

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)

**OPENING BRIEF OF ENERNOC, INC., IN TRACK 4
(SAN ONOFRE NUCLEAR GENERATING STATION)**

Sara Steck Myers
Attorney for EnerNOC, Inc.
122 - 28th Avenue
San Francisco, CA 94121
Telephone: 415-387-1904
Facsimile: 415-387-4708
Email: ssmyers@att.net

Mona Tierney-Lloyd
Director, Western Regulatory Affairs
EnerNOC, Inc.
P.O. Box 378
Cayucos, CA 93430
Telephone: (805) 995-1618
Facsimile: (805) 995-1678
E-mail: mtierney-lloyd@enernoc.com

November 25, 2013

TABLE OF CONTENTS

	<i>Page</i>
Table of Contents	i
Table of Authorities	iii
Summary of Recommendations	iv
I. SUMMARY	1
II. TRACK 4 SCOPE, ASSUMPTIONS, AND RESULTING STUDIES	4
III. ALL LTPP AUTHORIZED PROCUREMENT IS SUBJECT TO THE “LOADING ORDER” OF PREFERRED RESOURCES	7
A. This Commission Has Established the Precedent for Following the Loading Order of Preferred Resources in Identifying and Meeting All LTPP Resource Needs	7
B. D.13-02-015 in Track 1 of this 2012 LTPP Rulemaking Establishes the Policy Framework for Any Procurement Authorized in Track 4	9
IV. CONFLICTS IN TRACK 4 STUDY ASSUMPTIONS AND IMPENDING TPP RESULTS REQUIRE THAT TRACK 4 PROCUREMENT AUTHORIZATION MUST BE INTERIM ONLY AND SUBJECT TO REFINEMENT	10
A. The Track 4 Evidentiary Record Confirms that Significant Conflicts Exist Between CAISO and SCE Track 4 Study Assumptions and the Revised Scoping Ruling	10
B. Growth in Preferred Resources Procurement, Through Current And Future Solicitations and the Living Pilot, Limit the Need for Any Contingent Gas-Fired Generation Development	13
C. Refinement of Any Interim Track 4 Procurement Authorization Based on the TPP Results Is Reasonable If Those Results Include Or Can Be Adjusted to Account for the Preferred Resources Assumptions Required by the Revised Scoping Ruling	14
V. THE ATTRIBUTES OF DEMAND RESPONSE THAT QUALIFY IT AS A LOCAL CAPACITY RESOURCE HAVE NOT BEEN ADEQUATELY CONSIDERED OR ARE ONLY VAGUELY DEFINED IN TRACK 4	15
VI. THE COMMISSION MUST COMMENCE A PUBLIC PROCESS TO FINALLY DETERMINE AND ADOPT CRITERIA APPLICABLE FOR DEMAND RESPONSE TO QUALIFY AS A LOCAL CAPACITY RESOURCE	17

TABLE OF CONTENTS

Continued

Page

VII. CONCLUSION18

APPENDIX A: Proposed Findings of Fact and Proposed Conclusions of Law

TABLE OF AUTHORITIES

	<i>Page</i>
<u>CPUC DECISIONS</u>	
Decision (D.) 13-02-015	<i>passim</i>
D.12-01-033	7
<u>COMMISSION RULES OF PRACTICE AND PROCEDURE</u>	
Rule 13.11	1

SUMMARY OF RECOMMENDATIONS

Rule 13.11 of the Commission's Rules of Practice and Procedure requires a "summary of the briefing party's recommendations following the table of authorities." In summary, as supported by this brief, EnerNOC, Inc., recommends that any decision resulting from the current record in Track 4 (San Onofre Nuclear Generating Station (SONGS)) of the Long Term Procurement Plan (LTPP) Rulemaking (R.) 12-03-014 find, conclude, and order as follows:

- The Commission should find that neither CAISO nor SCE followed the directions on Track 4 study assumptions for demand response (DR) resources provided in the Revised Scoping Ruling.
- The Commission should determine the level of any Track 4 need for SCE only after correcting the differences in CAISO and SCE study assumptions to conform with those required by the Revised Scoping Ruling.
- The Commission should grant "interim authorization" to SCE and SDG&E for "additional resources" subject to revision based upon the final results of the CAISO's 2013-2014 TPP, expected in March 2014 *if* those results are based on, or account for, the assumptions required for preferred resources in the Revised Scoping Ruling.
- The Commission should find that, if SDG&E's request to procure an incremental 500 MW of capacity is granted, SDG&E's failure to incorporate DR resources as an option for meeting that incremental resource need is not in keeping with the Loading Order or D.13-02-015 and must be changed to require such procurement as part of its authorization.
- The Commission should commit to defining the eligibility criteria for DR resources to qualify as a local capacity resource, which currently is vague and ambiguous, in a transparent process subject to Commission oversight and approval.
- The Commission should confirm that the results of SCE's Track 1 Preferred Resources RFO and the Living Pilot will inform and allow for future revisions and future bid opportunities for preferred resources before any contingency gas-fired generation (GFG) resources are developed.

