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. 13-12-010 (Filed 12-19-2013)

Comments of the City and County of San Francisco on the Planning Assumptions and Scenarios for Use in the CPUC 2014 Long Term Procurement Plan Proceeding and the CAISO 2014-2015 Transmission Planning Process

In accordance with ALJ Gamson's December 19, 2013, ruling in docket R.12-03-014, the City and County of San Francisco (San Francisco or City) respectfully files these comments on the planning assumptions and scenarios for use in the Commission's 2014 Long Term Procurement Plan Proceeding (LTPP) and the California Independent System Operator's (CAISO) 2014-2015 Transmission Planning Process (TPP). The assumptions and scenarios were presented during a December 18, 2013, joint agency workshop by the Commission, the California Energy Commission (CEC) and the CAISO (the Joint Agencies).

Unfortunately, the assumptions, scenarios and resulting Renewable Portfolio Standard (RPS) portfolios[1] presented at the workshop, if adopted, would support unnecessary increases in transmission costs at a time when transmission costs are escalating exponentially. Moreover, as has been the case in recent years, the process to develop the scenarios/portfolios provides inadequate opportunity for public participation.

San Francisco participated actively during the development of planning scenarios in 2013, in docket R.12-03-014. At that time, San Francisco highlighted significant flaws, including a failure to bound the analysis with a cost-constrained scenario/portfolio and to appropriately consider an environmentally-constrained scenario/portfolio, lax criteria for including projects in the assessments, and an inappropriate response to the problem of maximizing the deliverability of RPS projects.

These flaws have been carried over into, and exacerbated in, the planning assumptions and scenarios/portfolios presented at the December 18, 2013 workshop, and will likely inaccurately indicate a need for very expensive transmission projects, such as the Coolwater-Lugo project – currently estimated to cost $750 million - and the West of Devers project – currently estimated to cost $950 million. San Francisco's comments last year raised general

[1] At the workshop, the Energy Division presented both scenarios and portfolios developed based on the scenarios.

policy issues related to the RPS portfolios to be used in the 2013. Those policy issues are also raised by the scenarios/portfolios presented for use this year. Rather than repeating its comments, San Francisco attaches its 2013 comments to this document and attempts here to focus on the specific problems with the scenarios/portfolios presented on December 18, 2013.

Because of the flaws discussed above, the scenarios and portfolios presented at the December 18 workshop mistakenly give the impression that there is a need for additional expensive transmission capacity in the Kramer CREZ and the Riverside East CREZ. No additional transmission capacity in the Kramer CREZ is shown to be needed in a cost-constrained scenario[2] and no transmission is identified in both the Kramer CREZ and the Riverside East CREZ in either an environmental scenario or the high distributed generation (DG) scenario. Moreover, there is ample transmission capacity available to achieve the State's 33% RPS goals without expensive new transmission projects in the Kramer CREZ and the Riverside East CREZ.

The flaws in the scenarios/portfolios are all the more troubling given that, even though they could have a significant impact on the outcome of subsequent planning processes, the scenarios and portfolios are never adopted by the full Commission, but are instead adopted by a simple ruling. While parties have been allowed to attend a workshop and submit comments, the tight schedule suggests that the fundamental questions presented in these comments will not be given serious consideration. San Francisco's concerns about the process are set forth more fully in the last section of these comments.

These comments address the first question forwarded by Administrative Law Judge Gamson, "Is the current range of scenarios sufficient to cover current policy issues facing the CPUC?" For the reasons set forth in these comments, San Francisco's response would be no.

I. It is Necessary to Develop and Consider Cost-Constrained and Environmentally-Constrained Scenarios and Associated Portfolios.

Any responsible planning exercise must evaluate the cost and environmental impact of different alternatives. The best way for the costs of alternatives to be transparent is to include as the base case a cost-constrained scenario and related portfolio. Remarkably, **none** of the scenarios and related portfolios presented at the December 18th workshop were either cost-constrained or environmentally-constrained.

[2] Because Energy Division staff did not present either cost-constrained or environmentally-constrained scenarios, the City had to develop its own using a model provided by staff.

