

**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)

**PETITION FOR EXPEDITED MODIFICATION OF
DECISION 13-02-015**

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Dated: June 3, 2014

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Pursuant to Rule 16.4 of the Commission's Rules of Practice and Procedure, Terra-Gen Power, LLC submits this petition for modification of Decision (D.) 13-02-015 and seeks expedited action by the Commission. D.13-02-015 authorized Southern California Edison Company (SCE) to procure between 1400 and 1800 MW of capacity in the West Los Angeles subarea of the Los Angeles basin local reliability area in Track 1 of this proceeding. The need for expedited action arises because the decision includes language that is susceptible to misinterpretation and that has apparently been misinterpreted by SCE to create what is in effect a new eligibility requirement for continued participation in the Track 1 solicitation. As a result, the fairness and transparency of the Track 1 solicitation process has been compromised. Terra-Gen's goal in bringing this petition is ensure that the Track 1 solicitation is fair, transparent, and consistent with D.13-02-015.

SCE's evaluation of the indicative bids from shortlisted projects is underway, and SCE's evaluation is significantly shaped by its apparent misinterpretation of the decision's language. SCE's interpretation, however, results in a nontransparent, changing, and inconsistent

standard for comparing the value of bids submitted in the Track 1 Request for Offers (RFO), which in turn has the effect of destabilizing a solicitation process that until now has generally been regarded as fair. In effect, one qualitative element among many considered as part of SCE's least-cost, best-fit evaluation has been transformed into a threshold screen that precludes further consideration of a resource's other attributes in the determination of the resource's value. As a result, shortlisted projects connecting to 15 of the 27 substations identified as "acceptable" for the Track 1 RFO have been eliminated from further consideration, even before the final offers are due.

Terra-Gen understands that the Commission may be reluctant to intervene in an ongoing solicitation process. In this case, however, SCE's mid-stream change in the eligibility criteria could result in the selection of resources that are not the best value for ratepayers. If the Commission waits to act until SCE submits the results of the Track 1 RFO, projects that were wrongly excluded by the changed eligibility criteria may no longer be available.

The deadline for completion of negotiations is June 24, and final offers are due on July 1. The Commission must act quickly to ensure the consistency and transparency of the Track 1 RFO.

Rule 16.4(d) requires an explanation of why a petition for modification could not have been filed within one year of the date of the decision that is sought to be modified. As the discussion below will explain, the events that exposed how D.13-02-015 was being misinterpreted occurred in March 2014. Terra-Gen and other parties did not become aware of the destabilizing effect of SCE's interpretation of that language until March 2014, more than one year after the issuance of D.13-02-015.¹

¹ See Attachment A.

Rule 16.4(e) requires a petitioner who was not previously a party to the proceeding to explain its interest in the proceeding and why it did not previously participate in the proceeding. Terra-Gen is interested in this proceeding and the issues raised in this petition because it has been an active and sometimes successful participant in various competitive procurement solicitations, and Terra-Gen has an abiding interest in ensuring that the competitive process is fair and transparent. Terra-Gen previously participated in this proceeding through its trade associations and did not see a need to participate individually until the events described in this petition occurred.

I. BACKGROUND

The language of D.13-02-015 in question concerns the use of locational effectiveness factors (LEFs), which the California Independent System Operator (CAISO) calculates for transmission planning purposes to provide an indication (under a specific set of assumptions about demand, supply resources, and the status of the transmission system) of how effective a proposed supply resource will be in resolving the most severe transmission constraint and the circumstances, or “contingencies,” that will stress that constraint. LEFs are highly sensitive to the assumptions that underlie the calculations, and relatively minor changes to the assumed transmission system or resource mix can result in significant changes in the LEF for a particular substation (node). As far as Terra-Gen has been able to determine, LEFs have not been used to determine eligibility or to evaluate bids in previous solicitations resulting from the Commission’s decisions in long-term procurement plan proceedings, and the use of LEFs in the evaluation of Track 1 bids presents issues that have not previously been addressed by the Commission.