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)

**OPENING BRIEF OF ENERNOC, INC., IN TRACK 4
(SAN ONOFRE NUCLEAR GENERATING STATION)**

EnerNOC, Inc. (EnerNOC) respectfully submits this Opening Brief in Track 4 (San Onofre Nuclear Generating Station (SONGS)) of the Commission's Long Term Procurement Plan (LTPP) Rulemaking (R.) 12-03-014. This Opening Brief is timely filed and served pursuant to the Commission's Rules of Practice and Procedure (Rule 13.11) and the Administrative Law Judge's (ALJ's) Ruling setting the briefing schedule.¹

**I.
SUMMARY**

While no "common briefing" outline was adopted for this Track 4 brief, ALJ Gamson did offer instructions seeking argument on specific issues. These issues include whether the Commission should authorize Southern California Edison Company (SCE) and San Diego Gas and Electric Company (SDG&E) to procure additional resources at this time "for the purposes within the scope of this proceeding," and, if so, what those resources and the applicable process should be. Parties were also encouraged, but not required, to include specific Proposed Findings of Fact and Proposed Conclusions of Law for the Commission to consider in its Track 4 decision.

EnerNOC is a leading developer and provider of clean and intelligent power solutions to commercial, institutional, and industrial customers, as well as electric power grid operators and

¹ Reporter's Transcript (RT) at 2304 (ALJ Gamson); ALJ's Ruling on Briefing Schedule and Instructions sent by electronic mail to the R.12-03-014 (LTPP) Service List on November 4, 2013.

utilities. EnerNOC's technology-enabled demand response and energy management solutions help optimize the balance of electric supply and demand.

Since the outset of this 2012 LTPP, EnerNOC has been an active participant throughout the many workshops, comments, testimony, hearings, and briefs that have formed the record in Track 1 (Local Reliability), Track 2 (System Needs), and now Track 4 (SONGS) of this proceeding. EnerNOC's participation and testimony in Track 4, as in Track 1, has been focused on demonstrating the flexibility, operational characteristics, and capability of demand response (DR) resources to meet local capacity requirement (LCR) needs, including any need resulting from the retirement of SONGs. These circumstances are of particular importance since DR, along with energy efficiency, are first in order "preferred resources" in the Commission's Loading Order of resources to meet all energy needs. Demand-side resources are also essential to furthering the State's greenhouse gas (GHG) reduction targets and are expected to grow further as a result of the Commission's initiatives for deploying smart technologies.

The Commission, from its ground-breaking decision in Track 1 (D.13-02-015) to its assumptions for the SONGS area studies to be conducted for Track 4, has demonstrated a commitment to and understanding of the value and capability of DR to meet LCR needs. Unfortunately, this same level of commitment or understanding of DR's role in meeting LCR needs is not reflected in the study or the majority of recommendations made in Track 4 by the "respondents," the California Independent System Operator (CAISO), Southern California Edison Company (SCE), and San Diego Gas and Electric Company (SDG&E). EnerNOC does qualify that statement, however, by noting that SCE has shown a dedication to continue to explore and further the role for DR in meeting its resource needs, especially through its proposed

“Living Pilot,” and to seek to better understand the attributes for preferred resources for that purpose.

Nevertheless, the record in this proceeding, including numerous conflicting assumptions and results, does not justify the Commission now authorizing the procurement of “additional resources” by either SCE and SDG&E unless these record conflicts are reconciled and procurement is authorized consistent with the Loading Order. Specifically, as supported by the arguments herein and reflected in Appendix A hereto (Proposed Findings of Fact and Proposed Conclusions of Law), EnerNOC recommends that the Commission do the following in its Track 4 decision:

- The Commission should find that neither CAISO nor SCE followed the directions on Track 4 study assumptions for DR resources provided in the Revised Scoping Ruling.
- The Commission should determine the level of any Track 4 need for SCE only after correcting the differences in CAISO and SCE study assumptions to conform with those required by the Revised Scoping Ruling.
- The Commission should grant “interim authorization” to SCE and SDG&E for “additional resources” subject to revision based upon the final results of the CAISO’s 2013-2014 TPP, expected in March 2014 *if* those results are based on, or account for, the assumptions required for preferred resources in the Revised Scoping Ruling.
- The Commission should find that, if SDG&E’s request to procure an incremental 500 MW of capacity is granted, SDG&E’s failure to incorporate DR resources as an option for meeting that incremental resource need is not in keeping with the Loading Order or D.13-02-015 and must be changed to require such procurement as part of its authorization.
- The Commission should commit to defining the eligibility criteria for DR resources to qualify as a local capacity resource, which currently is vague and ambiguous, in a transparent process subject to Commission oversight and approval.

- The Commission should confirm that the results of SCE’s Track 1 Preferred Resources RFO and the Living Pilot will inform and allow for future revisions and future bid opportunities for preferred resources before any contingency gas-fired generation (GFG) resources are developed.

