

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)

**THE OFFICE OF RATEPAYER ADVOCATES' REPLY BRIEF
ON LOCAL RELIABILITY PROCUREMENT TO ACCOUNT
FOR THE CLOSURE OF THE SAN ONOFRE NUCLEAR GENERATING STATION**

DIANA L. LEE
MATT MILEY
Attorneys

Office of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Phone: (415) 703-4342
Email: Diana.Lee@cpuc.ca.gov

December 16, 2013

NIKA ROGERS
RADU CIUPAGEA
Analysts

Office of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Phone: (415) 703-1529
Email: Nika.Rogers@cpuc.ca.gov

ROBERT M. FAGAN
Consultant

Office of Ratepayer Advocates
Synapse Energy Economics, Inc.
485 Massachusetts Ave., Suite 2
Cambridge, MA 02139
Phone: (617) 453-7040
Email: rfagan@synapse-energy.com

TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	DISCUSSION.....	1
	A. IF THE COMMISSION AUTHORIZES PROCUREMENT BASED ON THE CURRENT RECORD, THE DECISION SHOULD INCLUDE A PROCESS TO UPDATE THE PROCUREMENT AUTHORIZATION TO REFLECT THE RESULTS OF THE CAISO’S 2013-2014 TRANSMISSION PLANNING PROCESS (TPP).	1
	B. IF THE COMMISSION AUTHORIZES PROCUREMENT BASED ON THE CURRENT RECORD, IT SHOULD AUTHORIZE PREFERRED RESOURCES BASED ON THE POTENTIAL IDENTIFIED IN THE REVISED SCOPING MEMO.	2
	C. SDG&E AND SCE SHOULD ENDEAVOR TO PROCURE ENERGY STORAGE THAT MEETS LCR NEEDS.....	4
	D. IEP MISCHARACTERIZES ORA’S RECOMMENDATIONS RELATED TO THE USE OF A SPECIAL PROTECTION SYSTEM (SPS).	5
	E. SDG&E’S COMPUTATION OF LCR NEEDS WITH AND WITHOUT A LOAD-SHEDDING SPS CONFUSES THE ISSUE OF HOW MUCH LOAD SHEDDING WOULD BE AVOIDED, SINCE SDG&E COMPARES DIFFERENT CONTINGENCY CIRCUMSTANCES.	8
III.	CONCLUSION.....	9

I. INTRODUCTION

Pursuant to Rule 13.11 of the California Public Utilities Commission's (Commission's) Rules of Practice and Procedure and consistent with Administrative Law Judge Gamson's direction at the close of hearings,¹ the Office of Ratepayer Advocates (ORA) submits this reply brief on Local Reliability Procurement to Account for the Closure of the San Onofre Nuclear Generating Station (SONGS). ORA's reply brief responds to some of the arguments made in the opening briefs of the California Independent System Operator Corporation (CAISO), Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), and the Independent Power Producers Association (IEP).

II. DISCUSSION

A. **If the Commission authorizes procurement based on the current record, the decision should include a process to update the procurement authorization to reflect the results of the CAISO's 2013-2014 transmission planning process (TPP).**

ORA recommended that the Commission wait to authorize incremental procurement for the SONGS study area² until the CAISO's 2013/2014 TPP results are available in order to reflect available reactive power resources and other transmission upgrades.³ If the Commission nevertheless decides to authorize procurement based on the current record, the decision authorizing Track 4 procurement should include a process that allows revising the Track 4 procurement authorization upwards or downwards depending on the CAISO's 2013/2014 TPP results.

SCE states that if the CAISO's 2013-2014 TPP "analysis suggests that the additional LCR [Local Capacity Requirement] resources are not required, the Commission can withhold its approval until it fully deliberates the [CA]ISO's additional Track 4 analysis and procurement recommendations."⁴ SCE's proposed adjustment would occur after the close of SCE's Track 1

¹ Reporter's Transcript (RT) 2304:9.

² The SONGS study area is comprised of the Los Angeles (LA) basin of SCE's service territory and the entire SDG&E service territory

³ The Office of Ratepayer Advocates' Opening Brief on Local Reliability Procurement to Account for the Closure of the San Onofre Nuclear Generating Station, November 25, 2013 (ORA Brief), pp. 1, 11-12.