A. The Track 1 Decision

In Track 1 of this proceeding, the CAISO analyzed four scenarios. In all scenarios, the identified constraint for the West Los Angeles Basin local subarea occurs on the Serrano-Villa Park No. 1 transmission line, and the associated contingency is a loss of the Serrano-Villa Park No. 2 transmission line followed by a loss of the Serrano-Lewis No. 1 transmission line.² The quantities the Track 1 decision authorizes SCE to procure were derived from the CAISO's trajectory scenario.³ The Commission ordered SCE to file a procurement plan, subject to approval by the Energy Division, and SCE was required to show that its procurement plan was consistent with the requirements of Ordering Paragraph 4.⁴ Ordering Paragraph 4 requires any Track 1 RFO "*issued*" by SCE to include, among other elements, (1) "The consideration of costs and benefits must be *adjusted* by their relative effectiveness factor at meeting the California ISO identified constraint," and (2) "Use of the most up-to-date effectiveness ratings."⁵

B. SCE Submits its Procurement Plan and Issues the Track 1 RFO

SCE's Track I Procurement Plan, submitted to Energy Division on August 30, 2013, included a listing of the CAISO's calculation of LEFs for the identified contingency for 27 substations in the West Los Angeles subarea plus the San Onofre substation.⁶ The Track 1 RFO was issued on September 12, 2013 and was open to bidders with projects within the West LA Basin. The transmittal letter for the RFO listed 27 "acceptable high voltage substations in the

² D.13-02-015, pp. 19-20.

³ D.13-02-015, p. 65.

⁴ D.13-02-015, p. 133 (Ordering Paragraph 5).

⁵ D.13-02-015, p. 132 (Ordering Paragraph 4(c) and 4(l)) (emphasis added).

⁶ Track 1 Procurement Plan of Southern California Edison Company Submitted to Energy Division Pursuant to D. 13-02-015 (August 30, 2013), p. 7, available at https://www.sce.com/wps/wcm/connect/0a312536-5ba4-4153-a3bd-0859e15badeb/TrackI_SCELCRProcurementPlanPursuanttoD1302015.pdf?MOD=AJPERES.

West Los Angeles Basin sub-area” for proposed projects (the same 27 substations listed in the Procurement Plan).⁷

Thus, at the time SCE *issued* the Track 1 RFO, the most up-to-date effectiveness ratings were the effectiveness factors listed in the Procurement Plan for the 27 “acceptable high voltage substations in the West Los Angeles Basin sub-area” identified in the RFO documents.

Indicative offers were due on December 16, 2013. The shortlist notification was scheduled for January 30, 2014. At the time that the Track 1 indicative bids were submitted, there was no indication that projects connected to any of the 27 “acceptable high voltage substations” would be disqualified due to the project’s location or that certain parts of the West Los Angeles Basin subarea were off-limits for purposes of the RFO. The RFO Transmittal Letter included other threshold eligibility requirements, including site control and fuel supply, but LEFs and location in a certain zone of the West LA Basin subarea were not among them. Bids were submitted on the assumption that the statements in the Track 1 decision were accurate and eligibility requirements set forth in the RFO documents would not change after bids were submitted.

C. The Track 4 Decision

On March 13, 2014, the Commission issued D.14-03-004 in Track 4 of this proceeding. Track 4 was created to consider local capacity requirements resulting from the permanent requirement of San Onofre Nuclear Generation Station Units 2 and 3 (SONGS). In the Track 4, decision, the Commission authorized SCE to procure 500 to 700 MW *in addition to* the amounts authorized in Track 1, and San Diego Gas & Electric Company was authorized to

⁷ Available at https://www.sce.com/wps/wcm/connect/356c9c94-7881-49cc-b830-226614c6b9cb/LCRRFOTransmittalLetter1113_Redline.pdf?MOD=AJPERES, pp. 12-13 of 32. The Transmittal Letter was revised on November 12, 2013, but the list of acceptable high voltage substations was unchanged.

procure an additional 500 to 800 MW in addition to the 300 MW authorized in D.13-03-029 and D. 14-02-016.⁸

