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**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)

**WOMEN'S ENERGY MATTERS
REPLY COMMENTS ON PROPOSED DECISION ON SCENARIOS**

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Until EE (and other DSM) begin to offer the specificity of transmission and supplies, EE data will remain “garbage in garbage out” for modeling purposes. 2

\$550m/yr. EE additional EE funds from Prop 39 should be reflected in the PD. 3

The amount of EE and DR in the studies is immaterial, since CPUC fails to ensure that these resources can provide reliability or flexibility — or serve any particular load. There really is no substitute for the kinds of data that WEM has been asking the Commission to find mandatory. The ED’s “customer sector” methodology was a diversion, which predictably didn’t work for CAISO, so we’ve lost another precious year. WEM repeats our recommendation: Please adopt or adapt the ISO-NE Manual for measurement & verification of demand side resources for grid-reliability 3

WEM predicts that demand side resources will only be fully counted when the Commission allows grid-reliable EE, DR and other “demand side resources” to bid.3

Rather than try to “allocate” questionable figures into scenario modeling, CAISO should go ahead and show what’s needed WITHOUT preferred resources. Then, the Commission should allow providers of grid-reliable demand-side products to bid into any solicitation to fulfill particular needs — or at least have Demand-Side Auctions such as the ones conducted by ISO-New England since 2009..... 4

WEM felt that the Replicating TPP scenario (i.e. preferred resources mostly omitted) is a relic of the past and unlikely to be approved — therefore unnecessary. However, if the Commission decides to use the Replicating TPP scenario precisely because it eliminates preferred resources and could be used as the basis for a level playing field for all resources to bid for any identified need — WEM would support that. 4

Again, demand-side resources must be allowed to bid to replace nuclear power. 4

WOMEN'S ENERGY MATTERS
REPLY COMMENTS ON PROPOSED DECISION ON SCENARIOS¹

Women's Energy Matters (WEM) appreciates this opportunity to reply to parties' 12-10-12 opening comments on the Proposed Decision ("PD") Adopting Track 2 Assumptions and Scenarios.

"Customer Sector" methodology for allocating EE still incorrect and unreliable

The PD's methodology for allocating energy efficiency (EE) savings by busbar is factually and operationally incorrect. Power flow modeling uses specific capacity figures for transmission lines, substation busbars, and generation,² which results in specific recommendations for the capacity additions needed. By contrast, the PD's EE methodology produces data that is little better than the previous "peanut butter" approach. As CAISO notes:

The low value is the appropriate level because, for modeling purposes, energy efficiency is assumed to be located uniformly throughout the system and equally throughout each customer class.⁴ If these assumptions are erroneous, the ultimate study results can be dramatically impacted, and assuming higher levels of energy efficiency will cause greater impacts and would not produce reliable results.³

CAISO seems to be suggesting that it can tolerate a low value for ethereal EE [is this because assumptions are so inflated?] but any more than that would threaten reliability.

Energy Division staff ("ED") has developed a method of allocating EE to busbars, but WEM agrees with CAISO that it is of little help for grid-reliability.

The PD indicates that energy savings was allocated to each busbar by customer sector, based on that sector's proportion of the total load in the IOU service territory. This is just a more complex route to peanut butter.⁴

Energy Division staff ("ED") stated at workshops that they asked IOUs to identify the proportion of each customer sector's load per busbar but IOUs weren't cooperative. *Even if this had been successful, it would still be insufficient – because the amount of EE per customer and customer sector varies widely by location.*

There are big differences in the financial capacities of customers in different parts of the state, which impacts their ability to participate in EE programs. Furthermore, the

¹ WEM was unable to provide opening comments, therefore we include the Authorities and Index here.

² "Generation is modeled at the nameplate capacity of the existing or generic resource." CAISO, p. 5.

³ CAISO, p. 2 (emphasis added).

⁴ See the Index for our efforts to translate the tortured syntax of Section XVI to plain English.