II. TRACK 4 SCOPE, ASSUMPTIONS, AND RESULTING STUDIES

On May 21, 2013, a Revised Scoping Ruling and Memo of the Assigned Commissioner and Administrative Law Judge (ALJ) (Revised Scoping Ruling) was issued that made several significant changes in the direction and schedule for this LTPP. First, as to Track 2 (System Needs), the Revised Scoping Ruling provided a revised procedural schedule. The ruling also included the use of two different methodologies for calculating that need: deterministic (California Independent System Operator (CAISO)) and stochastic (Southern California Edison Company (SCE)).

In addition, and of specific relevance to this brief, the Commission added Track 4 to this LTPP to examine the long-term outage of SONGS, the permanent retirement of which was announced by SCE shortly after the issuance of the Revised Scoping Ruling. In Attachment A to the Revised Scoping Ruling, the Commission provided very clear instructions to the respondents – CAISO, SCE and San Diego Gas and Electric Company (SDG&E) – as to the assumptions to be used in the modeling of new resource needs in Track 4. In particular, the Revised Scoping Ruling identified the amount of DR, incremental EE, combined heat and power (CHP) and incremental small photovoltaic (PV). The Commission also included the assumptions for resource additions (Track 1 authorization) and retirements.²

² Revised Scoping Ruling, Attachment A, at p. 2.

These assumptions included input assumptions as well as assumptions for post-first and post-second contingency events (caused when “major” infrastructure “trips offline”).³ In particular, for DR, the Commission directed the respondents to use 183 MW for post-first contingency events and 997 MW for post-second contingency events for the SONGS Study Area, for SDG&E and SCE combined.⁴

On September 16, 2013, the Commission issued the Assigned Commissioner’s and Administrative Law Judge’s Ruling Regarding Track 2 and Track 4 Schedules (September 16 AC/ALJ’s Ruling). In that ruling, Track 2 (System Needs) was “cancelled” as part of this LTPP, to be taken up again in the Commission’s 2014 LTPP, based on indications that “system flexibility needs may be low or non-existent depending on the level of local capacity procurement authorized in Track 4.”⁵

For Track 4, however, the September 16 AC/ALJ’s Ruling committed to “continue developing the record” in that track, with reply testimony and hearings scheduled for September 30 and late October, respectively.⁶ This step was taken despite the recognition that the CAISO’s 2013-2014 Transmission Planning Process (TPP) results, which are “expected to provide useful information to inform the Commission regarding a decision on both the level and type of resources to replace SONGS capacity in the long run,” would not be available or part of that record.⁷ Noting that the TPP results would not be in “final form” until March 2014, the September 16 AC/ALJ’s Ruling reasoned that record development “ahead of such results” was appropriate “in order to provide the opportunity for the Commission to make a decision as early

³ Revised Scoping Ruling, Attachment A, at p. 2.Id.

⁴ Id.

⁵ September 16 AC/ALJ’s Ruling, at pp. 1, 6, 7.

⁶ Id., at p. 3.

⁷ Id., at pp. 2-3.

as possible.”⁸ Such a “decision” could include “interim procurement authorization,” but it would not be subject to change based on later evidence (i.e., the TPP results).⁹

This latter ruling makes clear that a decision in Track 4 in advance of the TPP results is a final order regardless of how it is labeled. Such a circumstance makes the Commission’s commitment to the Loading Order in identifying the amount of any such authorization or how it will be met of critical importance in any such decision.

Further, despite the clear direction of the Commission as to what assumptions the respondents should include in the analysis of need in Track 4, there were differences in the input assumptions used as between these parties. With respect to DR, in particular, the following differences between the CAISO’s and SCE’s Track 4 “studies” are illustrative:

- (1) **CAISO:** CAISO did not include any of the post-second contingency DR (997 MW) or small PV (667 MW-2022) in its analysis because “the existing DR doesn’t have the characteristics...to meet the need...and so that was not included in the calculation” and as “small PV is actually a load modifier” and “it’s not really known where the locations are, it was not included either.”¹⁰
- (2) **SCE:** SCE had already started its analysis prior to the issuance of the Revised Scoping Memo. SCE found the post-first and post-second contingency categories confusing.¹¹ Nonetheless, “[o]verall there is about a thousand megawatts of DR assumed in the overall Los Angeles Basin.”¹² In the smaller West Los Angeles (LA) Basin, SCE assumed 620 MW of DR available, as a reasonable estimate and discounted that amount by 50%, because those programs were initially developed to meet system, not local, needs.¹³ In addition, SCE augmented this amount by 283 MW of additional DR in the

⁸ September 16 AC/ALJ’s Ruling, at p. 3.

⁹ *Id.*, at pp. 3-4.

¹⁰ RT at 1456-1457 (CAISO (Sparks)).

¹¹ RT at 2121-2122 (SCE (Silsbee)).

¹² *Id.*

¹³ *Id.*

Johanna/Santiago Substations, again, discounted by 50%.¹⁴ In total, SCE assumed 451 MW of DR in the Track 4 modeling.

Thus, contrary to the directions on assumptions in Attachment A of the Revised Scoping Ruling, CAISO and SCE each ascribed amounts of DR below the required levels. EnerNOC notes, however, that SCE, at least, sought to provide an estimate of the amount of resources that could be useful in meeting the local capacity requirement in total, whether for a post-first or post-second contingency.

