

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Promote Policy and
Program Coordination and Integration in Electric Utility
Resource Planning.

Rulemaking 04-04-003
(Filed April 1, 2004)

**WESTERN POWER TRADING FORUM
POST WORKSHOP REPLY COMMENTS**

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Executive Director
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January 12, 2006

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The Western Power Trading Forum (WPTF) respectfully submits these post-workshop reply comments on issues raised by commenting parties regarding the 2006 LTPP workshop (December 14 Workshop). In summary, we offer support for the following comments, and counter-arguments in reply to comments that WPTF believes to be incorrect.

WPTF agrees with:

1. SCE's assertion that the integrated resource planning phase of this proceeding should be designated as a low priority. Further, "SCE opposes Commission development of policies for the replacement of aging power plants in this phase of the proceeding (as recommended by some parties at the December 14 Workshop). The Commission's jurisdiction with respect to most aging power plants is extremely limited, and in any event, replacement decisions are best left to individual generators to make in accordance with their respective business plans."¹

¹ SCE Post-Workshop Comments dated January 5, 2006, at p. 2. (All other references to comments are the Post Workshop Comments)

2. SDG&E’s position that lengthy IRP processes should not be adopted.²
3. DRA’s opinion that, “If indeed, direct access could resume as early as 2010 it is time to talk about the framework under which this will occur, with clear roles and obligations among IOUs, CCAs, and ESPs toward retail customers,”³ and, “If after considering these resources, there is a resource gap, then the LSEs should focus on new conventional fossil resources....”⁴
4. IEP’s observations that, “The Staff Proposal even makes the startling statement that ‘It has been assumed that IOUs will build new generation on behalf of IOU bundled customers,’ overlooking the requirement for competitive procurement and all-source solicitations articulated in D.04-12-048,”⁵ and its challenge to the efficacy of hybrid markets, the difference between PPAs and utility-build projects, and the potential bias of PRGs.
5. AReM’s recommendation that, “It is neither necessary nor advisable to name ESPs and CCAs as respondents to the LTPP proceeding or require ESPs to submit long-term procurement plans.”⁶

WPTF disagrees with the following comments by parties:

1. SDG&E’s presumption that utilities can act as a centralized market backstop procurement agent until CAISO establishes a capacity market. That is a soft road to a hard trap. California doesn’t know what kind of capacity market it desires. Instituting a condition precedent that allows the utilities to build all the new power plants until a future condition is met that is highly uncertain is at best a lopsided policy based on self-interest. The utility also states that, “WPTF seeks to reopen items recently decided (RFO processes, hybrid market). These issues should not be addressed again here. Furthermore, the utilities should not be

² SDG&E comments, at p. 5.

³ DRA comments, at p. 3.

⁴ Id, at p. 4.

⁵ IEP comments, at p. 3.

⁶ AReM comments, at p. 4.

- required to release net short positions, as WPTF recommends.”⁷ Keeping the information about the net-short positions obscure is the surest way to guarantee a utility build world. Holding this information confidential chases away new investment by parties other than utilities.
2. DRA’s incorrect assertion that, “Even if that were shown to be cost-effective and otherwise desirable, no replacements or re-powers could come on line in 2006-2010.”⁸ WPTF is baffled by DRA’s statement. Under the proper conditions re-power projects could easily come online by 2010.
 3. SCE’s assertion that there is “little value in reexamining the ‘hybrid market’ for generation in this proceeding.”⁹ The uncertainty about California’s market structure is inhibiting new generation investment in California. SCE admits that this uncertainty inhibits investment with regards to retail markets,¹⁰ but fails to admit that a clear wholesale market structure is a prerequisite to a clear retail market structure. They are two sides of the same coin. It is of paramount importance that the CPUC address the basic market structure issues - removing the ambiguity of the “hybrid” and defining the reopening of the retail market.
 4. PG&E’s request for a limited waiver of FERC Order 2004.¹¹ This request will undermine the “wall” between transmission and generation and provide IOUs an unfair advantage in the market.

WPTF thanks the Commission for its attention to our comments.

⁷ SDG&E comments at p. 18.

⁸ DRA comments, at p. 3.

⁹ SCE comments, at p. 4.

¹⁰ Id, at p. 11: “The silence of the Legislature and the Commission on critical matters regarding the retail market – such as who has the responsibility of assuring new generation is built and whether and when Direct Access will be reopened to all customers – has substantially inhibited investment in generation and the viability of many retail service providers. A clear understanding of the retail market is essential to all LSEs’ development of appropriate resource plans. “

¹¹ PG&E comments, at p. 8

Respectfully submitted,

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