

**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 CALIFORNIA INDEPENDENT SYSTEM OPERATOR  
CORPORATION ADDRESSING ADDITIONAL ISSUES**

At the September 4, 2013, prehearing conference the ALJ identified seven issues that parties could address in the testimony responding to the opening testimony submitted by the California Independent System Operator (ISO), SCE, SDG&E and the City of Redondo Beach. The revised schedule for Tracks 2 and 4 issued on September 16, 2013, provided that these topics are to be addressed in comments due on September 30, 2013, with reply comments on October 14, 2013. Accordingly, the ISO hereby submits responses to these issues. To the extent a particular topic is not addressed in these initial comments, the ISO reserves the right to respond in reply comments to issues raised by other parties.

**Issue Number 1:**

- a. How much of the 1400-1800 MW of resources authorized in the Track 1 decision (D.13-02-015) should be assumed in the Track 4 evaluation and assessment?**

The May 21, 2013 Scoping Ruling that established Track 4 set forth the assumptions to be used in determining residual local capacity needs in the LA Basin and San Diego areas without the SONGS generating units. As noted in the Scoping Ruling, these assumptions were consistent with LTPP scenarios and assumptions (D.12-12-010), the 2012 LTPP Track 1 decision authorizing resource procurement in the LA Basin/Moorpark areas (D.13-02-015), and the SDG&E purchase power tolling agreement (PPTA) decision (D.13-03-029).<sup>1</sup>

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<sup>1</sup> See Scoping Ruling, Attachment A, page 1.

The ISO understood that the purpose of Track 4 was to build on these prior decisions in order to determine whether there are additional resource needs. Specifically, the Commission stated, in the Scoping Ruling, that:

The primary purpose of these studies is to determine the local resource replacement requirements for SONGS, if SONGS remains offline or if we make a policy decision to not pursue relicensing in 2022 when the license expires. A secondary purpose is to ensure local procurement can be optimized to address local capacity needs and flexibility should SONGS need replacement.

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Due to locational uncertainty over the other resources recently approved by the Commission in D.12-12-010, and in the San Diego PPTA Decision (D.13-03-029), these resources should be accounted for in meeting “Second Contingency” needs. Between 1400 and 1800 MW in the LA Basin and 298 MW in San Diego are appropriate values.<sup>2</sup>

Track 4 should not be seen as an opportunity to re-litigate the assumptions that were approved in the prior decisions, including the additional local resources authorized in those decisions that the ISO modeled in the Track 4 study. The ISO assumed all 1800 MWs of resources authorized in Track 1 and 298 MWs authorized in San Diego as directed in the Scoping Ruling, and identified approximately 2400 to 2500 MWs residual resource need above these resource assumptions. In Track 4, the Commission should focus on how best to meet this need and not reach back into the previous proceedings to make adjustments to those need determinations.

**b. D.13-02-015 authorized SCE to procure a mix of conventional, non-conventional and preferred resources. Does the mix of resources that are ultimately procured matter to the ISO?**

The ISO supports and encourages the use of non-conventional and preferred resources to meet grid reliability needs, and looks forward to working with stakeholders, the Commission and other state agencies in providing opportunities for these resources to develop. The mix of resources must be assessed carefully to ensure that, as a whole, they meet the entire local and system needs. Many non-conventional resources are time of use and energy limited, and the limitations of the collection of resources must be assessed to ensure that there are no gaps during particular load periods and seasons. In addition, for the purposes of long-term grid assessments, the ISO must, at some point, be certain that non-conventional resources will develop in the

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<sup>2</sup> *Id.*, at pages 1, 13.

amounts, types, and locations where they have been procured and are anticipated to be available, leaving adequate time to assess if proceeding with a backup alternative is necessary and implement an alternative.

**c. In addition to the mix of resources, does it matter to the ISO where the resources that are ultimately procured are located?**

Yes, the exact location and amounts of each type of resource must be known in order to accurately assess the reliability and adequacy of the transmission system. This assessment must consider all relevant transmission constraints. The Track 1 decision recognized that the ISO would need to review the exact location and amounts of each type of resource SCE was procuring to ensure that the reliability and adequacy of the transmission system was satisfied by the procurement plan.