Nevertheless, these circumstances undermine the credibility of the CAISO and SCE Track 4 need assessments, as well as their treatment of demand response in particular. For the reasons discussed further below, should any Track 4 procurement authorization be granted now for SCE or SDG&E, EnerNOC urges the Commission to ensure, as it did in D.13-02-015, that demand response, consistent with the Loading Order, is fairly considered and included in that authorization.

III. ALL LTPP AUTHORIZED PROCUREMENT IS SUBJECT TO THE “LOADING ORDER” OF PREFERRED RESOURCES.

A. The Commission Has Established the Precedent For Following the Loading Order of Preferred Resources in Identifying and Meeting All LTPP Resource Needs.

EnerNOC’s testimony and briefs filed in Track 1 (“Local Reliability”) of this LTPP rulemaking provide strong foundational support for this Commission’s commitment to plan for and meet forecasted energy needs, whether on a system or local basis, according to the Loading Order of preferred resources, with energy efficiency and demand response positioned first in order. The Commission’s directions to the investor-owned utilities (IOUs) to follow this Loading Order have been made in multiple decisions, including D.12-01-033 and, most recently,

¹⁴ RT at 2121-2122 (SCE (Silsbee)).

D.13-02-015, addressed further below. EnerNOC, therefore, incorporates by reference its legal arguments from its Track 1 briefs here.¹⁵

Specific to Track 4, EnerNOC does note that, at the time the scope of Track 1 was adopted, the permanent closure of SONGS, a low emission facility, was not anticipated or factored into the modeling considered in that track. However, to replace a low emission facility like SONGS with other resources, including conventional GFG, new challenges are presented, and additional pressure is put on attaining GHG emissions reductions required by Assembly Bill (AB) 32. In this regard, new Greenfield development of GFG would require the developer to obtain air emissions offsets, which are in short supply in this region, as detailed in the Preliminary Reliability Plan for the LA Basin and San Diego (Preliminary Reliability Plan).¹⁶ In fact, the South Coast Air Quality Management District (South Coast AQMD) is one of only 2 non-containment zones in the United States for ozone. In order to limit further degradation to the air quality in the South Coast AQMD, it is necessary to consider low-to-no emitting resources as a source of replacement capacity.

Under these circumstances, the role to be played by emissions-free preferred resources in meeting local capacity requirements (LCRs) is, therefore, heightened in the absence of SONGS, especially in the “SONGS Study Area” (LA Basin local area and San Diego sub-area) that is the focus of Track 4.¹⁷ In fact, the Preliminary Reliability Plan expects preferred resources to replace SONGS capacity “with a goal of reliably meeting roughly 50 percent of medium to long-term needs with preferred resources,” a percentage that “is roughly consistent with the CPUC’s recent procurement authorization strategies (e.g. San Diego and LA Basin authorizations in early

¹⁵ Track 1 Exhibit EnerNOC-1, EnerNOC-2, and EnerNOC-3; EnerNOC’s Track 1 Opening Brief at pp. 5-14, 16-21.

¹⁶ Preliminary Reliability Plan, August 30, 2013, at p. 9.

¹⁷ Revised Scoping Ruling, Attachment A, at p. 1.

2013).”¹⁸ It is, therefore, imperative that the Commission maintain and continue to implement the Loading Order preferred resources in Track 4 in identifying the level, and the resources required to meet, any LCR needs in the SONGS Study Area.

B. D.13-02-015 in Track 1 of this 2012 LTPP Rulemaking Establishes the Policy Framework for Any Procurement Authorized in Track 4.

In Track 1 (Local Reliability) of this 2012 LTPP, the Commission reached a seminal decision (D.13-02-015) on the law and policy applicable to procurement authorizations that meets this Commission’s unique duty to ensure that the energy needs of this State’s electric consumers are met in a manner that maintains reliable service at just and reasonable rates, while protecting the environment and meeting California’s climate change goals. In doing so, the procurement authorization granted to SCE in D.13-02-015 reinforces this Commission’s commitment to the Loading Order’s identification of the priority resources (energy efficiency and demand response) in both reducing and meeting local capacity requirements.¹⁹

Specifically, D.13-02-015 established a range of capacity that could be procured by SCE of between 1,400 and 1,800 MW, including between 1,000 and 1,200 MW of GFG, at least 50 MW of storage and 150 MW of incremental preferred resources and up to 600 MW of incremental preferred resources and storage.²⁰ In addition, the Commission incorporated a nominal amount of DR, 200 MW, which would be available by 2020 to meet the local capacity requirement.²¹

D.13-02-015 makes clear that reliance on Loading Order of preferred resources to meet all energy needs is not a secondary, but, instead, a *primary* consideration in long term procurement planning. Thus, in D.13-02-015, the Commission weighed the resource needs

¹⁸ Preliminary Reliability Plan, August 30, 2013, at p. 7.

¹⁹ D.13-02-015, at pp. 2-3, 10-11.

²⁰ *Id.*, at p. 2.