The amount of procurement authorized in D.14-03-004 was based on an analysis that identified the critical contingency as the sequential loss of the ECO-Miguel section of the Southwest Powerlink 500 kV line and the Ocotillo Express-Suncrest section of the Sunrise Powerlink, not the same contingency that was the basis for the Track 1 authorization.⁹

D. The CAISO's Transmission Plan

On March 12, 2014, nearly three months after the indicative offers were submitted in the Track 1 RFO, the CAISO issued its Revised Draft 2013-2014 Transmission Plan, which was based on an entirely different data set (study horizon, transmission upgrades, and resource mix) for different contingencies from the contingency identified in Track 1.¹⁰ The Transmission Plan analyzed contingencies arising from the unexpected retirement of SONGS (the subject of Track 4 in this proceeding)¹¹ but also relied on assumptions about transmission upgrades that were not included in the Track 4 analysis. One paragraph within the Local Preferred Resources Assessment section of that 302-page document addressed the effectiveness of *preferred resources* in mitigating the contingency identified and analyzed in the Transmission Plan:

Most effective locations for mitigating post transient voltage instability due to the critical contingency were determined to be in the San Diego local capacity area and the southwest LA Basin sub-area. The resources in the southwest LA Basin are approximately 50% as effective as resources located in San Diego due to the southwest LA Basin's close proximity to San Diego local capacity area. The resources located in the northwest LA Basin were

⁸ D.14-03-004, pp. 3-4.

⁹ D.14-03-004, pp. 49, 127 (Finding of Fact 33).

¹⁰ Revised Draft 2013-2014 Transmission Plan, March 12, 2014, available at <http://www.aiso.com/Documents/RevisedDraft2013-2014TransmissionPlan.pdf>.

¹¹ See Revised Draft 2013-2014 Transmission Plan, p. 94.

determined not to be effective for mitigating the post transient voltage instability concern due to the critical N-1-1 contingency.¹²

Thus, compared to the LEF analysis in Track 1, the LEF analysis for *preferred resources* in the Transmission Plan analyzed and reported LEFs for only two general zones, the southwest and northwest LA Basin, rather than providing LEFs for each of the 27 substations listed in the Transmittal Letter and the Procurement Plan. In addition, the CAISO provided no information about how the two new zones were created.

On April 9, 2014, the CAISO issued a document related to LEFs and entitled, “Locational Effectiveness Factor Calculations in the San Diego and LA Basin Area” as a clarification to the Transmission Plan. This time, the CAISO divided the West LA Basin into three zones (rather than two zones) and provided revised LEFs for each zone for two additional scenarios. On April 23, 2014, the CAISO issued separate reports for the San Diego and LA Basin Areas, with an LEF analysis similar to that presented in the April 9 document. The April 23 report included this caveat:

The ISO must also note that these results reflect weighted or aggregate levels of effectiveness within each area. It is expected that there will be variations in effectiveness for individual buses within each area. Also, the distribution of resources to different buses within each area can also affect the composite effectiveness for each area.

The CAISO did not explain, and has not yet explained, how its zones were determined and whether zones created without a detailed analysis of the constituent nodes are an appropriate basis for evaluating effectiveness. The CAISO has not provided any transparency into the reasons for its switch from a nodal effectiveness analysis that analyzed individual substations to a zonal effectiveness analysis or into CAISO’s resource mix assumptions.

¹² Revised Draft 2013-2014 Transmission Plan, p. 104.

E. SCE Reacts to the CAISO’s Transmission Plan and Clarifications

It appears that SCE, acting under its misinterpretation of the Commission’s instructions to use “the most up-to-date effectiveness ratings” issued by the CAISO, generalized from the Transmission Plan’s comments on *preferred resources* and the CAISO’s later clarifications and concluded that the LEFs associated with the broad southwest and northwest zones (and later the three zones presented in the clarifications) were to be used in the evaluation of Track 1 bids for *conventional resources*.¹³ Accordingly, SCE appears to have concluded that the effectiveness of **all** resources located outside of the southwest LA Basin was considerably lower than the effectiveness of **all** resources located in the southwest LA Basin. Thus, even though the Track 1 decision authorized procurement of up to 1800 MW of resources located throughout the West LA Basin subarea, SCE appears to have decided to introduce a new eligibility requirement and to restrict its procurement exclusively to resources located in the southwest zone, to address the contingency identified in Track 4 (where the Commission had already authorized SCE to procure 500-700 MW and San Diego Gas & Electric Company to procure an additional 500-800 MW of additional resources to address the same contingency¹⁴).

