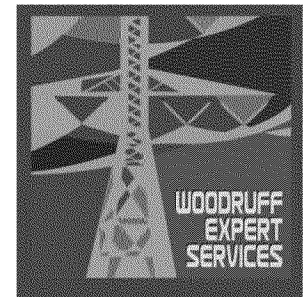


Case for More Forward Procurement is Murky, but Need for Transparency is Clear

presented on behalf of The Utility Reform Network
by Kevin Woodruff, Principal, Woodruff Expert Services
at Workshop in CPUC Joint Reliability Plan (R.14-02-001)

May 2, 2014



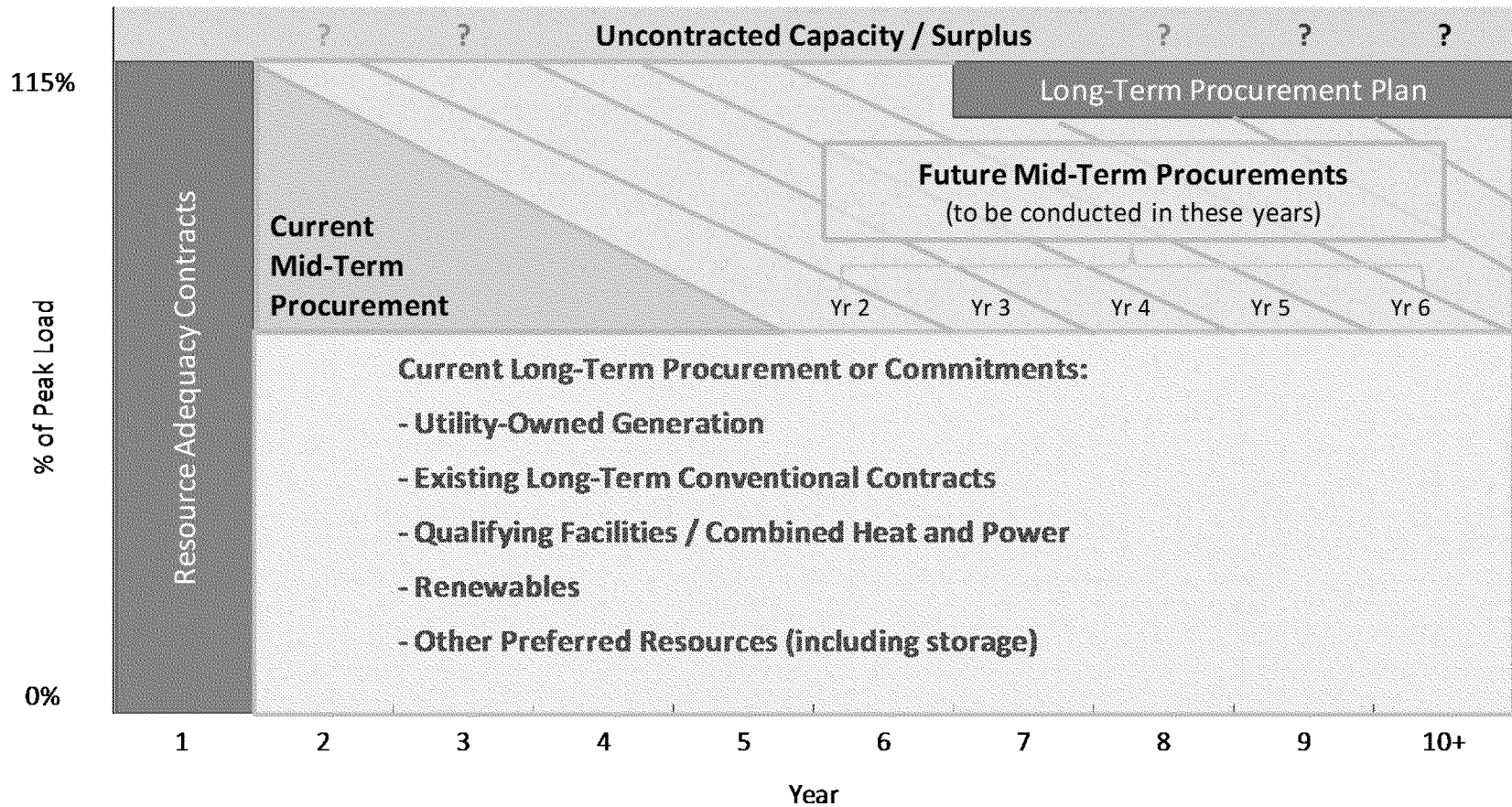
Introduction

