

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Consider Electric  
Procurement Policy Refinements pursuant to the Joint  
Reliability Plan.

Rulemaking 14-02-001  
(Filed February 5, 2014)

**COMMENTS OF THE INDEPENDENT ENERGY  
PRODUCERS ASSOCIATION ON THE PRELIMINARY  
SCOPING MEMO**

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The order instituting this proceeding set forth a preliminary scoping memo and invited parties to comment on the preliminary scoping memo. The Independent Energy Producers Association (IEP) provides the following comments on the preliminary scoping memo.

**I. DEFER CONSIDERATION OF THE REPLACEMENT FOR THE CAPACITY PROCUREMENT MECHANISM**

One of the commitments the Commission made in the Joint Reliability Plan it entered into with the California Independent System Operator (CAISO) was to consider the CAISO's development of a market-based backstop procurement mechanism to replace the existing Capacity Procurement Mechanism (CPM). The preliminary scoping memo discusses this issue and proposes a schedule for the Commission's consideration of the CPM replacement.

IEP respectfully urges the Commission to defer its consideration of the CPM replacement. As the order noted, the CAISO has commenced a stakeholder process to develop a market-based replacement to the CPM. The initial stakeholder meeting on February 4, 2014,

however, made it clear that development of a market-based replacement of the CPM would be complex and controversial. At this point, it is not clear whether the CAISO will be able to develop a market-based replacement mechanism, and any mechanism it may eventually adopt could bear little resemblance to the proposals suggested in the initial issue paper.

Under these circumstances, the Commission should defer its consideration of this issue until the CAISO's proposal becomes more certain. The Commission and the parties interested in procurement and reliability issues have many other proceedings and many other issues that need to be considered in 2014. It makes little sense to divert the Commission's and the parties' attention away from more pressing issues to consider proposals that may not eventually be adopted by the CAISO.

For these reasons, IEP recommends that the Commission should defer consideration of this proposal until the CAISO staff has developed and vetted its final proposal. Under the CAISO's proposed timeline, the CAISO staff's final proposal will not be before the CAISO Board of Directors for its consideration and approval until December 2014 or the first quarter of 2015.<sup>1</sup> The schedule the Commission's order proposes for consideration of this issue, however, has workshops and comments scheduled for Spring and Summer 2014, culminating in a proposed decision in August and a Commission decision in September.

Under the current circumstances, the Commission should defer consideration of the proposed CPM replacement until late in 2014 and possibly later, depending on the pace of developments at the CAISO.

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<sup>1</sup> Reliability Services Issue Paper, Jan. 28, 2014, p. 9.

## **II. THE UNIFIED LONG-TERM RELIABILITY PLANNING ASSESSMENT AND THE LONG-TERM PROCUREMENT PLAN PROCEEDING**

One of the other pillars of the Joint Reliability Plan is development of a unified long-term reliability planning assessment. The preliminary scoping memo indicates that the Commission expects to consider on a regular basis the process for developing joint assumptions and scenarios, the methodology for conducting planning assessments, and issues related to establishing a planning assessment.

IEP is unclear about how the proposed unified long-term reliability planning assessment will interact with the Commission's regular long-term procurement plan (LTPP) proceeding. In the 2014 LTPP proceeding, R.13-12-010, the Assigned Commissioner is about to issue a ruling prescribing the assumptions and scenarios to be used in modeling for purposes of long-term procurement. How will the "jointly-agreed input assumptions or scenarios" developed in this proceeding interact with those developed in the LTPP proceeding? It would be disruptive to the LTPP proceeding if the assumptions and scenarios developed in this joint reliability proceeding supplant or supersede the assumptions and scenarios authorized by the Assigned Commissioner in the LTPP proceeding, and it would be confusing and inconsistent if the assumptions in this proceeding differ from those used in the LTPP proceeding.

Moreover, IEP is confused about the process used to develop the "jointly-agreed input assumptions or scenarios." As a public agency, the Commission is subject to various statutory requirements that do not apply to the CAISO, as a private corporation. How will the two entities work together to develop key assumptions while complying with all applicable laws?

IEP is also unclear about whether a unified long-term reliability planning assessment is needed in addition to the regular LTPP proceeding. Although the early LTPP proceedings did not specifically focus on long-term reliability beyond assuring that the planning

reserve margin was met, the 2012 LTPP expressly considered long-term reliability for the most vulnerable region, Southern California, in both Track 1 and Track 4. It would seem to be more efficient and less of a drain on the limited resources of the Commission and stakeholders to consider long-term reliability as part of the regular, biennial LTPP proceeding, rather than in a separate, similar proceeding. Couldn't the unified long-term reliability planning assessment be consolidated with the LTPP proceeding? What are the benefits of having two proceedings with very similar scopes and goals?

In addition, the Commission should be sensitive to the burden that its actions place on the parties that seek to participate in its proceedings and to have a say on the issues that affect them. Stakeholders face the challenge of tracking the development of critical planning assumptions in various Commission proceedings, in the California Energy Commission's Integrated Energy Policy Report proceeding, in the CAISO's Transmission Planning Process, and now, perhaps, in the unified long-term reliability planning assessment. The prospect of yet-another forum where critical planning assumptions will be considered is daunting, especially to parties like IEP, whose participation is not funded by ratepayers in the form of rates (for investor-owned utilities) or intervenor compensation awards.

### **III. CONCLUSION**

IEP respectfully urges the Commission to modify the preliminary scoping memo to defer the Commission's consideration of a replacement for the CPM and to clarify the relation between the unified long-term reliability planning assessment and the regular LTPP proceeding.

Respectfully submitted February 20, 2014 at San Francisco, California.

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