SCE’s apparent decision to change the eligibility requirements for conventional resources in its Track 1 and Track 4 procurement process has resulted in the elimination from further consideration of projects located outside of the newly created southwest zone, which means that projects located in roughly two-thirds of the West LA Basin subarea—the original target of the procurement authorized in D.13-02-015—are no longer deemed eligible. This drastic change in the eligibility requirements has been made with no transparency about the derivation and appropriate use of zonal LEFs. Moreover, SCE’s approach had the effect—after

¹³ Attachment A is a declaration providing the support for the facts stated in this section.

¹⁴ D.14-03-004.

bids had been submitted—of significantly changing the procurement process, converting LEFs from one among several qualitative factors considered in the bid evaluation to a new threshold eligibility requirement, not stated in the RFO documents.

Because of the lack of transparency around the calculation and use of LEFs, Terra-Gen commissioned an independent analysis (performed by a former CAISO professional who developed the post-transient voltage stability tool the CAISO currently uses to analyze LEFs) of the LEFs of some of the individual substations in the West LA Basin subarea, using the same data as the CAISO study.¹⁵ Terra-Gen’s independent analysis confirms that not all substations in the southwest zone are 100% effective, as the CAISO’s study suggests, and that the difference in LEFs for nodes in different zones are in many instances less than the differences between nodes within a single zone. The wide variability in nodal LEFs within a CAISO zone, and the convergence of LEF values between substations that are in close proximity, but were assigned to different zones, emphasizes that the use of zonal rather than nodal LEFs can be misleading and that LEFs should be no more than a lesser factor in bid evaluation, not a threshold criterion that will exclude projects without consideration of their other attributes. Placing too much emphasis on LEFs could result in the elimination of projects with value from other attributes that outweighs the difference in LEFs.

The changing LEFs resulting from the CAISO’s updates and Terra-Gen’s independent study underscore the point that LEFs are volatile and will fluctuate—sometimes dramatically—with subtle changes to resource mix assumptions, subarea boundaries, and physical changes to the grid. In light of this volatility, the swing from a nodal analysis, as reflected in the Procurement Plan, to a two- or three-zone analysis is a significant and material

¹⁵ See Attachment A.

departure from the original RFO process and guarantees unstable results from a shifting process and analysis.

II. **THE INTERPRETATION OF DECISION 13-02-015**

The language of D.13-02-015 appears to be susceptible to an interpretation that undermines the transparency, fairness, and stability of the competitive solicitation process. The key language is the requirement of Ordering Paragraph 4(l), to use “the most up-to-date effectiveness ratings.”

A. SCE’s Apparent Interpretation Conflicts with the Plain Language of Ordering Paragraph 4 and Undermines the Procurement Process

SCE apparently focuses solely on subparagraph (l) and interprets this requirement to mean that it must change its evaluation of submitted bids every time the CAISO releases revised LEFs for the LA Basin.¹⁶ However, subparagraph (l) must be read in conjunction with the introductory paragraph of Ordering Paragraph 4. The Ordering Paragraph begins, “Any Requests for Offers (RFO) issued by Southern California Edison Company pursuant to this Order shall include the following elements” Contrary to SCE’s interpretation of this language, the obligation to include the most up-to-date effectiveness ratings when the RFO is *issued* does not create a requirement to change the evaluation criteria *after* the RFO is issued and particularly not after bids are submitted.

