

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 COMMENTS ON PROPOSED  
DECISION AUTHORIZING LONG-TERM PROCUREMENT FOR LOCAL CAPACITY  
REQUIREMENTS DUE TO PERMANENT RETIREMENT OF THE SAN ONOFRE  
GENERATING STATIONS**

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## I. INTRODUCTION

Pursuant to Rule 14.3 of the Rules of Practices and Procedure of the California Public Utilities Commission (CPUC or Commission), the Office of Ratepayer Advocates (ORA) submits these reply comments on Administrative Law Judge (ALJ) David M. Gamson's February 11, 2014 Proposed Decision Authorizing Long-Term Procurement for Local Capacity Requirements Due to Permanent Retirement of the San Onofre Nuclear Generating Stations (Proposed Decision or PD). ORA's reply comments recommend that:

- The Commission should retain the PD's preferred resource allocation and closely monitor the development of all resources to maintain reliability in the Onofre Nuclear Generating Stations (SONGS) study area.<sup>1</sup>
- The Commission should not increase procurement authorization by 588 megawatts (MW) to replace interim reliance on the special protection system (SPS).<sup>2</sup>

## II. DISCUSSION

### A. **The Commission should retain the PD's preferred resource allocation and closely monitor the development of all resources to maintain reliability in the SONGS study area.**

The PD authorizes SCE and SDG&E to each procure 500 – 700 MW of new resources, specifying a minimum requirement of 400 MW of preferred resources for SCE and a minimum preferred resource requirement of 200 MW for SDG&E. Several parties recommend that the Commission reduce or eliminate the PD's requirement that SCE and SDG&E procure a minimum level of preferred resources.<sup>3</sup> AES Southland argues that the Commission should revise the Track 4 minimum procurement authorization for preferred resources downward from

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<sup>1</sup> The SONGS study area includes San Diego Gas & Electric Company's (SDG&E) service territory and the Los Angeles Basin in Southern California Edison Company's (SCE) service territory.

<sup>2</sup> 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.

<sup>3</sup> AES Southland, LLC's Comments on the Proposed Decision Authorizing Long-term Procurement Due to Permanent Retirement of San Onofre Nuclear Generation Station, March 3, 2014, (AES Southland Comments) pp. 3 – 4; Opening Comments of Southern California Edison Company on Proposed Decision of Administrative Law Judge David Gamson, March 3, 2014 (SCE Comments), pp. 3 – 4; Comments of San Diego Gas & Electric Company on Track 4 Proposed Decision, March 3, 2014 (SDG&E Comments), pp. 6 – 9.

400 MW to 200 MW to allow SCE to procure the 500 MW of all-source, potentially gas-fired generation requested in SCE's Track 4 testimony.<sup>4</sup> Both SCE and SDG&E request that the Commission eliminate the minimum preferred resource requirement and instead allow them to procure a mix of resources through their respective local capacity requirement (LCR) all-source request for offer (RFO) solicitations.<sup>5</sup>

The Commission should decline the invitation to depart from the PD's reasoned approach, which upholds the loading order while also ensuring that reliability in southern California is not at risk. The PD's authorization of preferred resources is consistent with studies and evidence presented in this proceeding. One of the primary recommendations in the joint Draft Preliminary Reliability Plan for LA Basin and San Diego (Draft Plan), published on August 30, 2013 is to "pursue additional preferred resources in both the L[os] A[ngeles] Basin and San Diego."<sup>6</sup> The Draft Plan notes that there is a goal to meet 50 percent of need with preferred resources and that in order to achieve this goal, preferred resources will need to meet "approximately 1000 MW of the residual need in 2022."<sup>7</sup> The Draft Plan states that this amount "is in addition to already authorized preferred resources and 1000 MW of energy efficiency programs that are counted in the forecasting efforts but not yet authorized."<sup>8</sup> If SCE and SDG&E only procured the minimum amount of preferred resources the Track 4 PD authorizes, they would still be 400 MW short of the preferred resources that the Draft Plan supports.

The PD's 600 MW of additional preferred resource minimum authorization for SCE and SDG&E is only a fraction of the preferred resources expected to be available in the SONGS study area.<sup>9</sup> These include 733 MW of uncommitted energy efficiency, 800 MW of second contingency solar photo voltaic (PV), and 997 MW of second contingency demand response.<sup>10</sup> If all of these resources were to come to fruition it would amount to 2,530 MW.<sup>11</sup> ORA's opening brief pointed out that 1100 MW of preferred resources are available to meet need in the

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<sup>4</sup> AES Southland Comments, p. 4.

<sup>5</sup> SCE Comments, pp. 3-4; SDG&E Comments, pp. 6-9.

<sup>6</sup> Draft Plan, p.7, Appended as Attachment A to Ex. ORA 5, Reply Testimony of Nika Rogers, September 30, 2013.

<sup>7</sup> *Id.*

<sup>8</sup> *Id.*

<sup>9</sup> PD, pp. 71 – 72.

<sup>10</sup> PD, pp. 71 – 72.

<sup>11</sup> PD, p. 71.

