

**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 December 19,2013)

**COMMENTS OF
PACIFIC GAS AND ELECTRIC COMPANY (U 39 E) ON
THE PRELIMINARY SCOPING MEMO**

CHARLES R. MIDDLEKAUFF
MARK R. HUFFMAN

Pacific Gas and Electric Company
77 Beale Street
San Francisco, CA 94105
Telephone: (415) 973-3842
Facsimile: (415) 973-0516
E-Mail: MRH2@pge.com

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Attorneys for
PACIFIC GAS AND ELECTRIC COMPANY

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Pursuant to the schedule identified in the Order Instituting Rulemaking (OIR) issued on December 30, 2013, Pacific Gas and Electric Company (PG&E) provides these comments on the preliminary scoping memo in this proceeding.^{1/}

I. RECOMMENDATIONS REGARDING THE SCOPE OF THE PROCEEDING

PG&E supports the general issues expected to be addressed in the 2014 long-term procurement plan (LTPP) proceeding as identified in section 3.1 of the OIR. The focus of the long-term system and local reliability plan component of the proceeding^{2/} should be first and foremost on analysis of the trajectory and high load scenarios. These scenarios, properly developed, will provide the best information regarding likely system needs in 2024. If prior LTPPs are any indication, it will be challenging to complete analysis on more than just a few scenarios. Therefore, the trajectory and high load scenarios should be given the highest priority in this proceeding.

In addition to the items listed in the preliminary scoping memo, PG&E recommends that the Commission determine a “renewables integration adder” in this proceeding. Such a mechanism would be used in the procurement process for renewable resources and in evaluation of the various alternatives for achieving greenhouse gas (GHG) emissions reductions.

Additionally, PG&E recommends that this LTPP proceeding be used to track the development of resources authorized in previous LTPP proceedings to ensure that resources are

^{1/} R.13-12-010, Section 3, pp. 8-15.

^{2/} R.13-12-010, Section 3.1, item (1), p. 8.

developed on time and at a level of effectiveness to meet the identified needs.

A. The Long-Term System And Local Reliability Plan Component Of The Proceeding Should Rely Primarily On Analysis Of The Trajectory And High Load Scenarios

1. The Trajectory And High Load Scenarios Should Be Given The Highest Priority

Section 3.3 of the OIR discusses the long-term system and local reliability plan. PG&E agrees that “[t]he purpose of the system resource plan is to identify CPUC-jurisdictional needs for new resources to meet system or local [resource adequacy] over a long-term planning horizon....”^{3/} To address this item, PG&E encourages the Commission to focus on the proposed trajectory and high load planning scenarios, based on the currently adopted 33 percent renewable portfolio standard (RPS) and other reasoned assumptions regarding resources likely to be on line in 2024, including resources authorized in the 2012 LTPP and other recent procurement authorization decisions. Analysis of these scenarios will provide the best information regarding likely upward and downward system flexibility needs in 2024.

2. Parties Should Be Able To Submit Their Own Analysis On Alternative Scenarios

In addition to the scenarios adopted by the Commission as a part of this proceeding, parties should be authorized to provide information and analysis on additional scenarios. This will ensure that the Commission can consider the entire range of information that parties to the proceeding believe is important in determining the resources necessary to maintain the reliability of the California Independent System Operator (CAISO) grid.

B. A Renewables Integration Adder Should Be Determined In This Proceeding

PG&E proposes an additional topic to be addressed in the OIR: the determination of an integration adder for renewable resources. The renewable integration adder would include a share (determined using cost-causation principles) of the fixed and variable costs of flexible resources required in the system to integrate renewable resources into the grid while maintaining

^{3/} R.13-12-010, p. 10.

its reliability.

The integration adder would serve two purposes:

- 1) By incorporating it into the renewables procurement process, the adder would enable the investor-owned utilities (IOUs) to make better procurement decisions for renewable resources.
- 2) By incorporating it into the identified cost of renewable resources when making policy choices as to how the state could achieve GHG emission reduction goals, the adder would enable the Commission and other policymakers to make better, more informed policy choices.

This proceeding is an appropriate venue to address this issue. The information developed here will be useful to determine what the size of the renewable integration adder should be. This is especially true because reliability resource assessment for integrating renewables is simply an extension of the existing resource planning exercise.

C. Previous LTPP Procurement Authorizations Should Be Tracked As A Part Of This and Future LTPP Processes

In recent decisions the Commission has authorized Southern California Edison Company (SCE) and San Diego Gas & Electric Company (SDG&E) to procure resources to meet identified local capacity requirement (LCR) needs.^{4/} In its comments on the proposed planning assumptions and scenarios, PG&E encouraged the Commission to include those authorized, but not-yet-in-existence resources in the trajectory and high load scenarios.^{5/} PG&E also noted that inclusion of those resources should not be the end of the inquiry into whether procured resources meet the identified needs effectively and timely. As part of the Commission's long-term system and local reliability planning process, SCE's and SDG&E's progress in connection with those procurement authorizations should be tracked, so that mid-course corrections can be made as necessary to ensure continued reliability of the CAISO grid.