Moreover, SCE’s interpretation has the additional significant flaw of undermining and destabilizing the procurement process. The bids that were submitted on December 16, 2013, were based on the information presented in the Procurement Plan, which included a nodal

¹⁶ It is not clear that SCE is acting consistently with this interpretation and is actually using the most up-to-date LEFs. In a presentation made on May 20, 2014, SCE showed an analysis of nodal LEFs for preferred resources in the southwest zone at nine nodes for four different contingencies. The LEF values differed significantly from both the LEFs listed in the Procurement Plan and the zonal results shown in the CAISO’s studies. See Attachment B.

analysis and presented LEFs for eligible individual substations throughout the West LA Basin (the focus of Track 1 procurement), and the RFO documents, including the Transmittal Letter, which listed 27 “acceptable high voltage substations in the West Los Angeles sub-area” for proposed projects. The LEFs from the August 30, 2013, Procurement Plan were the “most up-to-date effectiveness ratings” available at the time the Track 1 RFO was issued on September 12, 2013, and those are the LEFs that should be used to adjust the consideration of costs and benefits of bids submitted in the Track 1 RFO.¹⁷

The basis for the Track 1 bids was completely disrupted by use of the LEFs for two or three zones as presented in the Transmission Plan and subsequent CAISO clarifications. Depending on the scenario, resources in the northwest portion of the LA Basin may be evaluated on the basis of LEFs ranging from 0% to 56.9%, while the LEFs for resources in the southwest portion of the LA Basin may be credited with an LEF ranging from 50% to 100%.

In response to the CAISO’s revisions to LEFs, SCE is apparently excluding from further negotiation any shortlisted project not located in the southwest zone. In effect, SCE seems to have transformed one of several qualitative factors in the assessment of the value of a bid into a threshold criterion that will determine whether the other elements of a project’s value will even be considered. By elevating LEFs to a threshold criterion, SCE contradicts the instructions of Ordering Paragraph 4 and gives LEFs much greater weight in bid evaluation than is warranted.

Moreover, the use of zonal, rather than nodal, effectiveness factors is unprecedented and conflicts with how SCE said it would use effectiveness factors in its Procurement Plan. In the Procurement Plan, SCE said it would modify a proposed resource’s Resource Adequacy (RA) value according to a specific formula: “the RA capacity multiplied by

¹⁷ See D.13-02-015, p. 132 (Ordering Paragraph 4(c)).

one minus the difference between the maximum locational effectiveness factor and the effectiveness factor for the resource.”¹⁸ The effectiveness factor for the resource, however, is not even calculated under the CAISO’s zonal approach, and it is unclear how zonal effectiveness factors will actually be used in SCE’s determination of the least-cost, best-fit Track 1 resources.

The corrosive effect of these inconsistencies and changes to the evaluation criteria on the willingness of responsible generation developers to continue to participate in RFOs in California cannot be overestimated. Bidders invest considerable amounts in preparing the bid, securing the site, applying for an interconnection, and beginning the permit process. Bidders will be notably less willing to invest in the procurement process if the evaluation criteria can change dramatically after the bids are submitted, effectively eliminating projects that meet all the stated criteria from further consideration. Bidders who decide to continue to participate in the RFOs will account for the greater risk that the evaluation criteria may change after the bids are submitted and may increase the price of their bids to reflect that risk.

B. A Proper Interpretation Promotes a Stable Procurement Process

A more reasonable interpretation of D.13-02-015, based on the plain language of the decision, avoids this disruption of the RFO process. The phrase “the most up-to-date effectiveness ratings” in Ordering Paragraph 4(l) refers to the most recent information available when the RFO was issued, as stated in the first paragraph of Ordering Paragraph 4. This interpretation gives effect to all of the language in Ordering Paragraph 4 and allows bidders to proceed with some confidence that the evaluation criteria will remain transparent and stable.

Moreover, this interpretation is consistent with other requirements established in D.13-02-015. Ordering Paragraph 4(a), for example, provides that any Track 1 RFO “issued” by SCE should include a requirement that the “resource must meet the identified reliability

¹⁸ Procurement Plan, p. 35.

constraint identified” by the CAISO. The CAISO-identified constraint for the West LA Basin subarea when the Track 1 RFO was issued was the Serrano-Villa Park No. 1 transmission line,¹⁹ the same contingency that the LEFs listed in the Procurement Plan were based on.²⁰ The LEFs presented in the Transmission Plan and the CAISO’s subsequent clarifications are **not** derived from the CAISO-identified constraint at the time the RFO was issued.