SONGS study area, demonstrating that the PD's 600 MW preferred resource minimum requirement is a reasonable yet conservative assumption that should not be further reduced.<sup>12</sup>

Some parties express concern that limiting Track 4 procurement authorization to predominantly preferred resources will hinder SCE and SDG&E's ability to meet local reliability needs.<sup>13</sup> Western Power Trading Forum (WPTF) claims that "carve outs" for mandatory preferred resources "do[]not fully contemplate or provide for the possibility that the desired preferred resources turn out not to be available up to the levels prescribed in the PD."<sup>14</sup> AES Southland contends that if preferred resources are pursued, there will not be sufficient time to develop gas-fired resources to replace any preferred resources that do not materialize.<sup>15</sup> The PD significantly discounts the amount of preferred resources in recognition of such uncertainties, including the current lack of operational data to determine local capacity requirements (LCR) effectiveness for these resources.<sup>16</sup>

There is an inherent risk in assuming that any particular combination of resources will be available ten years into the future. The PD acknowledges this risk in its recognition of the potential value of contingent contracts to backstop resources procured for local capacity need.<sup>17</sup>

The best way to maintain reliability while also ensuring compliance with the loading order, is not to reduce the minimum amount of preferred resource authorization, but to closely monitor the development of all resources needed to meet LCR need. The California Independent System Operator Corporation (CAISO or ISO) correctly observes that it is important to track the progress of "preferred and conventional resource development, transmission upgrades, and load forecasts with a feedback loop in each LTPP cycle."<sup>18</sup> By continuing to review and track

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<sup>12</sup> 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, pp.18-20.

<sup>13</sup> Comments of the Independent Energy Producers Association on the Proposed Decision on Track 4 Issues, March 3, 2014 (IEP Comments),p. 9; Comments of Western Power Trading Forum on the Track 4 Proposed Decision, March 3, 2014,p. 2.

<sup>14</sup> WPTF Comments, p. 2

<sup>15</sup> AES Southland Comments, p. 3.

<sup>16</sup> PD, p. 71.

<sup>17</sup> PD, p. 102 ("contingency contracts may (if appropriately priced, effectively managed and well-located) reduce/mitigate disruptions and uncertainties in the future.") Another option for maintaining reliability is contingent site development, an option that the PD recognizes, but on which it does not opine since it is not currently before the Commission. PD, p. 64. The PD also recognizes that "it may be possible to extend OTC deadlines if it is necessary to ensure reliability." PD, p. 84.

<sup>18</sup> Comments of the California Independent System Operator Corporation on the Track 4 Proposed Decision, March 3, 2014 (CAISO Comments), p. 4.

resource development through subsequent LTPP cycles, the Commission can “gradual[ly] increase ... the level of preferred resources and energy storage into the resource mix, to historically high levels”<sup>19</sup> while at the same time maintaining reliability.

**B. The Commission should reject the recommendation to increase procurement authorization by 588 MW to replace interim reliance on the SPS.**

The PD rejects the use of “long term reliance on a SPS to resolve LCR need related to the retirement of SONGS ”<sup>20</sup> and determines that:

“it is prudent to wait and see what resources develop in the SONGS service area to determine whether an SPS or other load-shedding protocol need serve as a bridge until such resources are in place. In particular, we see the likelihood that the procurement of preferred resources as authorized [in the PD and otherwise acquired] will develop sufficiently over time to mitigate the need for further resources, so that the SPS in the SDG&E service territory can be lifted and reliability at an N-1-1 contingency level can be maintained.”<sup>21</sup>

The PD therefore declines to authorize 588 MW to replace reliance on the SPS at this time.<sup>22</sup>

The Independent Energy Producers Association (IEP) claims that the PD fails to identify the permanent solution that will eliminate the need to the SPS.

“The PD seems to assume that an SPS, a temporary measure, can be instituted to address the N-1-1 contingency, but the PD fails to identify the permanent solution that will eventually eliminate the need for the SPS.”<sup>23</sup>

This is incorrect. The PD points out that preferred resource development is likely to eliminate the need to rely on an SPS.<sup>24</sup> NRG Energy contends that the PD’s reliance on preferred resources “provides no guidance, let alone any degree of certainty, with regards to the amount of preferred resources that must be procured to ensure local area reliability, nor to the time frame over which the preferred resources must be deployed to ensure local area reliability.”<sup>25</sup> This concern is not well-founded. Any forecast involves a degree of uncertainty, but given the PD’s substantial discounting of the probability that various resources will be

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<sup>19</sup> PD, p. 88.

<sup>20</sup> PD, p. 44.

<sup>21</sup> PD, p. 45.

<sup>22</sup> See e.g. PD, p. 46, p. 76, Table 3.

<sup>23</sup> IEP Comments, p.8.

<sup>24</sup> PD, p. 45.

<sup>25</sup> Initial Comments of NRG Energy, Inc. on Track 4 Proposed Decision, March 3, 2014, p. 6.

available,<sup>26</sup> the PD reasonably concludes that preferred resources will eliminate the need for reliance on the SPS. In fact, the CAISO recognizes the PD's adjustment to the residual local needs assessment as a reasonable approach "to determining a prudent level of resource procurement at the present time, recognizing that the future is uncertain and that alternative assumptions could also come to pass."<sup>27</sup>

IEP accuses the PD of failing "to afford the CAISO's analysis the deference to which it is due" by not authorizing 588 MW to alleviate reliance on the SPS.<sup>28</sup> The CAISO does not share this view, noting instead:

"[t]he ISO is particularly encouraged by the PD's explicit findings that the ISO correctly modeled the assumptions in the scoping memo and that ISO's study methodology and results should be used as the basis for authorizing additional procurement."<sup>29</sup>

### III. CONCLUSION

The Commission should revise the PD consistent with ORA's recommendation in its opening and reply comments.

Respectfully submitted,

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<sup>26</sup> The PD assumes that at least 10-20% of the resources will be available in calculating the maximum range of procurement (p. 69) and that between 29% and 39% are available in calculating the minimum range of procurement (p.77).

<sup>27</sup> CAISO Comments, p. 3.

<sup>28</sup> IEP Comments, p. 4; see also AES Southland Comments at pp. 8-9.

<sup>29</sup> CAISO Comments, p. 1.