⁴ Opening Brief of Southern California Edison Company on Track 4 Issues, November 25, 2013 (SCE Brief), p. 27, citing Ex. SCE 1/Nelson, p. 4:7-15.

request for offers (RFO), when SCE submits its proposed contracts to the Commission and the Commission can withhold its approval.⁵ ORA agrees with SCE that the Commission should not approve contracts that are not needed for reliability due to changed circumstances or new information.⁶ However, the selection of resources through an RFO, followed by the negotiation and execution of contracts for submission for Commission approval is a lengthy and resource-intensive process. It would be better to avoid this time-consuming process, rather than disapprove the contracts because the resources are not needed.⁷

The Commission should therefore provide a process that allows for timely adjustment of interim procurement authority based on the 2013/2014 TPP results. Parties should have the opportunity to review and evaluate any Track 4 procurement authority in light of the 2013/2014 TPP results, followed by the submission of comments regarding whether the Commission should revise Track 4 authority in advance of the next LTPP cycle. The Commission should establish a date for those comments that is thirty days after the final approval of the 2013/2014 TPP or the Commission's Track 4 Decision, whichever is later. If it is necessary to revise Track 4 interim procurement authorization based on the 2013/2014 TPP results, then the Commission can issue a second decision finalizing Track 4 procurement authority. Adjusting Track 4 procurement authorization as soon as possible after the 2013/2014 TPP results are available will allow the procurement authorization to reflect more complete and recent information, and could prevent the expenditure of time and resource on the submission of contracts for Commission approval that may not be needed.

B. If the Commission authorizes procurement based on the current record, it should authorize preferred resources based on the potential identified in the Revised Scoping Memo.

The CAISO cautions “against authorizing additional resource procurement for only preferred resources rather than all-source solicitations.”⁸ The CAISO explains that while it

⁵ Ex. SCE 1/Nelson, p. 4

⁶ D.13-03-029, p. 15.

⁷ See e.g., Comments of the Independent Energy Producers Association on the Schedule for Track 4, September 10, 2013 (“Considerable time and financial commitment are required to prepare a bid for a Request for Offers (RFOs)...”).

⁸ Opening Brief of the California Independent System Operator Corporation, November 25, 2013 (CAISO Brief), p. 36.

“strongly supports preferred resource development and is working with stakeholders in various venues in order to enable these resources to meet local needs, ...there is still substantial uncertainty as to whether sufficient quantities of preferred resources will develop at the pace necessary to fill substantial resource needs as early as 2018.”⁹

The Commission should reject the CAISO’s recommendation to rely primarily on all-source RFOs to meet Track 4 need. The CAISO’s stated “strong[] support[] [for] preferred resource development” does not change the fact that currently it is difficult for preferred resources to compete effectively in an all-source RFO. The Commission acknowledged D.13-02-015 that “load reduction programs may not fit well into a typical RFO.”¹⁰ The Commission noted in D.13-02-015 that:

“SCE opposes requiring all resources to bid into a single all-source RFO. SCE witness Cushnie contends: ‘Certain preferred resources just aren’t going to be viable in (an all-source) solicitation,’ and that he is not aware of a preferred resource ever prevailing against a conventional resource in an all-source RFO.”¹¹

Mr. Cushnie acknowledged during Track 4 hearings that LCR RFOs generally seek resources far in advance of the current ability of energy efficiency and demand response to compete.¹² Authorizing an all-source RFO increases the likelihood that gas-fired generation will be selected to meet LCR need, effectively crowding out preferred resources’ ability to reduce LCR need.

Rather than relying primarily on an all-source RFO as the CAISO recommends, the Commission should adopt ORA’s recommendation to require SCE and SDG&E to submit “a procurement plan explaining how [each utility] plans to accomplish the procurement of preferred resources, including proposed milestones and evaluation dates, and detailed proposals to back stop the procurement.”¹³ The Commission should require submittal of those preferred resources plans six months after it issues its final Track 4 decision and should require quarterly updates following the initial submission of the plans.

⁹ CAISO Brief, p. 36.

¹⁰ D.13-02-015, p. 87.

¹¹ D.13-02-015, pp. 86-87 (citing RT 628-629).