**Issue Number 2:**

**The September 3, 2013 Proposed Decision in R.10-12-007 recommends the adoption of energy storage procurement targets. If energy storage procurement targets are adopted, should these be taken into account in Track 4?**

As discussed in response to Issue Number 1 regarding the previous resource authorizations, the Commission similarly should not re-open D.13-02-015 and make adjustments to the 50 MW of energy storage SCE was directed to procure, or to make adjustments to the amount of energy storage assumed in D.13-03-029. The ISO's Track 4 studies reflects this 50 MW procurement target and uses the same assumptions about energy storage that were used in the SDG&E PPTA proceeding. However, the ISO has identified substantial local capacity needs in its Track 4 studies, and presumably the Commission will consider the energy storage targets identified in the Proposed Decision in R.10-12-007 as well as other resource types in considering how to meet the identified needs. The ISO would have the same concerns discussed in response to Issue Numbers 1b. and c. about the ultimate amount, location and timing of energy storage actually developed.

**Issue Number 3:****Are there any updates to the Track 4 assumptions that should be considered?**

As discussed in response to Issues Number 1 and 2, the Commission should not provide parties in Track 4 with an opportunity to re-litigate the assumptions established in the prior decisions. The Commission can, of course, take other information regarding demand response or energy efficiency projections that differ from the study assumptions into account in determining how to “fill” the resource needs identified by the ISO’s studies. Once the Commission has issued a decision regarding the mix of resources that should be procured to meet these needs, the ISO would need to review the exact location and amounts of each type of resource change to ensure that the reliability and adequacy of the transmission system was satisfied by the updated assumptions. In addition, and consistent with the September 16 ruling that revised the Track 2 and 4 schedules, the ISO is evaluating transmission alternatives that will be able to address a portion of the identified resource needs and this information should be considered in the LTPP.

**Issue Number 4:****If the Commission authorizes a mix of resources to meet the incremental local capacity needs in the absence of SONGS, does it matter when the different types of resources come online?**

First, the timing of the need for additional resources is heavily driven by the timing of key potential retirement activities, and those need to be taken into account in the procurement of replacement resources. Further, given the massive changes to the local resource mix expected, it is essential that an adequate transition period is part of the plan to ensure that risk of coming up short, due to unforeseen barriers to development, are minimized. In addition, operational experience with the new mix of resources would be best learned and adapted to gradually rather than abruptly.

**Issue Number 5:**

**Should the Commission establish a contingency plan to address local capacity resource needs in the event that resources anticipated to fill such needs do not develop?**

Yes, the ISO supports developing a contingency plan to address local needs if certain types of resources do not develop in the amount and location anticipated in the Track 4 decision. The ISO has identified approximately 2400 to 2500 MWs of incremental resource needs in the western LA basin/San Diego local area, and the location and timing of the resources chosen to meet these needs is important for all of the reasons discussed above. Such a contingency plan does not need to rely solely on long term solutions, but could identify short term interim mitigations that could be relied on until a more appropriate long term solution can be developed. In addition to developing a contingency plan, the Commission should develop milestones for all new resource development to ensure that the system needs will be met, and also to allow sufficient time to implement the contingency plan. These milestones should include a gradual build-up of the procured resources rather than waiting until the last moment for everything to show up. The schedule should build in sufficient time for the procurement of other resources in the event that a particular resource or technology is not meeting milestone deadlines and other expectations, as would be described in the contingency plan.

**Issue Number 6:**

**Should the Commission consider methods to address potential market power in the SONGS area for gas-fired resources?**

Market power can be mitigated by ensuring that several options are viable. Transmission options should be identified that are viable, as well as other conventional and non-conventional options. The procurement decision should be flexible to allow the IOU to procure resources if the price is acceptable, but also to be able to consider the other options if necessary to mitigate market power.

**Other Topics:**

The ALJ also provided an opportunity for parties proposing preferred resources or energy storage to fill identified needs to describe how the attributes of these resources will meet LCR needs (Issue Number 7). The ISO does not intend to propose specific preferred resources or

energy storage to fill the local needs identified in the Track 4 studies. This is not to say that preferred resources or energy storage resources will not meet these needs. The ISO is working with parties to develop the characteristics required to meet LCR needs and will continue to do so to further enable participation by preferred resources.

Respectfully submitted,

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