

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



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Order Instituting Rulemaking to Develop an
Electricity Integrated Resource Planning
Framework and to Coordinate and Refine
Long-Term Procurement Planning
Requirements.

Rulemaking 16-02-007
(Filed February 11, 2016)

**COMMENTS OF INLAND EMPIRE ENERGY CENTER, LLC ON THE
PRELIMINARY SCOPE OF ORDER INSTITUTING RULEMAKING**

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March 21, 2016

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OF THE STATE OF CALIFORNIA**

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Pursuant to Ordering Paragraph 5 in the *Order Instituting Rulemaking to Develop an Electricity Integrated Resource Planning Framework and to Coordinate and Refine Long-Term Procurement Planning Requirements* (“OIR”) issued on February 19, 2016 and Rule 6.2 of the California Public Utilities Commission’s (“CPUC”) Rules of Practice and Procedure, Inland Empire Energy Center, LLC (“IEEC”), offers the following comments on the scope of this proceeding.¹

IEEC owns and operates an 810 megawatt natural gas-fired combined cycle generation facility located in Riverside County and interconnected at the Southern California Edison Company Valley Substation. IEEC participates in the California Independent System Operator’s (“CAISO”) energy and ancillary services markets. In addition, IEEC has sold its energy through short-term bilateral arrangements with a California load-serving entity and its Resource Adequacy (“RA”) capacity for monthly and annual terms. Since its commissioning in 2009-2010, IEEC has operated as a “merchant” generator, with no long-term power purchase agreement to cover its capital or operating costs. As such, it depends on CAISO markets and

¹ On March 21, 2016, pursuant to Section 7.01 of the OIR, IEEC provided to the CPUC’s Process Office the information necessary to become a Party in this proceeding.

short-term bilateral and RA contracts to provide a reasonable opportunity for it to earn sufficient revenues so it can continue to provide the reliability and flexibility benefits it brings to the electric system.

IEEC believes that the Clean Energy and Pollution Reduction Act of 2015 (“SB 350”) is a meaningful attempt to refine how California can approach reducing greenhouse gas emissions in the electric system, optimize resource procurement by entities which serve load, integrate distributed resources with those that interconnect at the transmission level, and move towards a multi-state transformation of the CAISO. The OIR explains the preliminary scope of the Commission’s efforts to address these goals through integrated resource planning. The Commission has appropriately included as “in scope” certain contingencies which may arise in the course of this wide-ranging proceeding (*e.g.*, authorization of the procurement of new resources). However, the Commission has also recognized the need to narrow the purview of the proceeding to allow it to conclude in a reasonable period with actionable goals.

IEEC believes that the revenue sufficiency concerns of existing generation are clearly “in scope” for a proceeding which will model the existing electric system and make assumptions about the system in the future. It is critical that the Commission examine whether CAISO and RA markets support the continued operation of existing conventional generation resources that are necessary to maintain reliability, especially in light of dramatic changes to the California energy landscape, including the growth of distributed resources. The continued availability of existing generation resources (notwithstanding current economic and environmental constraints), is an underlying assumption of most of the Commission’s reliability planning to date. This assumed availability is not appropriate, however, without consideration of the significant

uncertainty now faced by California’s merchant generation fleet and analysis of the effect on that fleet of new planning criteria established in this proceeding.

SB 350 requires that the Commission consider how it will cost-effectively meet renewable resource procurement standards while maintaining a reliable, diversified, and balanced energy generation portfolio. To accomplish the goals of SB 350 while maintaining a reasonable cost of electricity for California ratepayers, it is critical that the Commission consider the role of the existing generation fleet. For example, maintaining, upgrading, or re-powering conventional generation could be the preferred means to meet environmental and operational flexibility requirements in a timely and cost-effective manner.

The Commission has previously indicated that “[p]icking certain technology ‘winners,’ without thoroughly considering all potential cost-effective options, may inhibit future progress and impose higher costs on the state.”² Yet, from IEEC’s perspective, many of the problems now facing the merchant generation fleet stem from the Commission’s choice of central planning over market solutions in some proceedings.

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² See *Beyond 33% Renewables: Grid Integration Policy for a Low-Carbon Future*, CPUC Staff White Paper (Nov. 25, 2015), at 5.

IIEC respectfully requests that the following issues be explicitly included within the scope of this proceeding:

- (1) the effect of integrated resource planning on the existing merchant fleet;
- (2) the value which existing generation can bring as part of a diverse, cost-effective, clean, and resilient electric system; and
- (3) the opportunities and policies that would support capital investment by the existing fleet to ensure California has a diverse and balanced generation portfolio that provides optimal integration of renewable energy in a cost-effective manner.

Respectfully submitted,

/s/_____

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