Energy Division staff proposed four RPS portfolios for the study year 2024. Of these, three are exclusively based on the commercial interest criterion, one that favors inclusion of many uncertain projects. During the December 18th workshop, a San Francisco representative asked CPUC staff why neither a cost-constrained nor an environmentally-constrained scenario was prepared. CPUC staff responded that based on the current level of procurement of renewable resources, a trajectory scenario (based on the commercial interest criterion that includes a large number of uncertain projects) is the most appropriate one. This response puts the cart before the horse. The purpose of developing and assessing different scenarios and related portfolios is to provide policy makers the information to make optimal procurement decisions. If no information is developed and provided about the cost implications of different procurement alternatives, and costly scenarios are summarily proclaimed to be the most appropriate ones for consideration, policy makers do not have the information available to achieve state goals in a manner that minimizes costs.

While Energy Division staff declined to present a cost-constrained scenario, the City developed one both last year and this year using the model made available by staff. Unlike the commercial interest scenario modeled by Energy Division staff, cost-constrained and environmentally-constrained scenarios show that there is no need for additional transmission in the Kramer CREZ and Riverside East CREZ, such as the Coolwater-Lugo and the West of Devers projects. Thus, the two scenarios that respectively seek to minimize costs and environmental impacts show no need for new transmission in the Kramer CREZ and Riverside CREZ. Given that minimizing costs and environmental impacts are both among the state's highest priority energy policy objectives, there is no justification for excluding the cost-constrained and environmentally-constrained scenarios in favor of a commercial interest scenario that shows the need for costly and potentially environmentally intrusive transmission. It is also worth noting that increasing distributed generation (DG) is also a high priority state goal, and the high DG scenario shows no need for the Coolwater-Lugo[3] and the West of Devers projects.

[3] Energy Division staff assumes the need for the Coolwater Lugo (Kramer-1) transmission project even in the High DG portfolio but only to provide resource adequacy deliverability to a single 250MW project. However, the 33% RPS calculator provided by the staff indicates no need for new transmission in the Kramer CREZ in the High DG portfolio.

In sum, to support least-cost planning, it is necessary for the Joint Agencies to develop and use in their assessments both cost-constrained and environmentally-constrained scenarios and related portfolios.

II. The Only Scenarios/Portfolios Developed Include a Large Number of Highly Uncertain Projects.

Energy Division staff responses to San Francisco representative questions at the workshop suggests that staff relied primarily on the CAISO interconnection queue to develop their assumptions about RPS Projects that will be in existence, irrespective of competitive pressures. The three commercial interest based portfolios that were presented include a significant number of RPS projects that have neither a Power Purchase Agreement (PPA) nor any permits. San Francisco assumes that the base case will be one of these three portfolios. Thus, the commercial viability of many projects included in the base case is questionable.[4]

It is important to note that the projects currently included in the CAISO generation interconnection queue provide about three times more capacity than what is needed to meet the 33% RPS goal, and many are highly uncertain. Including a large number of highly uncertain projects in most of the portfolios will likely result in an identified need for additional transmission, irrespective of whether such transmission is actually needed.

A better and more rigorous screen of commercial viability and inclusion in a base case, are the criteria used by staff to define "Discounted Core" projects, as these require projects to have a PPA (i.e., demonstrating commercial interest from both buyers and sellers). Yet, even this criterion could overstate the RPS projects to be built since historically there has been about a 33% failure rate among renewable generation projects with signed PPAs. Nonetheless, exempting only projects having PPAs from competition within the calculator would represent a substantial improvement and would be much less likely to identify a need for transmission projects that are not in fact needed.

III. The State's 33% RPS Target is an Energy Requirement Not a Resource Adequacy Capacity Target.

During the December 18th workshop, Energy Division staff indicated that they included in the portfolios certain transmission projects identified by the CAISO as needed *only* to allow

[4] In fact, the commercial interest scenario and related portfolios include generation projects that likely should have been rejected as uneconomic, particularly if the costs of transmission were accurately considered in the approval process.

renewable resources to provide resource adequacy (RA) capacity to Load Serving Entities (LSEs). For several reasons, it is not appropriate to assume the need for new transmission projects solely to allow new renewable resources to be deemed fully deliverable for purposes of obtaining RA credit.

First, there is no State policy to prioritize the acquisition of RA capacity from new renewable generation. Second, the CAISO applies unduly stringent deliverability requirements for the purpose of qualifying resources to provide RA. Third, as the CPUC has indicated, there is no immediate need for new system RA capacity.[5] There is currently an oversupply of system RA capacity and it is expected that local capacity additions that will result from the 2012 LTPP Track 1 and 4 decisions and capacity additions stemming from the new energy storage decision, will make it very unlikely that new system or flexible resources will be required until after 2024.

