BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

FILED
01-22-13
04:59 PM

Order Instituting Rulemaking to Integrate and Refine Procurement Policies and Consider Long-Term Procurement Plans.	Rulemaking 12-03-014 (Filed March 22, 2012)

THE DIVISION OF RATEPAYER ADVOCATES REPLY COMMENTS ON THE PROPOSED DECISION AUTHORIZING LONG-TERM PROCUREMENT FOR LOCAL CAPACITY REQUIREMENTS

RADU CIUPAGEA
NIKA ROGERS
ALAN WECKER
Analysts for the
Division of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Phone: (415) 703-1529
Email: nika.rogers@cpuc.ca.gov

DIANA L. LEE
IRYNA A. KWASNY
Attorneys for the
Division of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Phone: (415) 703- 4342
Email: diana.lee@cpuc.ca.gov

January 22, 2013

45081764

I. INTRODUCTION AND SUMMARY

Pursuant to Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission (the CPUC or Commission), the Division of Ratepayer Advocates (DRA) submits these reply comments on Administrative Law Judge (ALJ) David M. Gamson's December 21, 2012 Proposed Decision (PD) authorizing Southern California Edison Company (SCE) to procure capacity to meet local capacity reliability (LCR) needs in the West Los Angeles sub-area of the Los Angeles basin local reliability area and the Moorpark sub-area of the Big Creek/Ventura local reliability area. DRA responds below to some of the opening comments of the California Environmental Justice Alliance (CEJA) and San Diego Gas & Electric Company (SDG&E). DRA's reply comments recommend that the Commission:

- Revise the PD to require consideration of any once-through cooling (OTC) compliance extensions to meet LCR need;
- Revise the PD to allow OTC plants that expect to comply with State Water Resources Control Board Regulations without retiring to bid into SCE's Request for Offers (RFOs)
- Reject SDG&E's contention that the PD incorrectly characterizes the analysis performed by the California Independent System Operator (CAISO) regarding LCR need.

II. DISCUSSION

A. The Commission should revise the PD to require consideration of any OTC compliance extensions to meet LCR need and to allow OTC plants that expect to comply with State Water Resources Control Board Regulations without retiring to bid into SCE's RFOs.

CEJA points out that while the PD states that:

> " '[i]f any extensions to OTC closure deadlines do occur, this can be taken into account in future procurement proceedings or in review of a procurement application by SCE,' [o]ther parts of the PD seemingly contradict this and take away SCE's authority to consider this information by forcing SCE to procure a minimum MW in the RFO process."[1]

CEJA therefore recommends modifying the PD to require SCE to consider any extensions to the OTC closure deadline in determining procurement need. DRA supports

[1] California Environmental Justice Alliance's Comments on Track I Proposed Decision, January 14, 2013(CEJA Comments), p. 7.

CEJA's recommendation to ensure that SCE's procurement request takes into account updated information about OTC closure deadlines.

CEJA further notes that the PD:

> "errs by not considering OTC plants that comply with the OTC policy without retiring as resources that meet procurement needs.[2] If an OTC facility proposes to comply with one of the Tracks, it should be allowed to bid into the RFO."

DRA construes this recommendation as applying to OTC plants that are able to comply with the State Water Resources Control Board (SWRCB) Track 2 compliance option.[3] Unlike the Track 1 compliance option, which requires retirement and repowering, OTC plants that comply with the Track 2 option should be able to modify their operations without retirement. CEJA's recommendation would allow OTC plants that might otherwise retire (because the cost of Track 2 compliance would be uneconomical) to participate in an RFO, thereby providing SCE with another option to meet LCR need.

Compliant OTC plants may be more cost-effective than other options. Moreover, the greater the number of potential suppliers, the less likely a single supplier will be able to exercise market power. DRA therefore supports CEJA's recommendations to revise SCE's LCR need if necessary to reflect updated OTC retirement dates and to allow OTC plants that expect to comply with SWRCB regulations without retiring to participate in SCE's RFOs.[4]

B. The Commission should reject SDG&E's contention that the PD incorrectly characterizes the analysis performed by the California Independent System Operator (CAISO) regarding LCR need.

