix of resources would be?

Yes, the mix of resources matters. Local reliability needs in the wake of SONGS's closure should be addressed with the combination of resources that meets the reliability requirement in the LA Basin most cost-effectively, consistent with California's "loading order" policy. That policy requires that preferred resources be acquired whenever "they are feasibly available and cost effective."[1] The mix of resources for addressing local reliability needs should

[1] CPUC Decision 12-01-033 (at 21) states: "[T]he utilities should … procure additional energy efficiency and demand response resources [above mandated levels] to the extent they are feasibly available and cost effective. If the utilities can reasonably procure additional energy efficiency and demand response resources, they should do so. This approach also continues for each step down the loading order, including renewable and distributed generation."

not be pre-determined absent clear evidence that the chosen mix best meets both of those objectives. In general, feasibility and cost-effectiveness should be determined with the benefit of responses to a competitive solicitation.

In the current case, there are two additional factors to be considered: (1) pre-existing preferred-resource and storage mandates from the LTPP Track 1 decision, and (2) the fact that a specific location (the vicinity of the Johanna and Santiago substations) has been identified by Southern California Edison ("SCE") where resource additions would be highly valuable in addressing the local reliability need. Indeed, according to SCE's testimony,[2] procurement of Preferred Resources and storage in this area (along with the Mesa Loop-in upgrade) could reduce the remaining combined need for Tracks 1 and 4 to below the maximum amount of gas-fired generation (1200 MW) that was authorized to be procured through Track 1.[3]

This attractive scenario strongly suggests that the Track 4 determination should carefully consider whether the Preferred Resources and storage that were mandated in Track 1 without regard to specific strategic locations within the LA Basin could, if directed to strategic locations, resolve Track 4 concerns.[4] Further, to increase the chances that the local reliability need can be met with these resources, the Track 4 determination should combine the Track 1 targets for Preferred Resources and storage to enable the least-cost, most feasible combination of these resources, whether it includes more or less than the minimum targets established in Track 1 for these resources.

**Question 2 – Comment on the interaction between Track 4 and Commissioner Peterman's Proposed Decision on energy storage.**

While the energy storage decision is a moving target, there are nevertheless obvious opportunities to coordinate between the two proceedings such that overall procurement can be optimized.

First, given the high-value locations that SCE has identified, it is quite possible that some storage technologies, if located at those locations, will have the characteristics required to meet

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[2] Track 4 Testimony of Southern California Edison, August 26, 3013, at p. 11.
[3] An additional need is identified by SCE under CAISO's reliability standards, which can be met by load shedding (with minimal chance of occurrence) or by adding 500 MW of resources.
[4] We note that, given the constrained strategic location (which will make siting gas generation difficult) and the likely high-cost and long-lead-time of transmission solutions, Preferred Resources and storage may prove cost-effective in comparison with all other options, rendering the mandate superfluous.

the specific reliability need and will be cost-effective. CalWEA's comments on the Proposed Decision ("PD") on storage emphasize that the statute clearly requires any mandated procurement of energy storage to be cost-effective.[5] Track 4 presents a perfect opportunity to deploy needed and cost-effective storage resources.

Second, as evidenced by many comments on the PD and the PD itself, methodologies for assessing the cost-effectiveness of energy storage technologies that have yet to be fully developed, are far from non-controversial, and have not been sanctioned by the Commission. The Preferred Resources Living Pilot Program proposed by SCE in its Track 4 testimony provides an opportunity to establish the value that storage and Preferred Resources would have as applied to this real-world need for reliability services, to determine the characteristics that storage and preferred resources must provide to meet the need, and to measure the performance. In CalWEA's view, any storage mandate should await the knowledge gained by such a pilot.

Third, the evaluation of storage technologies for their suitability and cost-effectiveness in serving local reliability needs should not be arbitrarily constrained by any technology, size or application exclusions or limitations in the final Commission decision on energy storage. The goal of Track 4 should be least-cost/best-fit procurement of resources to address the local reliability need.

Finally, if storage is to be mandated without regard to well-defined cost-effectiveness methodologies,[6] the mandated storage should at least be directed toward the locations where it is likely to have the most value. Given the lack of any identified need for system or flexibility resources at present, and the deferment of Track 2 until the next LTPP cycle, the only system resource need is the local reliability need being addressed here in Track 4. Accordingly, any near-term storage mandate should be limited to projects sited in areas of the SCE and SDG&E systems where they contribute toward meeting those utilities' LCR needs.

**Question 4 – What is the appropriate timeline for new resource procurement which may be authorized in Track 4?**

SCE's Track 4 testimony suggests a lack of any urgent need for local reliability resources, beyond those authorized in Track 1 if preferred and storage resources are strategically

[5] E.g., one of many sections referencing cost-effectiveness is Pub. Util. Code § 2836.6: "All procurement of energy storage systems by a load-serving entity or local publicly owned electricity shall be cost-effective."[5]

[6] The PD would enable the deferment of only 80% of the storage targets on the basis of cost-effectiveness or project viability.

located and with the Mesa Loop-in upgrade. This is because SCE's studies show that, under NERC reliability standards, there is no additional need for new resources. It is only under the far more stringent CAISO standards that an additional resource need can be demonstrated.

In this context, SCE's proposed schedule for its Preferred Resources Living Pilot Program, which anticipates procurements extending to 2018 and beyond, is reasonable, especially considering the fact that Preferred Resources are not encumbered by the lead-time issues and risks associated with siting fossil-fuel generation and transmission facilities.

With regard to any additional resources that may be authorized in Track 4, again, there appears to be no immediate urgency necessitating undue short-cuts in procurement timelines. The implementation of any contingency plans would underscore such an approach.

**Question 5 – Should there be any contingency plans in case expected levels of certain resources do not materialize in a timely manner?**

It would seem prudent, if Preferred Resources and storage are to be used to address local reliability issues for the first time, and given various other uncertainties, to put in place contingency plans should additional or alternative resources be required. Extending the compliance dates for the closure of the once-through cooling (OTC) units should be fully considered. Planning to extend the lives of OTC facilities by a few years, should that prove necessary, is potentially the most cost-effective means of providing an extra, optional, margin of time to enable the full potential of preferred and storage resources to be cost-effectively deployed to meet local reliability needs. Such a contingency plan would also enable further consideration of any other planning uncertainties.

**Question 7 – If you're recommending Preferred Resources or energy storage to fill any need, it would be helpful to indicate how the attributes of such resources will meet LCR needs.**

CalWEA supports the planned efforts of SCE and CAISO, along with the CPUC, CEC and stakeholders, to develop an understanding of the attributes that preferred and storage resources must have to meet reliability needs. However, as the primary reliability concern is the ability to supply firm capacity in peak demand periods in the local area, we would expect multi-hour storage capability to be one of those attributes.

Respectfully submitted,

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