- Review of forward procurement model and data “as is” *
* or “as was,” as some of the following data are dated

- Implications of “as is” analysis as to benefits of:
 - Increased forward procurement requirements
 - Increased public disclosure of market data

Figure 1 Model of IOUs' Current Forward RA Procurement

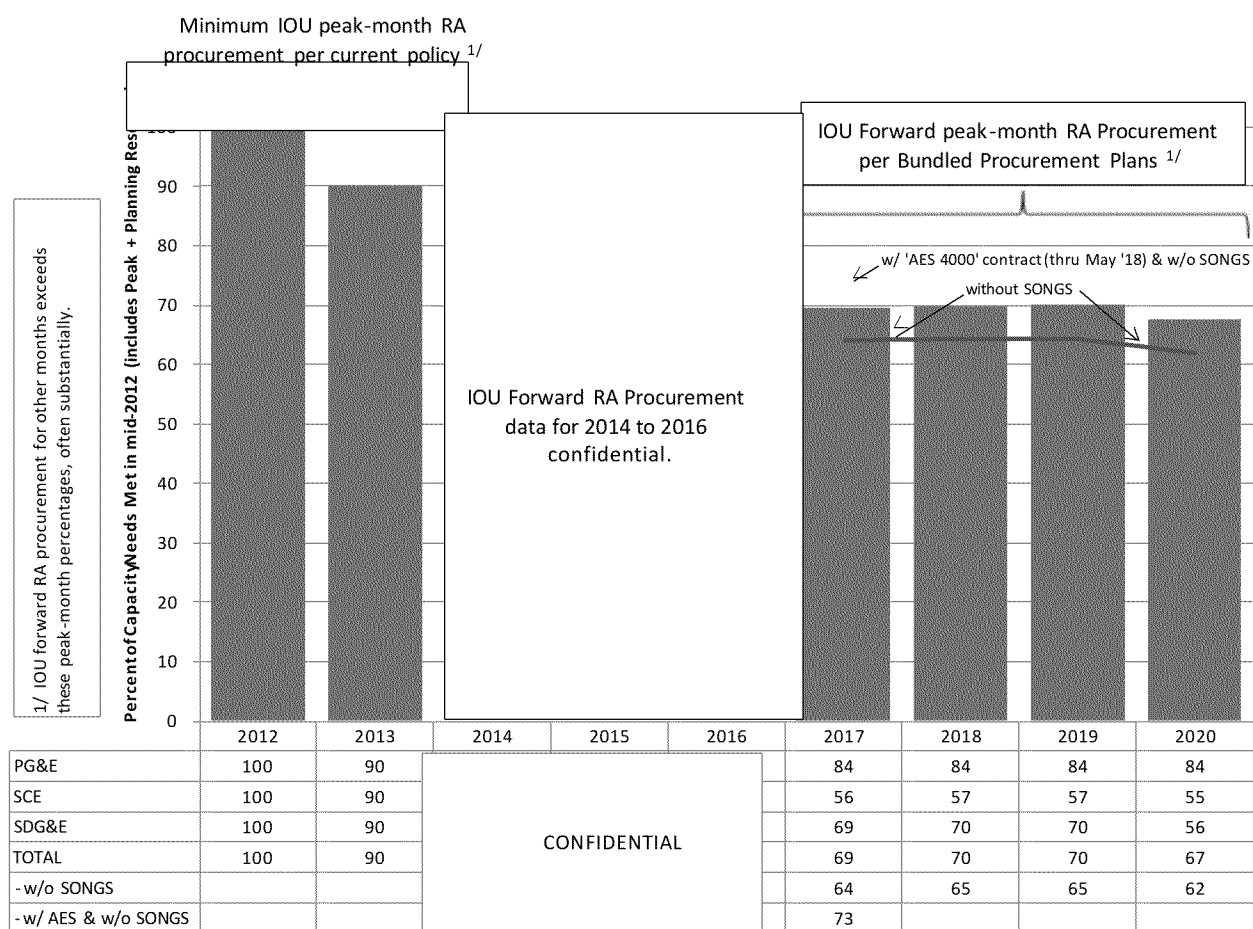
NOTE: FIGURE HIGHLY-STYLIZED AND NOT TO SCALE