IOUs have discretion to allocate EE funds anywhere they like in their territories, and they have no requirement to report where they spent the money or where the savings were achieved.⁵ Hence, there is a wide variation in EE at busbars.

Until EE (and other DSM) begin to offer the specificity of transmission and supplies, EE data will remain “garbage in garbage out” for modeling purposes.

NRDC, Sierra Club and Community Environmental Council still don't get it. In joint comments, they insist on NRDC's discredited position: “that electricity ratepayers and the environment will be well-served to have the Commission include all cost-effective energy efficiency savings in its scenarios and assumptions, which will offset the need for the other costlier and more polluting supply-side resources.” Ratepayers they claim to represent would intuitively understand that *EE that's everywhere and nowhere can't be counted on to offset anything in particular.*

SCE supports NRDC's game in another way. It slams the inclusion of Appendix A and B, claiming that there's no need to discuss Incremental Uncommitted EE and Demand Response. It asserts, “the Track 2 analyses will not consider LCR need without the existing nuclear generating facilities.”⁶ But in fact, ALJ Gamson declared in Track 1 hearings that LCR need in relation to San Onofre *would* be considered in Track 2.

Demand-side resources must be allowed to bid for “flexibility” requirements

SCE also asserts: “The amount of EE and DR available will be the same in these studies which do not break down need for new flexible generation by location...” *This is an error in the PD.* “Flexibility” has been presented as needed for LCR as well as “renewables integration” — and sometime as a combined need.

Demand-side resources must be allowed to compete to provide flexibility and any other “need” identified in Tracks 1, 2 and 3.

As NRDC/Sierra/CEC emphasize, multiple authorities require that preferred resources be considered *first* for *all* procurement.⁷ They complain that the PD's Base Case underestimates future EE by half, which could trigger a gas plant construction boom: “The CEC's best estimate of energy efficiency savings due to future policies is 11 giant

⁵ IOUs say that they go where customers express “interest.” “Interest” in EE programs varies greatly around the state — and also, the utilities are more interested in some areas and customers than others.

⁶ SCE, p. 5. (Edison, like the PD's appendixes, omitted page numbers from their filings.)

⁷ NRDC et al. cites the Energy Action Plan II (2005), PU Code §454.5(b)(9)(C) and the May 2012 Scoping Ruling in this case, p. 8. (NRDC et al., p. 3.) WEM also cites D1201033, FOF7 (Phase 2 bundled, R1005006).

power plants (over 5,500 MW) by 2022; the PD would account for only 6 giant power plants (about 3,000) in the base case.”⁸

WEM recognizes that CPUC, to date, supposedly accepts data from the Incremental Uncommitted EE report — so this report *should matter*. It should also matter that this report seriously low-balls EE, based on the Navigant potential study — which among other things assumed *zero impacts from \$100 million/yr. EE financing. \$550m/yr. EE additional EE funds from Proposition 39 should be reflected in the PD.*⁹

But as we saw in Track 1, CAISO and procurement planners reject demand resources. Why does CPUC continue to assume that it doesn't matter where preferred resources are located? This is a set-up to ignore them in procurement.

The amount of EE and DR in the studies is immaterial, since CPUC fails to ensure that these resources can provide reliability or flexibility — or serve any particular load.

There really is no substitute for the kinds of data on demand-side resources that WEM has been asking the Commission to find mandatory. The ED's "customer sector" methodology was a diversion, which predictably didn't work for CAISO, so we've lost another precious year. The Commission should adopt or adapt the ISO-NE Manual for measurement & verification of demand side resources for grid-reliability.¹⁰

Let demand-side resources *compete* to provide “flexibility,” LCR, etc.

CAISO has proposed treating demand response programs the same as supplies — which would require them to reveal location, durability and communications (i.e. the fundamentals needed for reliability and flexibility). WEM advocates “supply-side” treatment for energy efficiency and demand side DG and CHP as well.