²¹ *Id.*, at p. 56.

identified by the CAISO, and reduced that need by 1,000 MW to incorporate preferred resource assumptions neglected in the CAISO's Track 1 study and established a more moderate, reduced level of authorized procurement than recommended by CAISO.²²

In sum, D.13-02-015 held the line against the dismissive treatment afforded preferred resources by the CAISO in consideration of local reliability planning and reinforced the Commission's commitment to continue to foster the development of preferred resources as alternatives to GFG. It is this same precedent and approach that must guide the Commission's decision on any Track 4 procurement authorization as well.

**IV.
CONFLICTS IN TRACK 4 STUDY ASSUMPTIONS AND IMPENDING TPP
RESULTS REQUIRE THAT TRACK 4 PROCUREMENT AUTHORIZATION
MUST BE INTERIM ONLY AND SUBJECT TO REFINEMENT.**

A. The Track 4 Evidentiary Record Confirms that Significant Conflicts Exist Between CAISO and SCE Track 4 Study Assumptions and the Revised Scoping Ruling.

In addition to the discrepancies relative to CAISO's and SCE's preferred resource assumptions relative to the Revised Scoping Ruling addressed above, EnerNOC's testimony identified other differences between the study assumptions used by CAISO and SCE in their respective assessments of need.²³ In short, EnerNOC witness Tierney-Lloyd confirmed that "there is [a] 920 MW difference in local capacity need for the LA Basin as between the CAISO's and SCE's calculations."²⁴

In this regard, SCE witness Nelson testified that "SCE's studies are based on meeting the applicable North American Electric Reliability Corporation (NERC) Reliability Standards (NERC Reliability Standards), which are less stringent than the assumptions and other criteria

²² D.13-02-015, at p. 65.

²³ Ex. EnerNOC-1, at p. II-6 (EnerNOC (Tierney-Lloyd)).

²⁴ Id., at p. II-2 (EnerNOC (Tierney-Lloyd)).

used in the CAISO's Local Capacity Technical (LCT) studies."²⁵ Differences also result from SCE's use of 436 MW of load shed capability in San Diego, and the balance, approximately 500 MW, constitutes SCE's request for additional procurement authority.²⁶ While the CAISO testified that it did not support the use of load shedding as a prudent, *long-term* solution for the N-1-1 contingency,²⁷ it was also the case that its witness Millar did recognize short-term applications of this mitigation measure and that SDG&E has a Western Electricity Coordinating Council (WECC) certified load-dropping safety net in place today.²⁸

However, the CAISO has failed to recognize 997 MW of post-second contingency demand response,²⁹ which could negate the need for activating an involuntary load drop in San Diego.³⁰ In addition, CAISO Witness Sparks indicated that it would be preferable to activate demand response, as a voluntary load reduction, in advance of activating an involuntary load reduction.³¹ Further, Mr. Sparks testified that an N-1-1 contingency would constitute a CAISO emergency, which, by definition, would activate SCE's emergency or reliability DR programs.³² In fact, under conditions where involuntary load shedding was possible and a CAISO emergency declared, EnerNOC would expect SCE to activate all DR programs.³³

Clearly, resolving these conflicting approaches on DR and mitigation measures, like load shedding, is appropriate before the Commission in this Track 4. However, these conflicts raise a larger question of how each of these "respondents" have treated DR resources for purposes of identifying or meeting any Track 4 local capacity requirements. In fact, EnerNOC submits that

²⁵ Ex. SCE-1, at p. 2 (SCE (Nelson)).

²⁶ Ex. EnerNOC-1, at p. II-7 (EnerNOC (Tierney-Lloyd)).

²⁷ Ex. ISO-2, at p. 6 (CAISO (Sparks)).

²⁸ Ex. ISO-2 at p. 7 (CAISO (Sparks)); Ex. ISO-7, at p. 12 (CAISO (Millar)).

²⁹ RT at 1456-1457 (CAISO (Sparks)).

³⁰ RT at 1551-1552 (CAISO (Sparks)).

³¹ Id.

³² RT at 1553-1554 (CAISO (Sparks)).

³³ Ex. EnerNOC-1, at p. II-6 (EnerNOC (Tierney-Lloyd)).

additional procurement authority for SCE is *not* necessary since the DR amounts included in the Track 4 studies conducted by both SCE and CAISO fail to incorporate the 997 MW of voluntary DR that could avert the need for involuntary load shedding, whether permitted or not.

In fact, EnerNOC’s testimony further confirmed that the 997 MW of post-second contingency DR was a conservative assumption. If an N-1-1 contingency event were to occur, EnerNOC would expect SCE to dispatch all DR “as rapidly as possible, especially if this was the last resort before initiating involuntary load shedding.”³⁴ Further, as EnerNOC witness Tierney-Lloyd testified: “I would expect more of this type of resource, with the ability to respond within 30 minutes, to be developed over the study period.”³⁵

SCE also assumed that certain once-through-cooling plants would not retire.³⁶ Additionally, SCE included the Mesa Loop-In transmission project, with the potential to alleviate 1, 200 MW of capacity need in the SONGS Study Area,³⁷ which was not considered in the CAISO analysis because that project has not yet been approved by the Commission.³⁸ Taken together, SCE’s analysis does not show a need for incremental procurement authority, unless SCE’s analysis is adjusted to meet CAISO’s assumptions. SCE calculated a need of 2,802 MW with existing procurement authority of up to 1,800 MW and additional capacity through the Mesa Loop-In transmission project of 1,200 MW.³⁹

Therefore, the Commission must determine if CAISO’s assessment, without the incorporation of post-second contingency small PV and DR, supports an incremental capacity need of 920 MW, relative to SCE’s calculation, or if SCE’s adjustment of that 920 MW to reflect

³⁴ Ex. EnerNOC-1, at p. II-6 (EnerNOC (Tierney-Lloyd)).