C. Requested Actions

For these reasons, Terra-Gen respectfully asks the Commission to modify D.13-02-015 to affirm that “the most up-to-date effectiveness ratings” and similar language should refer to the most recent information available when the RFO is issued, consistent with the wording of Ordering Paragraph. 4. That clarification would inform SCE of its misinterpretation of the decision and will allow bidders to plan their projects and refine their bids with the assurance that the evaluation criteria for the solicitation will not be subject to change after the bids are submitted.

Ideally, this principle of certainty and stability should apply to the Track 1 solicitation, and the evaluation of Track 1 bids would be based on the constraint and associated LEFs that were available when the RFO was issued. Practically, however, the Track 1 and Track 4 solicitations have been combined and the Commission may conclude that the Track 1 RFO has proceeded too far to start over. If the Commission determines that it is not possible to revert to the nodal LEFs that were presented in SCE’s Procurement Plan for evaluating the Track 1 bids, the Commission can still take alternative actions to remedy the situation, while providing needed transparency about the calculation and use of LEFs in the RFO process.

¹⁹ D.13-02-015, pp. 19-20.

²⁰ Procurement Plan, p. 7.

In particular, the Commission can order a brief pause in the RFO process and ask the CAISO to provide revised LEFs for each of the substations listed in the Procurement Plan. It is highly unlikely that all substations within the zones used for the CAISO's recent analyses have the same LEF (as both the CAISO analyses and Terra-Gen's independent analysis confirm), but that is the effect of the zonal approach on bid evaluation. In addition, the differential between substations near the borders of the zones are exaggerated by using general LEFs for the zones, rather than the specific LEFs for the individual substations. The difference between the use of zonal versus nodal LEFs is not just an arcane methodological dispute. Zonal LEFs can overstate the value of a project that under the nodal LEF methodology is less effective and can understate the value of projects (or in this case exclude projects) that are more effective. Simply put, use of zonal LEFs can result in the procurement of less valuable resources, to the detriment of ratepayers. It is telling that the only instance when zonal LEFs have been calculated (and now used for bid evaluation) is the current instance. Providing the LEFs for individual substations will avoid the distortion created by the CAISO's presentation of only zonal LEFs and will allow SCE to use the updated nodal LEFs in the manner described in the Procurement Plan.

In conjunction with its actions on the use of LEFs in Track 1, the Commission can introduce and insist on greater transparency into the derivation and use of LEFs in procurement. It is particularly unclear how the CAISO decided on the zones used in its Transmission Plan analysis, how much LEFs vary among the substations within each zone, how the aggregate LEF for each zone was calculated, and how SCE proposes to incorporate zonal LEFs in its least-cost, best-fit evaluation. To provide greater transparency about the derivation and use of LEFs in the Track 1 bid evaluation, the Commission convene a public workshop on LEFs, where the CAISO would be invited to explain its assumptions and LEF calculations, SCE would explain how it

proposes to use LEFs in its bid evaluation, and the Commission can respond by providing specific guidance on how it expects LEFs to be used in bid evaluation in the procurement process.²¹

Greater transparency about the use of LEFs in the procurement process is critical to restoring participants' trust in the fairness of the process. There are significant indications that the opacity of the calculation and use of LEFs is masking other errors or unintended consequences that could lead to erroneous procurement decisions. For example, it is completely unclear whether the full 1900 MW to 2500 MW authorized in the Track 1 and Track 4 decisions²² must be sited in the southwest zone in order to mitigate the contingency identified in Track 4 and the Transmission Plan. Without this clarification, siting all of the authorized MW in the southwest zone (consistent with SCE's current approach) could have the effect of exacerbating the next constraint. A less concentrated selection of resources might result in greater benefits to ratepayers and greater reliability for the transmission system.