WEM predicts that demand side resources will only be fully counted when the Commission allows grid-reliable EE, DR and other “demand side resources” to bid.

⁸ NRDC et al., p. 4. CCSF is also worried about the PD and the “informal nature of Commission input into the CAISO Transmission Planning Process” leading to overbuilding transmission. CCSF, p. 2. CCSF sensibly asks for all costs to be clearly identified, and for a cost-constrained scenario. CCSF, p. 3.

⁹ Proposition 39 passed in Nov. 2012, providing \$550m/yr. *ADDITIONAL funds for EE statewide, more than ¾ of it in IOU systems.* AB39 and SB39 have just been introduced, to implement the proposition.

¹⁰ ISO-NE's Manual for measurement and verification of demand reductions from demand resources is posted at: http://www.iso-ne.com/rules_proceeds/isone_mnls/ See file labeled, M-MVDR. The Manual requires all participants to *identify the location of the resources they are bidding into the auctions.* ISO-NE recently reported:

The Holyoke, Mass.-based grid operator said energy efficiency has more than doubled since 2008 in an annual auction to win commitments from generators and others for power available three years from now. The result is that electricity use previously projected to rise by 0.9 percent annually between 2012 and 2021 will instead be flat. Efficiency cutting New England power use, costs, 12/12/2012 AP. http://www.msnbc.msn.com/id/50179329/ns/us_news-environment/t/efficiency-cutting-new-england-power-use-costs/#.UMqc3ZjqMio

Rather than try to “allocate” questionable figures into scenario modeling, CAISO should go ahead and show what’s needed WITHOUT preferred resources. Then, the Commission should allow providers of grid-reliable demand-side products to bid into any solicitation to fulfill particular needs — or at least have Demand-Side Auctions such as the ones conducted by ISO-New England since 2009.

Use *Replicating TPP* to establish a level playing field for all resources to bid

TURN opposes the Replicating TPP Scenario because it “produces such widely divergent results... [which] provide little real-world guidance in resource-specific applications.”¹¹

WEM disagrees. It’s relevant that there’s a “wide divergence.” This is not “confusing.” There’s a clear contrast between what happens when preferred resources are omitted vs. when they are used. Guidance for DSM resource applications matters little as long as those proceedings remain oblivious to the needs of procurement.

The Replicating TPP scenario (i.e. preferred resources mostly omitted) is a relic of the past and unlikely to be approved — therefore unnecessary.¹² However, WEM would using it precisely because it eliminates preferred resources — if the Commission provides a level playing field for all resources to bid for any identified need.

Local capacity assumptions for SONGS offline?

CAISO asks for clarification “about the local capacity assumptions that should be included in the Early SONGS Retirement sensitivity.”¹³ ISO mentions — as an “alternative” — that it is studying mitigation for outages at both SONGS and Diablo Canyon (so far so good!) but then reveals that “the range of tradeoffs” include *zero* demand-side resources. This would *not* be useful, unless the Commission approves WEM’s recommendation to allow demand-side resources to bid.¹⁴

Demand-side resources must be allowed to bid to replace nuclear power.

Scenarios should model unplanned outages and/or shut down of Diablo Canyon

Jan Reid points out that the PD fails to explain *why* the Early Nuclear Retirement scenario and the Environmental scenario are not being modeled, and failed to discuss parties’ positions on these matters or the inconsistency with the Scoping Memo.¹⁵

¹¹ TURN, p. 2.

¹² In this regard, WEM agrees with Reid’s comments on the Replicating TPP scenario, p. 4.

¹³ CAISO, p. 3.

¹⁴ CAISO says it’s unfair to say CAISO “terminates policies relating to preferred resources” because it “consistently uses the CEC levels of preferred resources embedded its load forecasts.” CAISO, p. 3, fn 3. This suggests people should instead blame CEC for terminating those policies. The decision should clarify for CAISO’s sake that CEC took preferred resources out of future forecasts at the request of CPUC, so that *LTPPS could model different amounts in future portfolios*. NOT to support a zero assumption.