³⁵ *Id.*

³⁶ Ex. SCE-1, at p. 14 (SCE (Silsbee)).

³⁷ Ex. SCE-1, at p. 8 (SCE (Nelson)).

³⁸ Ex. SCE-1. at p. 9 (SCE (Nelson)).

³⁹ Ex. EnerNOC-1, at p. II-8 (EnerNOC (Tierney-Lloyd)).

involuntary load shedding in San Diego, resulting in SCE's request for incremental procurement authority of 500 MW is reasonable.⁴⁰ At this time, EnerNOC does not agree that incremental procurement at this time is necessary due to the failure by both SCE and CAISO to use assumptions consistent with and required by the Revised Scoping Ruling.

B. Growth in Preferred Resources Procurement, Through Current and Future Solicitations and the Living Pilot, Limit the Need for any Contingent Gas-Fired Generation Development.

Despite EnerNOC's concerns with SCE's Track 4 need assessment, as noted above, EnerNOC is very appreciative of the positive and pro-active steps that SCE has taken to solicit and develop DR resources through its Track 1 Preferred Resources RFO and its Living Pilot. EnerNOC views this procurement process as a significant improvement over current DR resource procurement processes subject to DR planning cycles and believes this process could serve as a model for future procurement of DR resources on a statewide basis.

Further, SCE has taken pro-active steps toward defining eligibility criteria for DR to qualify as a local capacity resource, which have not been adequately identified to date. While the CAISO has proposed a definition for DR to qualify as a local capacity resource, an adopted definition either by the CAISO or this Commission is not likely in the near term. As such, EnerNOC very much appreciates SCE's efforts to test DR's capabilities and attributes to meet LCR needs through its RFO and Living Pilot.

However, EnerNOC urges the Commission not to allow the success or failure of one RFO solicitation or one Pilot to determine the ongoing capability of preferred resources to meet LCR need or use those results as a basis to then authorize the development or siting of contingent GFG resources. These solicitations are the beginning, but not the end, of the processes that should continuously identify changing needs and requirements for local capacity resources

⁴⁰ Ex. EnerNOC-1, at pp. II-2, III-1 (EnerNOC (Tierney-Lloyd)).

through 2021. In those circumstances, the results of the RFO and the Living Pilot should be used to recalibrate future solicitations to meet those needs and not simply trigger GFG development.⁴¹

Further, while EnerNOC did not take issue with SDG&E's request to procure an additional 500 MW of capacity,⁴² EnerNOC does have concerns with SDG&E's treatment of DR in its studies and procurement authorization. Specifically, SDG&E's failure to incorporate DR resources as an option for meeting that incremental resource need is not in keeping with the Loading Order or D.13-02-015 and must be changed to require such procurement as part of its authorization.

C. Refinement of Any Interim Track 4 Procurement Authorization Based on the TPP Results Is Reasonable If Those Results Include or Can Be Adjusted to Account for the Preferred Resources Assumptions Required by the Revised Scoping Ruling.

In determining whether either SCE or SDG&E should be authorized to procure additional resources now, EnerNOC does understand the potential impact of the CAISO's 2013-2014 TPP results may have on the need for such resources. In this regard, CAISO initially recommended that the Commission should not authorize any interim procurement authority until CAISO had completed its TPP,⁴³ but, in rebuttal, did conclude that the interim procurement authority requested by SCE and SDG&E was reasonable.⁴⁴

EnerNOC, however, testified as to its concerns that the CAISO's assumptions in its TPP would not conform with the assumptions required by the Commission for Track 4 (Revised Scoping Ruling), especially as to preferred resources.⁴⁵ As a result, once study discrepancies between SCE and CAISO referenced above are resolved, EnerNOC would support "interim"

⁴¹ Ex. EnerNOC-1 at p. II-10 (EnerNOC (Tierney-Lloyd)).

⁴² (Ex. EnerNOC-1, at p. II-12 (EnerNOC (Tierney-Lloyd))).

⁴³ Ex. ISO-1, at p. 30 (CAISO (Sparks)).

⁴⁴ Ex. ISO-7, at p. 6 (CAISO (Millar)).

⁴⁵ Ex. EnerNOC-1, at p. II-5 (EnerNOC (Tierney-Lloyd)).

procurement authority for SCE and SDG&E subject to refinement based upon the CAISO's completed TPP. However, in doing so, the results of the CAISO's TPP should first be scrutinized to ensure that the preferred resources assumptions required for Track 4 are incorporated in that analysis, and, if they are not, adjustments should be made to account for those assumptions.