Consistent with its earlier comments, PG&E urges the Commission to include within the scope of this LTPP the tracking of IOUs' progress toward meeting previous procurement

^{4/} D.13-02-015 (Track 1 of the 2012 LTPP); D.13-03-029 (San Diego Gas and Electric Company Local Capacity Requirement Decision).

^{5/} PG&E Opening Comments, pp. 11-12.

authorizations. This will help ensure that the right resources are procured in the right locations and in a timely manner to maintain a reliable electric grid.

II. ASSESSMENT FACTORS WILL BE NECESSARY IF THE COMMISSION INTENDS TO USE THIS PROCEEDING TO EVALUATE ALTERNATIVE MEANS TO ACHIEVE GREENHOUSE GAS EMISSIONS REDUCTIONS AND OTHER ENERGY POLICY GOALS

Section 3.3 of the OIR states that the Commission, “will look to develop scenarios that explore a range of potential policy futures.”^{6/} As discussed above, PG&E recommends that the reliability plan component of this proceeding focus first and foremost on the proposed trajectory and high load planning scenarios, based on the currently adopted 33 percent RPS and other reasoned assumptions regarding resources likely to be on line in 2024, to determine upward and downward system flexibility needs in 2024 based on current policies.

To the extent that the Commission addresses broader energy policy issues in this proceeding, the Commission will need to develop “assessment factors” that will enable the Commission to make comparative judgments about the relative merits of various approaches for obtaining GHG emissions reductions.

Depending on the issue being addressed, these assessment factors may have to look beyond information obtained from evaluation of the various scenarios that have been proposed. If, for example, the Commission were to compare the relative merits of reducing GHG emissions by increasing the RPS target from 33 percent to some higher figure versus reducing GHG emissions by increased electrification of the transportation sector, additional information would be needed. The Commission could not determine the relative merits of increased vehicle electrification without considering the broader effects, beyond the electric sector, that that would have on GHG emissions.

If the Commission determines to explore a range of potential policy futures in this proceeding, then PG&E offers the following assessment factors for consideration:

^{6/} R.13-12-010, p. 11.

- Customer Cost
 - Overall cost – Captures the cost for each policy alternative being considered.
 - Carbon reduction value – Captures the value of carbon emission reductions achieved by each policy alternative. Measured in \$/metric ton of carbon dioxide (CO₂) emissions reduction.
- Effect On Grid Reliability
 - Loss of load expectancy (LOLE) – A factor to determine how often a loss of load event is expected to occur. A minimum threshold requirement such as an LOLE not to exceed 1 day in 10 years could be targeted to identify need in any given scenario.
 - Loss of ramping expectancy (LORE) – Similar to LOLE, this factor would determine how often a loss of ramping capability event would occur in the upward ramping direction. Deficiencies in downward ramping capability would need to be monetized and included in the cost assessments.
 - Expected hours of RPS resource curtailment – This factor would measure when system conditions require curtailment of renewable resources to maintain grid reliability. The impact of estimated curtailment of RPS resources should also be monetized and included in the cost measures.
- Environmental
 - Carbon emission reductions – Captures the overall reductions of CO₂ in each sector relevant to the particular policy alternative being considered. Measured in metric tons of CO₂ reductions from a baseline year, such as 1990.

Further work would be necessary to fully define and finalize the assessment factors to be used in the analysis, and to develop the necessary inputs and assumptions to incorporate these measures into the reliability analysis, if the Commission decides to address broader policy issues

in this proceeding. This analytical framework would enable the Commission to determine how best to obtain GHG emission reductions at lower costs, and with fewer adverse reliability and operational flexibility effects.

III. THE COMMISSION'S LONG-TERM PROCUREMENT PLANNING PROCESS AND THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR'S TRANSMISSION PLANNING PROCESS SHOULD BE COORDINATED MORE CLOSELY

PG&E continues to encourage the Commission and the CAISO to coordinate with respect to the Commission's LTPP process and the CAISO's transmission planning process (TPP). The OIR clearly envisions closer coordination than has occurred in the past.^{7/}

One important question is how the final decision is made regarding possible trade-offs between generation resource procurement and development of transmission alternatives. The Commission should consider that question as a part of this proceeding.