¹⁵ Reid, p. 2.

A4NR's excerpts from the 2007 IEPR provide reality checks on nuclear reliability. It asks, "what has transpired over the last four years that would justify allowing the long-term procurement process to continue to ignore the contingency of unplanned outages at Diablo Canyon?"¹⁶ The *perception* of the likelihood of unplanned outages at Diablo has *increased*, with SONGS offline all year, and the ongoing Fukushima-Daiichi catastrophe highlighting the vulnerability of aging reactors and fuel pools on earthquake faults.

Unfortunately, the IEPR excerpts also reveal a bias towards gas replacement power:

The consultant's simulations found that in the event of an extended outage at either nuclear plant, replacement power would be supplied mostly by combined cycle natural gas-fired plants.¹⁷

The only exception was coal. Perhaps one thing that has transpired is that CPUC and CAISO are at least making an effort to figure out how to use preferred resources.

SONGS should be modeled shut-down

TURN recommends a split-shutdown assumption for SONGS for the 2015 "mid" scenario, i.e. Unit 2 online and Unit 3 shut down. It calls this a "realistic outcome that represents an appropriate mid-point between full SONGS operation and permanent shutdown." TURN, p. 1. WEM disagrees. It is unrealistic and inappropriate to assume Unit 2 is running just because SCE has "declared its intention" to bring it back online. WEM is familiar with why neither reactor has been allowed to operate all year, and we think the Commission should assume that broken nuclear reactors will remain offline unless and until they are *repaired*, which is highly unlikely because of the costs.

Conclusion

The most important task for the Commission at this time is to improve policies regarding preferred resources, to enable them to bid into all solicitations, and require bidders to meet characteristics that would allow CAISO to work with them.

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Respectfully Submitted,

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¹⁶ A4NR, p. 8.

¹⁷ A4NR, p. 6.

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Proposed Revisions

Revised Text

WEM recommends rewording as follows, for simplicity and clarity:

Section XVI Translating Service Area Impacts to Load Bus Impacts¹⁸

1. Extract annual peak load SAVINGS results for each customer class from the May, 2010 CEC Incremental Uncommitted Energy Efficiency report for all years 2013 to 2020.¹⁹ Identify each customer class' proportion of the total peak load SAVINGS in each IOU service area. (Assign any adjustments not classified by customer class to a customer class in the same proportions as original load reductions for the three customer classes.)
2. Obtain from IOUs the [current] summer peak load by busbar - and multiply that by the proportion of each customer sector. [I.e. for each customer sectors, that is its share of IOU service area peak load at each busbar.]
3. For each year 2013 to 2020, multiply the projected IOU service area peak load SAVINGS for each customer sector by that customer sector's proportion of the load. Distribute that across each busbar.
4. Add up the three customer sector values at each busbar of step 3 to compute the total program impacts at each busbar. Extend out to 2021 by using the same savings values as 2020.
5. Verify that the sum of impacts across all busbars matches the service area starting peak load impacts of Step 1.
6. Save busbar program impacts in separate spreadsheet for forwarding to CAISO to avoid sending any information IOUs consider to be confidential.

Revised Findings of Fact

(Add) FOF 3. The amount of CPUC's demand-side that is or is not reflected in scenarios is increasingly contentious. However, it is uncertain whether any of the resources resulting from these programs are grid-reliable; this must be addressed.

FOF 4. The most direct way to fulfill the loading order is for demand-side resources to bid into any solicitation.

Revised Conclusions of Law

COL 3. The Loading Order provides a mandate to allow demand-side resources to bid into any solicitation.

Revised Order

¹⁸ Appendix A.

¹⁹ PD should explain why the 2010 IUEE report was used instead of the 2012 report.

Order # 5. Resources currently designated “demand-side” will be allowed to bid into any and all “supply-side” solicitations; bidders must demonstrate that their products have the characteristics to meet the particular needs identified in the solicitation.