Finally, the CAISO has expressed concern about possible premature retirement of generation resources due to insufficient economic support from the market. However, some of this excess capacity may be maintained nonetheless, as state agencies work to determine how much controllable or flexible capacity should be retained to meet system flexible resource needs. For all of these reasons, scenarios and portfolios should not include all transmission projects needed to support full deliverability for all RPS projects.

IV. Currently Proposed RPS Portfolios Are Not Consistent with the CPUC's Guiding Principles for the LTPP.

One of the guiding principles for the development of RPS portfolios is that the portfolios should be substantially unique. However, three out of four proposed portfolios for the study year 2024 presented at the workshop are based on Trajectory (Commercial Interest) scenarios. They differ only with respect to the assumed load and energy efficiency (EE) projections. Only changing load and EE projections as the CPUC staff has proposed does not constitute uniqueness.[6] Reasonable transmission planning and long-term procurement planning require transparent information about cost and environmental impacts.

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[5] **Source:** 2012 LTPP, See Appendix B. Data shown is the Base Scenario from D. 12-12-010, Appendix C, and page C-1. Also, see the presentation by Edward Randolph, Director Energy Division, CPUC at CPUC-CAISO Long-Term RA Summit, February 26, 2013.

[6] It may be appropriate to focus on load variations and EE projections for purposes of undertaking operational flexibility studies. However, for purposes of transmission planning and long-term procurement planning, information on cost and environmental impacts are crucial. In any event, it is not necessary to use the same

V. Additional Technical Questions

A number of important technical questions remain unanswered even after the discussion at the December 18 workshop. San Francisco sets forth those questions below and urges the Energy Division to consider the questions and if possible provide written responses to stakeholders.

1. The Renewable Net Short Calculation (GWh) By Portfolio table (slide #14 of the December 18 workshop presentation) indicates that the annual out-of-state renewable generation is assumed to be 10,639GWh. However, last year's portfolios assumed this amount to be 12,600GWh. Please provide a rationale for this nearly 2,000GWh of reduction in the assumed out-of-state renewable generation level.
2. Please explain why the discounted core generating capacity modeled in the last year, i.e., 10,383MW has been reduced to 9,103MW (slide #15 of the December 18 workshop presentation). Should it be interpreted that nearly 1,280MW of additional renewable capacity has become operational since the last year?
3. Why has generating capacity modeled in the Tehachapi CREZ in the last year, i.e., 2,176MW has been reduced to 1,653MW (slide #16 of the December 18 workshop presentation)? Does that mean 523MW of new renewable capacity has come online in Tehachapi over the last year or some of the Tehachapi area generation is assumed to be displaced by renewable generation elsewhere? Please explain.

VI. Need for Open Transparent Process in Deciding Renewable Portfolios for 2014/2015 TPP.

San Francisco supports cooperation by the Joint Agencies in developing the RPS portfolios used in the TPP and the LTPP. However, such cooperation should not displace an adequate stakeholder process. The process to obtain stakeholder input outlined during the December 18 workshop is insufficient. Most troubling, the proposed schedule[7] does not allow

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scenarios/portfolios to undertake operational flexibility studies as those used for transmission and long-term procurement planning.

[7] 1/8/14 – Comments due on ALJ Ruling
1/15/14 – Reply comments due on ALJ Ruling
1/27/14 – CPUC, CEC, and CAISO complete final review of Planning Assumptions, Scenarios, and RPS portfolios
1/31/14 – Expected Assigned Commissioner's Ruling adopting the proposal

Energy Division staff to work with the parties to respond to important issues raised in the comments and reply comments. Thus, while stakeholders are given an opportunity to provide input, the process does not allow for such input to be meaningfully considered.

The process for developing the RPS portfolios has evolved in ways that could be very positive provided that strong stakeholder input is maintained. Initially, inputs for the TPP were developed in a CAISO led stakeholder process. Gradually, the process has provided for stronger participation by the CEC and CPUC. A stronger role by the CEC and the CPUC is important, but a meaningful opportunity for stakeholder input is also critical. In order to provide for meaningful stakeholder input, at a minimum, the Joint Agencies must add the following to the process that has already been outlined:

- Energy Division staff should respond in writing to stakeholder comments, and;
- The Energy Division should schedule a further workshop to discuss the stakeholder comments and staff responses.

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