**V.
THE ATTRIBUTES OF DEMAND RESPONSE THAT QUALIFY IT AS A
LOCAL CAPACITY RESOURCE HAVE NOT BEEN ADEQUATELY
CONSIDERED OR ARE ONLY VAGUELY DEFINED IN TRACK 4.**

In both Track 1 and Track 4 of this 2012 LTPP, CAISO has expressed resistance to incorporating DR resources into the calculation of need in local capacity areas. In Track 1, CAISO assumed "zero" DR resources were capable of meeting the local capacity need.⁴⁶ In Track 4, the CAISO included 187 MW of post-first contingency DR, but failed to include the 997 MW of post-second contingency DR, as required by the Revised Scoping Ruling.⁴⁷ CAISO Witness Sparks sought to justify this exclusion by testifying that DR resources need to be dispatchable within 30 minutes in order for the CAISO to restore the system after the first contingency event and prior to a second contingency event, per NERC operating criteria and the CAISO tariff.⁴⁸ Therefore, the 30 minute requirement was offered as the principle reason CAISO did not support counting DR resources as contingency resources.⁴⁹

Yet, on further examination of CAISO's position, it began to appear that dispatch within 30 minutes may not be the only criteria that CAISO is considering in order for demand response to qualify as a local capacity resource.⁵⁰ In fact, it was suggested that the criteria for DR

⁴⁶ D.13-02-015 at p. 51.

⁴⁷ RT at 1456-1457 (CAISO (Sparks)).

⁴⁸ RT at 1552-1553 (CAISO (Sparks)).

⁴⁹ RT at 1554 (CAISO (Sparks)).

⁵⁰ RT at 1555 (CAISO (Sparks)).

qualification as a local capacity resource could vary by local capacity area⁵¹ and is, as of yet, unknown.⁵²

For as much as EnerNOC tried to ascertain the exact attributes that would apply for DR to qualify as a local capacity resource, neither CAISO nor SCE witnesses could explicitly describe those attributes. Thus, as noted above, CAISO has yet to define other parameters regarding the DR resource's availability, including either the frequency with which the resource could be dispatched or the duration of the dispatch.

Therefore, the other parameters that CAISO is exploring for the resource's availability (frequency and duration) are not solely limited to a contingency event, as that is a low probability event. Instead, events that require frequency and duration of the resource's availability are tied instead to, e.g., high-load events, which are probably summer peak periods, although, that was not clearly articulated by either CAISO or utility witnesses.

To the best of EnerNOC's knowledge, no other ISO or RTO requires demand response resources to be dispatched within 30 minutes in order to qualify as a local capacity resource. Instead, to qualify, these DR resources simply need to be located in the local area and dispatched as instructed by the ISO or RTO.

In fact, CAISO testimony reflected that a 30 minute response time is not universally required for "local capacity resources." Thus, if long-start resources are not already committed, those resources cannot respond within 30 minutes to a contingency event.⁵³ And, yet, those resources, simply due to their location in the LCA, count toward the LCR.⁵⁴ However, CAISO testified that if it were in a high-load situation, CAISO would have committed the long-start

⁵¹ RT at 1687-1688 (CAISO (Millar)).

⁵² RT at 1693-1994 (CAISO (Millar)).

⁵³ RT at 1692 (CAISO (Millar)).

⁵⁴ Id.

resource ahead of time.⁵⁵ But that very same advance notification that is helpful in preparing the generation fleet to be ready to respond would be equally as helpful to timely response by DR resources.⁵⁶

In fact, the primary considerations of what constitutes a “local capacity resource,” including DR, should be that the resource is located in the local capacity area and is capable of being dispatched within the LCA. These are attributes that DR has now and should certainly be taken into account in relying on these resources to identify or meet local capacity requirements.

VI.
THE COMMISSION MUST COMMENCE A PUBLIC PROCESS TO FINALLY DETERMINE AND ADOPT THE CRITERIA APPLICABLE FOR DEMAND RESPONSE TO QUALIFY AS A LOCAL CAPACITY RESOURCE.

The development of a local capacity requirement for DR resources is occurring in the TPP Stakeholder Process at the CAISO where, admittedly, DR resource providers are not as actively engaged. In fact, few, if any, DR providers would consider the CAISO’s TPP as a venue for developing DR policy.

It is important, therefore, that development of a definition or criteria for DR to qualify as a local capacity resource should be developed before, and approved by, this Commission through a public process that will allow and encourage the input of DR resource providers. The CAISO’s position should certainly be taken into account, but it should be an input, along with those of other stakeholders, in that process, with Commission oversight and approval of any final applicable requirement.

In support of this approach, EnerNOC notes that it was only recently made aware of the CAISO’s proposal relative to DR resources qualifying for a local capacity resource through incidental conversation with an IOU representative just prior to the commencement of the Track

⁵⁵ RT at 1692 (CAISO (Millar)).

⁵⁶ Id.

4 hearings, but after the CAISO comment period had already closed. It is certainly every stakeholder's obligation to stay as informed as possible; but, it is difficult to participate in all CAISO, CPUC, and CEC processes that may impact DR. Given the importance of the issue of ongoing reliance on Loading Order preferred resources to meet all IOU energy needs and given the Commission's longstanding development of DR programs, EnerNOC believes that the Commission is the best forum for defining the local capacity requirements for preferred resources.