The PD and all parties to this proceeding reviewed CAISO's models that formed the basis for CAISO's recommendations to meet LCR need. The PD acknowledged that CAISO's models

---

[2] CEJA Comments, p. 7.

[3] Exhibit (Ex.) DRA 2 Siao, p. 3 explains that: "Track 1 compliance is the SWRCB's preferred method of compliance, and requires reducing the water intake of a unit by at least 93%. In practice, this means the 'retirement' (demolition) of a unit and its replacement ('repowering'), generally by a newer, more efficient unit with a closed cycle, wet cooling system. In order to pursue Track 2 compliance, a unit owner must prove to the SWRCB's satisfaction that Track 1 compliance is infeasible. In Track 2 compliance, existing units are 'retrofitted;' i.e., technology is added to reduce the intake of water for once-through cooling purposes. Intake must be reduced by 83.7%, or 90% of Track 1compliance." (footnotes omitted).

[4] DRA recommends modifying the PD as shown in Attachment A to implement CEJA's recommendations.

"use assumptions of rare and unusual circumstances, which may never occur. However, this methodology is well-tested in our RA [resource adequacy] proceedings as a means of procurement of resources for local reliability purposes."[5] The PD relied on CAISO's environmentally constrained scenario and its scenario sensitivity analysis to determine LCR need.

SDG&E explains that CAISO's recommendations are "principally driven by its obligation to meet the applicable reliability requirements adopted and enforced by the Federal Energy Regulatory Commission ('FERC'), the North American Electric Reliability Corporation ('NERC') and the Western Electricity Coordinating Council ('WECC')."[6] While the PD acknowledges CAISO's obligation to meet reliability requirements,[7] SDG&E nevertheless recommends revising the PD "to more clearly acknowledge the relationship between the CAISO's analysis and recommendations, and NERC/FERC/WECC reliability criteria, and to eliminate the reference to 'rare and unusual circumstances' that the PD uses to describe CAISO's modeling.[8] SDG&E claims that CAISO "may not unilaterally adjust either the reliability criteria or the models used in its analysis."[9]

In fact, as pointed out in the opening brief of the California Large Energy Consumers Association (CLECA), some of CAISO's standards <u>are</u> more conservative than required by NERC standards:

> "The ISO Planning Standards require that system performance for an over-lapping outage of a generator unit (G-1) and transmission line (L-1) must meet the same system performance level defined for the NERC standard TPL-002. **The ISO recognizes that this planning standard is more stringent than allowed by NERC,** but it is considered appropriate for assessing the reliability of the ISO's controlled grid as it remains consistent with the standard utilized by the PTOs prior to creation of the ISO." [10]

---

[5] PD, pp. 39-40.

[6] Comments of San Diego Gas and Electric Company on Proposed Decision Authorizing Long-Term Procurement for Local Capacity Requirements, January 14, 2013(SDG&E Comments), p. 2.

[7] PD, p. 35, citing Public Utilities Code Section 345.

[8] SDG&E Comments), p. 2.

[9] SDG&E Comments, p. 2.

[10] Opening Brief on Track 1 of the California Large Energy Consumers Association, September 24, 2012, pp. 11-12, citing Ex. ISO 19, emphasis added.

The PD's reference to "rare and unusual circumstances" is reasonable, since the CAISO's contingency planning is "based on load circumstances… projected …to occur once in ten years and the assumption that the two largest generation of transmission failures occur simultaneously in a local area."[11] CAISO acknowledged that this situation has not occurred in the LA basin local area in the past ten years.[12] Moreover, the CAISO can exercise discretion in how best to meet reliability requirements. The methodology CAISO used to model OTC plants ten years ahead of time is not required by NERC or WECC standards, but the PD accepted its use as a reasonable means to ensure reliability ten years in the future, citing its use in RA proceedings in support of its use in this proceeding.[13]

The Commission should therefore reject SDG&E's recommendation to revise the PD to "more clearly" reflect the relationship between the CAISO's analysis and recommendations, and NERC/FERC/WECC reliability criteria.[14]

III. CONCLUSION

DRA respectfully requests that the Commission revise then adopt the PD, consistent with DRA's recommendations in its opening and reply comments.

