

**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

R.12-03-014
(Filed March 22, 2012)

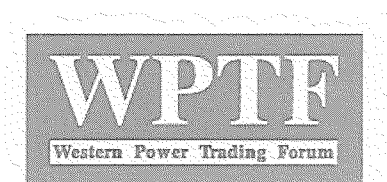
**RESPONSE OF THE WESTERN POWER TRADING FORUM TO THE
TERRA-GEN POWER, LLC PETITION FOR EXPEDITED
MODIFICATION OF DECISION 13-02-015**

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Pursuant to Rule 16.4(f) of the Rules of Practice and Procedure of the California Public Utilities Commission, the Western Power Trading Forum¹ respectfully submits this response to the Terra-Gen Power, LLC Petition for Expedited Modification of Decision 13-02-015 (“Petition”) filed on June 3, 2014.² WPTF is not in a position to support or oppose the Petition. Instead, WPTF’s response is premised on its belief that utility solicitation principles should encourage robust bidding and the most beneficial competitive outcomes. We briefly discuss herein principles that we believe will make utility Request for Offer (“RFO”) processes more transparent and consistent in the future.

I. DESCRIPTION OF MOTION AND RESPONSE

Terra-Gen’s Petition notes that D.13-02-015 (“Decision”) authorized Southern California Edison Company (“SCE”) to procure between 1400 and 1800 MW of capacity in the West Los

¹ WPTF is a California non-profit, mutual benefit corporation. It is a broadly based membership organization dedicated to enhancing competition in Western electric markets in order to reduce the cost of electricity to consumers throughout the region while maintaining the current high level of system reliability. WPTF actions are focused on supporting development of competitive electricity markets throughout the region and developing uniform operating rules to facilitate transactions among market participants.

² Concurrently, Terra-Gen also filed its Motion to Shorten Time for Responses to Petition for Expedited Modification of Decision 13-02-015, asking the Commission to shorten the time to respond to Terra-Gen’s Petition to June 10, 2014. On Wednesday, June 11, 2014, Administrative Law Judge David Gamson issued an email ruling shortening the time for responses to June 20, 2014. WPTF’s response is filed in accordance with that directive.

Angeles subarea of the Los Angeles basin local reliability area in Track 1 of this proceeding. Terra-Gen states there is a need for expedited action to modify the decision because it 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.”³

The essence of the Petition’s request is Terra-Gen’s belief that SCE has misinterpreted language in the Decision that directed the use of “the most up-to-date effectiveness ratings” issued by the California Independent System Operator (“CAISO”). Specifically, it states that SCE has “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*.”⁴ The Petition states that SCE appears to have decided to introduce a new eligibility requirement and to restrict its procurement exclusively to resources located in the southwest zone, which has resulted in the elimination from further consideration of projects located outside of the newly created southwest zone, meaning 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.”⁵ Terra-Gen therefore asks the Commission to modify the Decision to affirm that “the most up-to-date effectiveness ratings” and similar language should refer to the most recent information available when the RFO was issued, consistent with the wording of Ordering Paragraph. 4. Further, it asks that the Commission order a short pause in the RFO process and ask the CAISO to provide

³ Petition, at p. 1.

⁴ Id, at p. 8 (emphasis in original).

⁵ Ibid.

revised LEFs for each of the substations listed in the Procurement Plan and direct SCE to use the results of the CAISO's nodal analysis in the manner described in the Procurement Plan.

II. COMMENTS ON THE PETITION

WPTF believes the Terra-Gen Petition identifies an unintended consequence of the imprecise language used in the original Decision. Ordering Paragraph 4 simply states, in part, that, "Any Requests for Offers (RFO) issued by Southern California Edison Company pursuant to this Order shall include the following elements...Use of the most up-to-date effectiveness ratings."⁶ This lack of precision has created a situation where SCE has exercised discretion in modifying bid evaluation metrics well after establishing the initial short list.

SCE's action in adopting the later standard contained in the CAISO updated Transmission Plan is understandable and WPTF believes the utility should not be criticized for its actions. In this case, WPTF does not agree that the LEFs used at the outset of the RFO must be used because SCE was clear at the outset that the LEFs would be updated by the CAISO during the course of the bid-evaluation process. WPTF's understanding is that all bidders had this information equally. Furthermore, WPTF does not dispute that SCE had the right to make the interpretation it did, given the imprecision in the Decision.

It is apparent that information is always changing, always being updated and that in the interest of orderly markets utilities should not be required or allowed to update their bid criteria, particularly in the middle of an ongoing RFO. To do so would be deleterious to the efficient operation of the RFO and lend itself to the creation of uncertainty among RFO participants. Further, it is axiomatic that uncertainty leads to higher prices. In order to encourage bidders to present their best offers, certainty is always preferable. Third, it is clearly unfair to bidders to

⁶ Decision, at pp. 131-132.

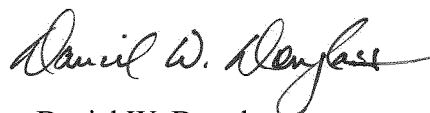
change the rules of an RFO after its issuance. Circumscribing the rules of eligibility is particularly objectionable, as it is unlikely that Terra-Gen or other generators similarly situated would have invested time and money into responding to the RFO had they known that their location would preclude them from being considered for final selection.

WPTF recommends that future solicitation cycles should be required to prescribe a set of LEFs at the outset, and participants in the solicitation process should know up front whether the LEFs have been aggregated or are node-specific. In future solicitation cycles, WPTF will urge that the CAISO create substation-specific LEFs to be used for bid evaluations.

III. CONCLUSION

WPTF believes that it is important for the Commission to ensure that the solicitation process is not compromised by allowing the utilities to change evaluation criteria after bids have been received, and therefore is taking this opportunity to state its concerns about a solicitation process that allows this type of activity to occur. With respect to the LEF process, WPTF urges that the CAISO should provide node-specific LEFs to be used in solicitation evaluation processes. WPTF thanks the Commission for its attention to these comments.

Respectfully submitted,



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