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Figure 2

IOUs' Bundled Procurement Plans, as of 2012



- Sources:
- 2012-2013: CPUC Resource Adequacy policy.
 - 2017-2020: IOUs' final Bundled Procurement Plan filings.
 - SONGS Capacity (2,246 MW): CAISO 2013 Net Qualifying Capacity List.
 - AES Contract Capacity (3,818 MW): SCE Advice Letter 2853-E.

- Notes:
- Expected Demand Response, Energy Efficiency and some customer generation deducted from load.
 - Capacity of PG&E Qualifying Facility contracts not included due to confidentiality limits.

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Figure 3 IOUs' Recent Mid-Term Capacity RFOs

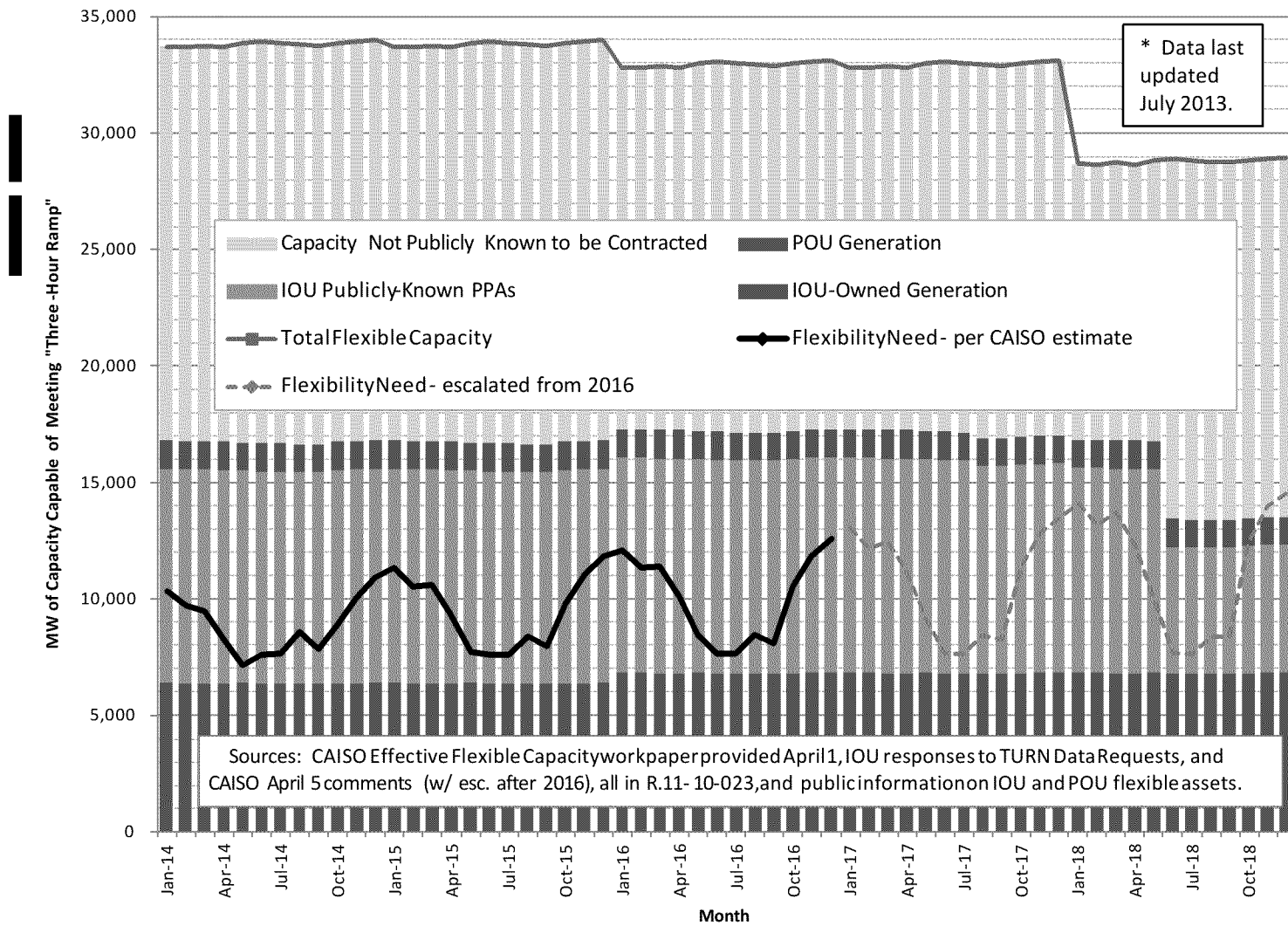
Year Mid-Term RFO Issued	IOU	Year(s) of Delivery:										Notes	
		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018		
2008	PG&E												
	SCE												
	SDG&E												
2009	PG&E												
	SCE												
	SDG&E												1/
2010	PG&E												
	SCE												
	SDG&E												
2011	PG&E												
	SCE												
	SDG&E												
2012	PG&E												
	SCE												
	SDG&E												
2013	PG&E												
	SCE												2/
	SDG&E												3/
2014	PG&E												
	SCE												4/
	SDG&E												5/