Respectfully submitted,

/s/ DIANA L. LEE

DIANA L. LEE
Staff Counsel

Attorney for the Division of
Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Telephone: (415) 703-4342
Facsimile: (415) 703-2262
Email: Diana.lee@cpuc.ca.gov

January 22, 2013

[11] PD, p. 14 (footnote omitted).

[12] PD, p. 39, citing Reporter's Transcript at167.

[13] PD, pp. 39-40. ("the methodology is well-tested in our RA proceedings as a means of procurement of resources for local reliability purposes."

[14] SDG&E Comments, p. 2.

APPENDIX A

PROPOSED CHANGES TO FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDERING PARAGRAPHS RELATED TO OTC ISSUES

FINDINGS OF FACT

10. It is reasonable to assume that the OTC plants in the SCE territory required to comply with SWRCB regulations will comply through retirement or repowering consistent with the SWRCB schedule, for the purpose of LCR forecasting in this proceeding. <u>If any OTC retirement dates are extended, it is reasonable to reflect that information in SCE's application(s) submitted to the Commission for LCR procurement</u>. However, no finding on this point is intended to apply to SONGS.

34a. <u>It is reasonable to allow OTC plants that expect to comply with State Water Control Board Regulations without retiring to bid into SCE's RFOs.</u>

CONCLUSIONS OF LAW

4. SCE's procurement process should have no provisions specifically or implicitly excluding any resource from the bidding process due to technology, except for amounts above 1,200 MW in the LA basin local area and a requirement to procure 50 MW of energy storage resources, SCE must have provisions designed to be consistent with the Loading Order approved by the Commission in the Energy Action Plan and § 454.5(b)(9(C); <u>SCE should allow OTC plants that expect to comply with State Water Resources Control Board Regulations without retiring to participate in the bidding process.</u>

ORDERING PARAGRAPHS

5. Any Requests for Offers (RFO) issued by Southern California Edison Company as part of the procurement process authorized by this Order shall include the following elements, in addition to any RFO requirements not delineated herein but specified by previous Commission procurement decisions (including Decision 07-12-052) and the authorization and requirements of this decision:

a. The resource must meet the identified reliability constraint identified by the California Independent System Operator (ISO);

b. The resource must be demonstrably incremental to the assumptions used in the California ISO studies, to ensure that a given resource is not double counted;

c. The consideration of costs and benefits must be adjusted by their relative effectiveness factor at meeting the California ISO identified constraint;

d. A requirement that resources offer the performance characteristics needed to be eligible to count as local Resource Adequacy capacity;

e. No provisions specifically or implicitly excluding any resource from the bidding process due to resource type;

f. No provision limiting bids to any specific contract length;

g. Provisions designed to be consistent with the Loading Order approved by the Commission in the Energy Action Plan and to pursue all cost-effective preferred resources in meeting local capacity needs;

h. Provisions designed to minimize costs to ratepayers by procuring the most cost-effective resources consistent with a least cost/best fit analysis, <u>including provisions that allow OTC plants that expect to comply with State Water Control Board Regulations without retiring to participate in the RFO</u> ;

i. A reasonable method designed to procure local capacity requirement amounts at or within the levels authorized or required in this decision, not counting amounts procured through cost-of-service contracts;

j. An assessment of projected greenhouse gas emissions as part of the cost/benefit analysis;

k. A method to consider flexibility of resources without a requirement that only flexibility of resources be considered; and

l. Use of the most up-to-date effectiveness ratings.