¹² RT 1974:22-27, SCE/Cushnie.

¹³ The Office of Ratepayer Advocates’ Opening Brief on Local Reliability Procurement to Account for the Closure of the San Onofre Nuclear Generating Station, November 25, 2013 (ORA Brief) p. 31.

C. SDG&E and SCE should endeavor to procure energy storage that meets LCR needs.

SDG&E acknowledged that "some amount of [energy storage] - the right kind of [energy storage] at the right locations - may play a role in meeting some of SDG&E's LCR [local capacity reliability] need"¹⁴ ORA proposed that if the Commission directs SCE and SDG&E to procure preferred resources consistent with ORA's recommendation, then the Commission "should direct each utility to submit a procurement plan explaining how it plans to accomplish the procurement of preferred resources, including proposed milestones and evaluation dates, and detailed proposals to back stop the procurement."¹⁵ ORA thus supports affording SCE and SDG&E the ability to recommend how each utility would procure preferred resources to meet its Track 4 procurement need.

ORA recommends that SCE and SDG&E prioritize the procurement of the right kind of energy storage at the right location as part of their D.13-10-040 energy storage targets, because this will reduce the SONGS study area LCR need. The procurement of LCR-quality storage would result in actual avoidance of costs associated with the procurement of other LCR resources and would therefore provide a tangible benefit to ratepayers. Procuring storage that can only reduce system capacity need would be redundant given the current absence of system capacity need.¹⁶ Finally, even though bulk storage/pumped hydro will not count toward meeting the energy storage targets of D.13-10-040, those resources should be permitted to participate in the preferred resource procurement. The Commission should ensure that SDG&E and SCE extend bid eligibility to include large scale pumped storage projects.¹⁷

¹⁴ Opening Brief of San Diego Gas & Electric Company in Track 4 of the Long-Term Procurement Plan Proceeding, November 25, 2013 (SDG&E Brief), p. 21.

¹⁵ ORA Brief, p. 33.

¹⁶ Assigned Commissioner And Administrative Law Judge's Ruling Regarding Track 2 and Track 4 Schedules, September 16, 2013, pp. 1 and 6 (cancelling Track 2, indicating "[t]here has been some indication that system flexibility needs may be low or non-existent depending on the level of local capacity procurement authorized in Track 4.")

¹⁷ Opening Brief of the Center for Energy Efficiency and Renewable Technologies (CEERT) in Track 4 (San Onofre Nuclear Generating Station) November 25, 2013 (CEERT Brief), p. 51.

D. IEP mischaracterizes ORA’s recommendations related to the use of a Special Protection System (SPS).¹⁸

ORA recommended¹⁹ that the Commission consider the CAISO’s adoption of a reliability standard more stringent than required by the North American Reliability Council (NERC) and Western Electricity Coordinating Council (WECC) in the context of information related to the costs and benefits of reliance on an SPS to mitigate the limiting contingency in the SONGS study area. That limiting contingency is the N-1-1²⁰ contingency consisting of the sequential loss of the ECO-Miguel section of the Southwest Powerlink 500 kV line and the Ocotillo Express-Suncrest section of the Sunrise Powerlink.²¹ ORA supported an open and informed discussion of the costs, benefits, and affordability regarding the use of an SPS to mitigate the critical N-1-1 contingency, while at the same time recommending that the Commission consider use of the SPS as an interim solution in the event that preferred resources or other solutions to meet Track 4 need do not materialize by the time they are needed.²² The CAISO²³ and SDG&E²⁴ supported consideration of the SPS as an interim solution.²⁵

IEP, an entity comprised of members with much to gain from new generation, makes the spurious claim that ORA (and other parties) “endorse the use of blackouts.”²⁶ As explained above, ORA did not “endorse the use of blackouts,” but recommended that the Commission

¹⁸ A special protection system (SPS) is designed to protect the integrity and stability of the electric grid by automatically taking corrective actions to limit the impact of an extreme event and to meet system performance requirements identified in the North American Electric Reliability Corporation (NERC) Reliability Standards. SPSs are designed to maintain system stability, including acceptable system power flows and voltages. See Ex. ORA 3/Fagan, Attachment A.