VII. CONCLUSION

Based upon the record evidence in both Track 1 and Track 4 of this LTPP, EnerNOC recommends the Commission do the following:

- The Commission should find that neither CAISO nor SCE followed the directions on Track 4 study assumptions for DR resources provided in the Revised Scoping Ruling.
- The Commission should determine the level of any Track 4 need for SCE only after correcting the differences in CAISO and SCE study assumptions to conform with those required by the Revised Scoping Ruling.
- The Commission should grant "interim authorization" to SCE and SDG&E for "additional resources" subject to revision based upon the final results of the CAISO's 2013-2014 TPP, expected in March 2014 *if* those results are based on, or account for, the assumptions required for preferred resources in the Revised Scoping Ruling.
- The Commission should find that, if SDG&E's request to procure an incremental 500 MW of capacity is granted, SDG&E's failure to incorporate DR resources as an option for meeting that incremental resource need is not in keeping with the Loading Order or D.13-02-015 and must be changed to require such procurement as part of its authorization.

- The Commission should commit to defining the eligibility criteria for DR resources to qualify as a local capacity resource, which currently is vague and ambiguous, in a transparent process subject to Commission oversight and approval.
- The Commission should confirm that the results of SCE's Track 1 Preferred Resources RFO and the Living Pilot will inform and allow for future revisions and future bid opportunities for preferred resources before any contingency GFG resources are developed.

Respectfully submitted,

November 25, 2013

/s/ SARA STECK MYERS
Sara Steck Myers
For EnerNOC, Inc.

Sara Steck Myers
Attorney at Law
122 - 28th Avenue
San Francisco, CA 94121
Telephone: 415-387-1904
Facsimile: 415-387-4708
Email: ssmyers@att.net

And

Mona Tierney-Lloyd
Director of Regulatory Affairs
EnerNOC, Inc.
P. O. Box 378
Cayucos, CA 93430
Telephone: 805-995-1618
Facsimile: 805-995-1678
Email: mtierney-lloyd@enernoc.com

APPENDIX A

ENERNOC, INC. PROPOSED FINDINGS OF FACT AND PROPOSED CONCLUSIONS OF LAW

EnerNOC, Inc., recommends that the following Proposed Findings of Fact and Proposed Conclusions of Law be included in the Track 4 decision. These proposed findings and conclusions reflect EnerNOC's recommendations in this brief.

PROPOSED FINDINGS OF FACT:

Finding: The Loading Order of preferred resources must be followed in identifying and meeting all long term procurement plan resource needs, including those arising from the retirement of SONGs in Track 4.

Finding: Increased reliance on the Loading Order preferred resources, especially in the Track study areas of the LA Basin and the San Diego sub-area, is needed to meet California's greenhouse gas emission reduction goals.

Finding: The assumptions used by CAISO and SCE in their Track 4 studies for demand response (DR) resources were inconsistent with, and below the levels, required for Track 4 by the Revised Scoping Ruling.

Finding: The failure of CAISO and SCE to appropriately account for DR resources undermines the credibility of their resulting assessments of Track 4 need in the SONGS study area.

Finding: SCE's Track 1 preferred resources solicitation and its Living Pilot represent a commitment to the Loading Order in meeting its energy needs and positive and proactive steps toward defining eligible criteria for demand response as a local capacity resource, which has not been undertaken to date.

Finding: The outcome of the current preferred resources solicitation and/or the Living Pilot is not an appropriate basis alone on which to determine whether contingent gas-fired generation should be developed; instead, that information can serve to inform and improve future preferred resources procurement.

Finding: SDG&E inappropriately excluded DR resources as an option for meeting its incremental Track 4 resource need.

Finding: It is reasonable to refine Track 4 interim procurement authorization based on the results of the CAISO’s 2013-2014 TPP to the extent that those results include or have been adjusted to reflect the preferred resources assumption adopted for Track 4 in the Revised Scoping Ruling.

Finding: Interim Track 4 procurement authorization must include both conventional generation and preferred resources procurement.

Finding: There is a need for clarity regarding the definition and attributes of demand response to qualify as a local capacity resource.

PROPOSED CONCLUSIONS OF LAW:

Conclusion: Due to assumptions in conflict with the Revised Scoping Ruling and the impending results of the CAISO’s 2013-2014 TPP, Track 4 procurement authorization should be granted only on an interim basis and subject to refinement, to the extent that the TPP results include or are adjusted to reflect the preferred resources assumptions required for Track 4 by the Revised Scoping Ruling.

Conclusion: The additional resources to be procured by SCE and SDG&E pursuant to interim Track 4 procurement authorization should include both conventional and preferred resources.

Conclusion: The results of SCE’s Track 1 preferred resources solicitation and its Living Pilot should inform and allow for future revisions and future bid opportunities for preferred resources before any contingency GFG resources are developed.

Conclusion: The Commission should commence a public process for developing and adopting a definition of the requirements for demand response to qualify as a local capacity resource.