- Notes:
- 1/ SDG&E 2009 RFO requested bids from existing resources (a) for delivery in 2010 and 2011 and (b) for delivery over ten-year term from 2012-2021. No contracts submitted to CPUC for this latter option.
 - 2/ SCE extended 3,800 MW of local Southern California capacity contracts that were set to expire from 2013-2015 through 2018 pursuant to bilateral negotiations.
 - 3/ SDG&E 2013 RFO sought only energy products, but SDG&E said it would value Resource Adequacy if included in bids.
 - 4/ SCE Local Capacity Requirements RFO does not require delivery until January 2021, but allows for delivery as early as January 2018. SCE will also encourage delivery as early as January 2015 in South Orange County and Goleta substation areas.
 - 5/ SDG&E may propose to contract for new gas capacity to begin operations by end of 2018 pursuant to D.14-03-004 and January 2014 agreement between City of Carlsbad, NRG and SDG&E.

Sources: IOU Requests for Offers and supporting materials and select quarterly procurement plan compliance reports.

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Figure 4 IOUs' Forward Procurement of Flexible Capacity *



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Case for More Forward Procurement is Murky

- Substantial forward procurement occurs and will continue to do so
 - Such procurement will adapt to new requirements (e.g., flexibility)

- Is there a problem with the current procurement model?
 - Not clear any “problem” exists
 - *Though it cannot be concluded that no problem exists*

- What should be done, ideally:
 - Assess needs, system capabilities and procurement process
 - Then consider changing procurement process to address gaps

- Again, no case has yet been made that such gaps exist!

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But Need for Transparency is Clear

- Uncontracted generation:
 - *May* be needed to meet future reliability needs
 - But face challenging business environment
- Commission can help market by making more data public about:
 - Current and future needs and resources (e.g., Track 2)
 - Prices
 - More predictable timing for procurement opportunities
 - Other?