¹⁹ ORA Brief, pp. 32-36.

²⁰ N-1-1 refers to the sequential loss of two transmission lines.

²¹ CAISO Brief, p.17.

²² ORA Brief, pp. 28-29.

²³ Ex. ISO 7/Millar, p. 11:25-12:3.

²⁴ RT 1710:17-27, Jontry/SDG&E.

²⁵ In fact, even IEP appears to recognize that the use of an SPS can be an appropriate interim solution. “What the proponents of blackouts obscure, however, is that load shedding to support grid reliability is currently used only as a temporary, stop-gap, last-resort response that needs to be in place, and will be in place, only until necessary transmission fixes can be completed.” Opening Brief of the Independent Energy Producers Association on Track 4 Issues, November 25, 2013 (IEP Brief), p. 18.

²⁶ IEP Brief, p. 6.

consider the costs and benefits of relying on an SPS²⁷ as a long-term solution. In fact, ORA witness Mr. Fagan testified as follows:

“Q16 “Are you explicitly recommending at this time that CAISO allow the use of a load-shedding SPS for the N-1-1 event that drives SONGS area grid reliability?”

A16 No. I am not in a position to fully evaluate all of the nuances of this particularly extreme transmission contingency event. Only the CAISO and the affected utilities have all the relevant information and experience to carefully and comprehensively assess all dimensions of the issue. However, the CAISO has not yet demonstrated that excluding SPS consideration for this particular N-1-1 event is clearly called for.”²⁸

ORA therefore recommended that the Commission’s consideration of whether the use of an SPS to meet the limiting N-1-1 contingency be informed by cost benefit information that is not in the current record.²⁹ The Utility Reform Network (TURN) explained that the request for reasoned decision making based on relevant facts is not synonymous with “endors[ing] blackouts.”

“In asking the Commission to defer action on approving procurement or investment to meet the additional needs implied by the ‘no load shedding’ assumption, TURN is not proposing ‘blackouts’ as an answer to LA Basin and San Diego reliability needs, as some may argue. *Rather, TURN is asking the Commission to balance ratepayer benefits and costs, as the Commission has said it would do in analyzing reliability issues.* Using load shedding as a modeling assumption would save significant costs to residents and businesses to address a contingency that the record shows is extremely unlikely ever to occur. It would be poor policy to automatically rule out such an option.”³⁰

²⁷ A special protection system (SPS) is designed to protect the integrity and stability of the electric grid by automatically taking corrective actions to limit the impact of an extreme event and to meet system performance requirements identified in the North American Electric Reliability Corporation (NERC) Reliability Standards. SPSs are designed to maintain system stability, including acceptable system power flows and voltages. See Ex. ORA 3/Fagan, Attachment A.

²⁸ Ex. ORA 3/Fagan, p. 10.

²⁹ ORA Brief, pp. 32-36.

³⁰ Opening Brief of The Utility Reform Network on Track 4 Issues, November 25, 2013 (TURN Brief), p. 17 (emphasis added).

IEP also mischaracterized Mr. Fagan’s testimony in response to cross examination as representing a “Pollyannaish view of how load shedding in the real world would be implemented.”³¹ IEP stated that:

“[e]xtrapolating from the fact that including blackouts in resource planning does not mean that blackouts will actually happen, these parties jump to a hopeful but invalid conclusion that blackouts will *never* occur even if they are included in resource planning as a planned response to contingencies.”³²

Mr. Fagan did not testify that load shedding would “*never*” occur. Mr. Fagan instead testified that whether load shedding occurred “would depend on what the load level and what the system conditions were at the time of the contingency.”³³ Nor did Mr. Fagan testify that if load shedding occurred, it would be without cost or inconvenience to customers.³⁴ He stated that it would be reasonable to compare the costs of load shedding to the costs of alternative mitigation.³⁵ The current record does not have adequate information to compare the cost of mitigating the N-1-1 contingency with new generation or other solutions with the cost of long-term reliance on an SPS. ORA’s recommendations do not rely on long-term reliance on SDG&E’s existing SPS to mitigate the critical N-1-1 contingency in 2022. Nevertheless, ORA agrees with TURN that:

“the Commission should revisit this issue after the CAISO completes its stakeholder process and after additional information on the benefits and costs of means to meet local needs in the LA Basin and San Diego are gathered by the utilities’ upcoming procurement and transmission planning efforts.”³⁶

³¹ IEP Brief, p.13.

