

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

R.14-02-001
(February 5, 2014)

**COMMENTS OF
THE CALIFORNIA LARGE ENERGY CONSUMERS ASSOCIATION ON THE
PRELIMINARY SCOPING MEMO**

The California Large Energy Consumers Association (CLECA)¹ provides these comments on the Preliminary Scoping Memo for the Rulemaking dated February 5, 2014 pursuant to the schedule set in the Order Instituting Rulemaking.

I. INTRODUCTION

CLECA supports the Commission's decision not to re-evaluate the pros and cons of a centralized capacity auction mechanism for California. It is correct to be concerned about the ability of such an auction to support the State's energy policy goals, particularly those encouraging the development of preferred resources. Furthermore, the Commission is also right to be concerned about the legal and jurisdictional issues associated with state-authorized procurement in the context of such a federally-regulated auction.

¹ CLECA is an ad hoc organization of large, high load factor industrial electric customers of Southern California Edison Company and Pacific Gas and Electric Company. CLECA has been an active participant in Commission regulatory proceedings since 1987.

II. COMMENTS ON TRACK 1

The Preliminary Scoping Memo lays out three tracks for this proceeding. The first is consideration of a Multi-year Forward (MYF) Resource Adequacy (RA) Requirement. Instead of the current one-year forward RA requirement, Track 1 will evaluate the need for a 2-3 year forward obligation, perhaps at declining levels.

It is reasonable to consider the merits of a MYF requirement, particularly an assessment of the contribution of such an obligation to both reliability and cost, as well as to the procurement of preferred resources. In this context, The Utility Reform Network and the Office of Ratepayer Advocates demonstrated the current, considerable forward RA contracting on the part of the investor-owned utilities (IOU) at the Federal Energy Regulatory Commission (FERC) Technical Conference held on July 31, 2013.

The Commission should undertake its own study to determine how much MYF RA contracting is already being undertaken by the IOUs and other load-serving entities (LSEs). The Commission can then compare what is occurring now with any evidence presented as to desirable levels of such forward contracting. It can also share this information, which is likely to be confidential, with the California Independent System Operator (CAISO), which has expressed concerns about the one-year nature of the current RA obligation.

III. COMMENTS ON TRACK 2

Track 2 will establish a methodology and process for conducting joint long-term reliability assessments with the CAISO and in collaboration with the

California Energy Commission (CEC). It will look ten years into the future and assess forecast needs compared to the installed fleet of resources and those already procured. As noted in the Preliminary Scoping Memo, this will require the development of a methodology for collecting data and analyzing it in a consistent and productive manner. The development of a database that is available for this purpose and to inform the Long Term Procurement Planning (LTPP) process could be very valuable.

IV. COMMENTS ON TRACK 3

Track 3 will address the Commission's position on a replacement for the current backstop mechanism for meeting RA requirements, namely the CAISO's Capacity Procurement Mechanism. The CAISO will be undertaking its own stakeholder process to develop a replacement that meets FERC requirements and is more market-based. It is here where two major policy concerns arise. The first is the ability of such a backstop mechanism to support the State's policies on preferred resources. The second is the legal and jurisdictional issues associated with a State procurement role in light of the FERC-jurisdictional nature of any such mechanism conducted through a CAISO-managed auction. CLECA supports the Commission's intention to request briefs on the latter, and urges serious consideration of the implications for the Commission's ability to meet its statutory and policy obligations and commitments.

V. CONCLUSION

Participation in this proceeding, when added to the RA and LTPP proceedings, as well as related CAISO stakeholder processes, will be a daunting task for parties representing consumer interests. The Commission (and the CAISO) should carefully coordinate the scheduling of workshops, pleadings, testimony (if needed), and hearings in these various dockets and processes to minimize overlap and enable effective participation.

Respectfully submitted,

/s/

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