Greater transparency can also prevent inadvertent errors that can influence the outcome of billion-dollar procurement decisions. For example, Terra-Gen's independent analysis identified a methodological error in the CAISO's study skews the comparisons of the effectiveness of different substations in the CAISO's study.²³ Terra-Gen's independent analysis used the CAISO's assumptions and held all variables constant (based on the Southwest LA Basin scenario) but, unlike the CAISO study, the independent analysis increased generation at the node in question until the contingency was resolved. This approach provides an "apples to apples" assessment of the incremental LEF at the node in relation to other nodes being evaluated.

²¹ The same topics could be discussed in a stakeholder call convened by the CAISO.

²² See D.14-03-004, p. 3.

²³ See Attachment A.

Varying the baseline assumptions (the approach taken in the CAISO study) masks the effect of incremental generation at the node in question.

These findings and other issues can be publicly explored at the workshop that Terra-Gen urges the Commission to hold. To ensure that the nodal LEFs are calculated on a consistent basis, so that comparisons among resources are fair, the assumptions and methodology of the CAISO's analysis should be made transparent and subject to public scrutiny. For these reasons, Terra-Gen urges the Commission to sponsor a workshop where the CAISO could explain the assumptions and methodology it uses to perform its LEF calculations.

III. PROPOSED MODIFICATIONS

For the reasons stated in this petition, Terra-Gen respectfully asks the Commission to make the following modifications to D.13-02-015:

- Ordering Paragraph 4(a) should be modified to read: "The resource must meet the identified reliability constraint identified by the California Independent System Operators (ISO) as of the date the RFO is issued;"
- Ordering Paragraph No. 4(l) should be modified to read: "Use of the most up-to-date effectiveness ratings as of the date the RFO is issued."

In addition, the Commission should order a short pause in the RFO process and ask the CAISO to provide revised LEFs for each of the substations listed in the Procurement Plan. The Commission should order SCE to use the results of the CAISO's nodal analysis in the manner described in the Procurement Plan.

In addition or alternatively, the Commission should (1) affirm, consistent with Ordering Paragraph 4(c), that effectiveness factors should be used to adjust the valuation of a proposed project, but should not be used as an eligibility requirement to eliminate otherwise

viable projects from submitting final bids, and (2) conduct a public workshop where the CAISO would be invited to explain its assumptions and LEF calculations, SCE would explain how it proposes to use LEFs in its bid evaluation, and the Commission can respond by providing specific guidance on how LEFs should be used in bid evaluation in the procurement process. If the Commission acts quickly, an abbreviated workshop or stakeholder process could be completed without affecting the scheduled timing of final selection on July 29, 2014.

Respectfully submitted June 3, 2014.

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By /s/ Gustavo E. Luna
Gustavo E. Luna
Terra-Gen Power, LLC

ATTACHMENT A

DECLARATION OF GUSTAVO E. LUNA

1. My name is Gustavo E. Luna. I am the Vice President of Origination for Terra-Gen Power, LLC (Terra-Gen). In that capacity, I have responsibility for Terra-Gen's participation, through various Terra-Gen project subsidiaries, in the Local Capacity Requirements Request for Offers (RFO), conducted by Southern California Edison Company (SCE) in response to Decision 13-02-015, the decision in Track 1 of the 2012 long-term procurement plan proceeding, Rulemaking 12-03-014.

2. On or about March 18, 2014, I was notified by major equipment suppliers and engineering, procurement and construction contractors that further negotiations with short-listed bidders for projects not located in the southwest Los Angeles basin would not occur because the Locational Effectiveness Factors (LEFs) presented in the Revised Draft 2013-2014 Transmission Plan issued by the California Independent System Operator indicated that such proposed projects were connected to substations that were not considered to be effective in mitigating the contingency used in the Transmission Plan's analysis.

3. After reviewing the CAISO's Revised Draft Transmission Plan, Terra-Gen retained an independent consultant to prepare a study of LEFs in the West Los Angeles Basin subarea. That study concluded, among other things, that not all substations in the southwest zone are 100% effective and that the difference in LEFs for nodes in different zones are in many instances less than the differences between nodes within a single zone. The study also identified what appears to be a methodological error in the CAISO's analysis that would skew the comparison of the LEFs of different substations.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on this 3rd day of June, 2014, at San Diego, California.