³² IEP Brief, p. 13.

³³ RT 1835:23-27, ORA/Fagan.

³⁴ IEP cites blackouts during California’s energy crisis as a “painful reminder of the severe economic and other costs consumers bear when electric service is interrupted.” IEP Brief, p. 7. However, IEP fails to recognize that California’s energy crisis energy crisis was not caused by a lack of capacity, but because establishment of the energy market “failed to account for energy economics and the sophistication of modern energy trading.” CPUC v FERC, 462 F. 2d 1027, 1039 (9th Cir, 2006). Here, in attempting to prevent future disruptive interruptions to electric service while also maintaining affordable service, the Commission should be guided by facts rather than “exaggerated talk of blackouts.” TURN Brief, p.17

³⁵ RT 1838:5-7. ORA/Fagan.

³⁶ TURN Brief, p. 15.

E. SDG&E’s computation of LCR needs with and without a load-shedding SPS confuses the issue of how much load shedding would be avoided, since SDG&E compares different contingency circumstances.

SDG&E stated that “the difference in terms of resource need between the N-1-1 with no load shed scenario, and the G-1/N-1³⁷ that assumes load shed to mitigate an N-1-1, is only 150-250 MW.”³⁸ This statement, while technically correct, does not convey the results of an apples-to-apples comparison that would inform the question of how much LCR need would be reduced if a load-shedding SPS is allowed in place for the defining N-1-1 limiting contingency for San Diego. Instead, it compares a no-load-shed N-1-1 contingency scenario³⁹ with a different contingency situation premised on both (G-1/N-1)⁴⁰ and a second transmission contingency (i.e., N-1-1).⁴¹ In that instance the combined G-1/N-1 initial premise and the N-1-1⁴² represents a more extreme contingency circumstance than the limiting condition described by CAISO witness Mr. Sparks.⁴³ The effective G-1/N-1-1 assumes not only the loss of the two 500 kV lines, but that the largest generator is out of service when the first transmission line contingency occurs.⁴⁴ Thus, it is a more severe contingency circumstance that cannot be directly compared to the N-1-1 scenario to arrive at a value that represents the difference in LCR needs under options that include or exclude the load-shedding SPS.

While there is value to understanding how the two different contingency circumstances differ, and what the LCR need might be when considering which limiting contingency applies, it does not serve to illuminate issues for this Track 4 proceeding. The more relevant comparison is the difference in LCR needs under identical contingency circumstances, but with a load-shedding SPS either in place or not. This specific value is not in the record since neither CAISO nor SDG&E modeled San Diego LCR need with the load-shedding SPS in place for the N-1-1, but

³⁷ G-1 refers to the loss of a generation facility, while N-1 refers to the loss of a transmission line.

³⁸ SDG&E Brief, p. 32.

³⁹ Ex. SDG&E 3/Jontry, Table 2, p. 11.

⁴⁰ Ex. SDG&E 3/Jontry, Table 1, p. 10.

⁴¹ Ex. SDG&E 3/Jontry pp. 6:21-22 and 7:1.

⁴² Ex. SDG&E 3/Jontry pp. 6:21-22 and 7:1.

⁴³ Ex. ISO 1/Sparks, p. 21:3-8.

⁴⁴ Ex. SDG&E 3/Jontry pp. 6:21-22 and 7:1.

logic dictates that the level of LCR need, all else equal, depends on the load assumption at the time of the contingency event – if the load level was lower due to SPS-triggered automatic load-shed, the LCR need would also be lower by roughly that amount.

III. CONCLUSION

ORA recommends that the Commission authorize incremental procurement for the SONGS study area using the best available information about likely solutions to reduce LCR need, and that in determining need, the Commission consider both service reliability and just and reasonable rates.

Respectfully submitted,

/s/ DIANA L. LEE

DIANA L. LEE
Staff Counsel

Attorney for the Office of
Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Telephone: (415) 703-4342
Facsimile: (415) 703-2262
Email: Diana.lee@cpuc.ca.gov

December 16, 2013