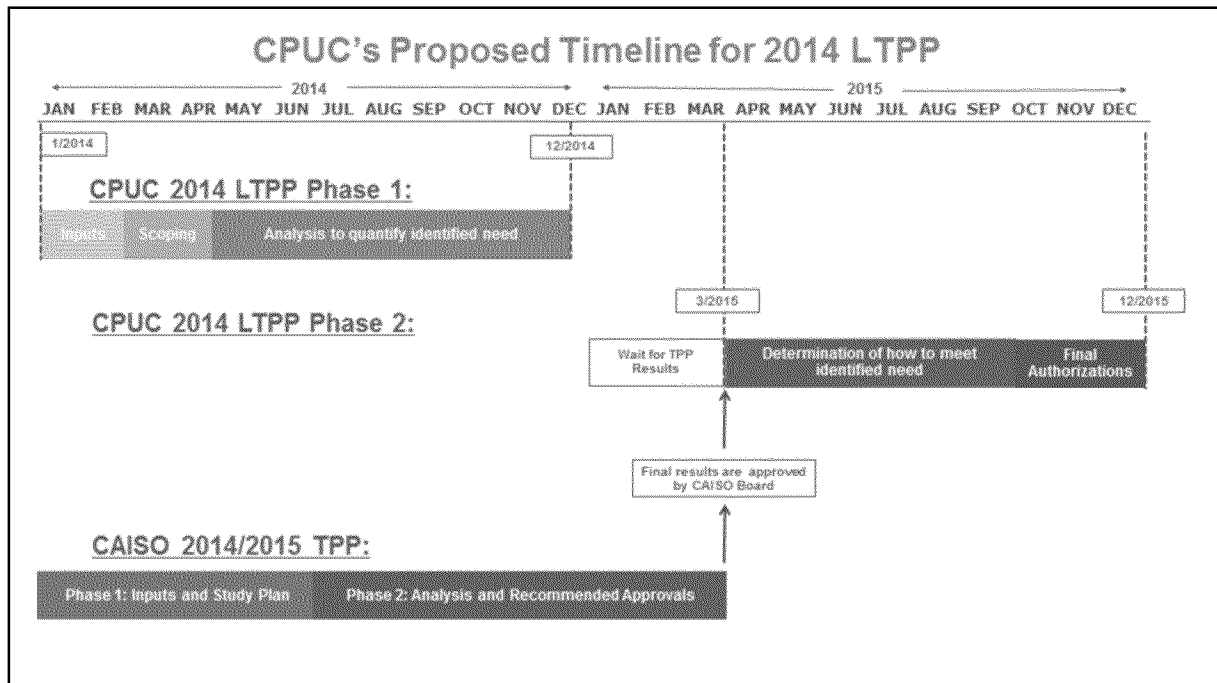
IV. TO HELP MEET THE AGGRESSIVE SCHEDULE ADOPTED BY THE COMMISSION FOR THIS PROCEEDING, PHASE 1 OF THE RELIABILITY PLAN COMPONENT OF THE PROCEEDING SHOULD FOCUS ON ANALYZING SYSTEM NEEDS, INCLUDING IDENTIFICATION OF ANY NEEDS TO MEET UPWARD AND DOWNWARD FLEXIBILITY REQUIREMENTS

With respect to the long-term system and local reliability plan component of the proceeding, the OIR proposes two phases: phase 1 in 2014 to determine overall needs (including system, local, and flexibility); and phase 2 in 2015 to incorporate the results of the CAISO's 2014-2015 TPP and to authorize procurement of specific resources to fill any identified needs.^{8/}

PG&E supports the proposed approach, but cautions that based on experience in the 2010 and 2012 LTPP proceedings it may prove challenging to meet the proposed schedule. The simplified timeline shown below illustrates this graphically.

^{7/} R.13-12-10, pp. 9-10.

^{8/} R.13-12-010, p. 10.



One possible simplification, which PG&E recommends, is to not repeat the local reliability analysis that has just been carried out in the 2012 LTPP. Phase 1 should focus on identifying system reliability needs, including both upward and downward flexibility. This analysis should incorporate the local reliability need results of tracks 1 and 4 of the 2012 LTPP, as well as the procurement authorizations of D.13-03-029 to meet local reliability needs.

At this point, since the Commission is just completing the track 4 authorization decision for LCR need in the 2012 LTPP, PG&E recommends that in phase 1 of the reliability plan component of this LTPP the Commission and the parties focus their time and resources on completing an analysis of possible system needs, an analysis that was not completed in either the 2010 or the 2012 LTPP. The need for upward and downward flexibility in light of the 33 percent RPS mandate has not yet been fully evaluated by the Commission. As discussed previously, PG&E recommends that the system reliability analysis here incorporate the LCR results of track 1 and track 4 of the 2012 LTPP, as well as D.13-03-029 authorizations, and that SCE's and SDG&E's progress toward meeting their identified local reliability needs be tracked in this and