Gustavo Luna

ATTACHMENT B

DECLARATION OF DON VAWTER

1. My name is Don Vawter. I am Director of Origination for Terra-Gen Power, LLC (Terra-Gen). In that capacity, on May 20, 2014 I attended a meeting entitled "CleanTech OC: Driving Smart Grid Customer Participation in Orange County" at which a representative of Southern California Edison Company (SCE) made a presentation on SCE's Preferred Resources Pilot.

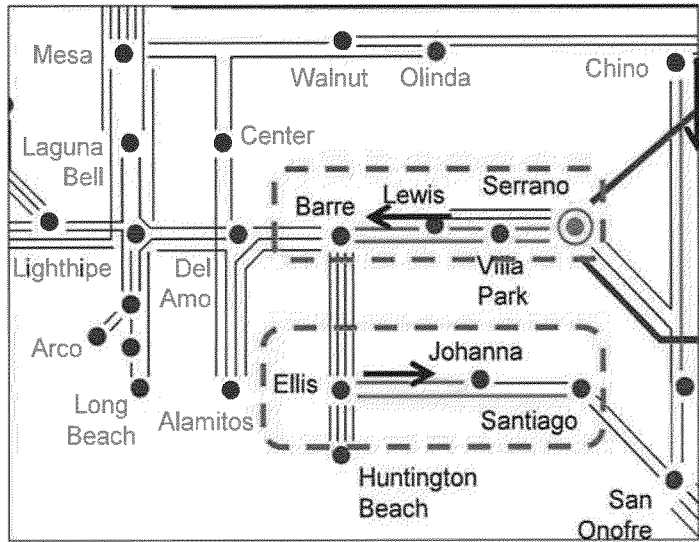
2. SCE's presentation included the attached slide labeled "Preferred Resources Pilot Region" which includes a table entitled "Effectiveness to Resolve Critical Violations."

I declare under penalty of perjury that the foregoing is true and correct.

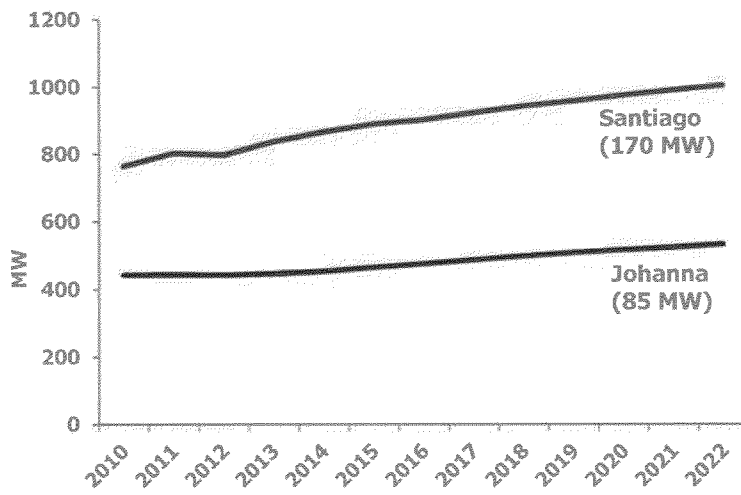
Executed on this 3rd day of June, 2014, at Orange County, California.

/s/ 
Don Vawter

Preferred Resources Pilot Region



Generation Site	Effectiveness to Resolve Critical Violations			
	Serrano	Vincent	Johanna	Viejo
Huntington	27%	10%	-17%	11%
Alamitos	24%	13%	-7%	4%
Lighthiipe	19%	18%	-5%	3%
Rio Hondo	14%	24%	-4%	2%
Mesa	15%	20%	-4%	2%
Johanna	24%	10%	72%	15%
Santiago	21%	9%	58%	19%
San Onofre	8%	7%	35%	33%
North SD	7%	6%	34%	32%



- Transmission contingencies arising in 2020 due to SONGS¹ retirement and OTC² plant closures
- On average, forecast total peak load growth is >25 MW per year
- The system is adequate now, but as substation load grows, meeting peak demand will be a reliability constraint

¹ SONGS – San Onofre Nuclear Generating Station

² OTC – once-through cooling