



BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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Order Instituting Rulemaking to Oversee the
Resource Adequacy Program, Consider
Program Refinements, and Establish Annual
Local Procurement Obligations.

Rulemaking 09-10-032
(Filed October 29, 2009)

**REPLY COMMENTS OF THE DIVISION OF RATEPAYER ADVOCATES
ON THE FINAL 2012 LOCAL CAPACITY REQUIREMENTS STUDY**

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May 13, 2011

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Oversee the Resource Adequacy Program, Consider Program Refinements, and Establish Annual Local Procurement Obligations.

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Pursuant to the February 3, 2011 Revised Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge Determining the Scope, Schedule, and Need for Hearing in this Proceeding, the Division of Ratepayer Advocates (DRA) submits these reply comments to comments filed by San Diego Gas & Electric Company (SDG&E) and The Utility Reform Network (TURN) on the California Independent System Operator's (CAISO) Final 2012 Local Capacity Technical Analysis, Final Report and Study Results (2012 LCR Study) dated April 29, 2011.

DRA respectfully requests that the Commission:

1. Request the CAISO conduct a supplemental seasonal LCR assessment for the non-summer months for SDG&E's local area.
2. Direct SDG&E and the CAISO to seek from WECC a revision of the Sunrise Power Link from current 1000 MW capacity to 1200 MW.

A. San Diego Gas & Electric's Comments

In SDG&E's comments on the 2012 Local Capacity Requirements (LCR) Study, it reiterates its position from the Phase 2 workshops that the CAISO should establish LCR for both summer and non-summer seasons (November through May), rather than the

current single annual LCR based on August load.¹ DRA supported, and continues to support SDG&E's proposal to explore implementing a seasonal LCR.²

Because SDG&E's territory is comprised of one large local area, SDG&E must procure Resource Adequacy (RA) capacity to meet its LCR based on the summer peak on an annual basis. For SDG&E, this can result in too much procurement in the non-summer months, at ratepayer expense. On November 30, 2010, SDG&E requested that Phase 2 of this proceeding consider the feasibility of establishing a monthly or seasonal Local RA Requirement.³ SDG&E's opening comments on the Phase 2 workshops requested that the CAISO and stakeholders explore the feasibility of implementing a seasonal LCR.⁴ The CAISO opposed SDG&E proposal, stating that many units take outages in the non-summer months, therefore the LCR would not likely go down in these months.⁵ In addition, SDG&E's proposal would require additional work for the CEC and CAISO to determine both a summer and non-summer LCR.

In support of its position, SDG&E has conducted its own assessment of the non-summer season local area requirements for San Diego.⁶ DRA has reviewed this analysis, which shows that the LCR could be significantly lower in the non-summer season compared to summer LCR. DRA supports SDG&E's recommendation that in the upcoming decision determining 2012 RA needs, the Commission should formally request that the CAISO conduct a supplemental seasonal LCR assessment for the non-summer months for SDG&E's local area. This seasonal LCR assessment would be completed as a part of, or, in conjunction with the CAISO's 2013 Local Capacity Technical Study.

¹ SDG&E's Initial Comments on the Final 2012 Local Capacity Study (May 6, 2011).

² See, Reply Comments of DRA on Phase 2 Workshop Issues (February 22, 2011).

³ SDG&E's Phase 2 Scoping Memo Comments and Proposals (November 30, 2010).

⁴ Opening Comment of SDG&E on Phase 2 Workshops (February 8, 2011).

⁵ CAISO's Comments on Phase 2 Proposals (February 8, 2011).

⁶ SDG&E's Initial Comments on the Final 2012 Local Capacity Study, Attachment A.

DRA understands that performing the LCR analysis is time consuming, and that the CAISO does not wish to increase significantly its efforts for the LCR analysis. To minimize the increased workload, DRA recommends that the seasonal LCR analysis be limited to the San Diego area.

B. The Utility Reform Network's Comments

TURN's comments on the 2012 LCR Study express disappointment with the study's finding that the new Sunrise Power Link (Sunrise) transmission line has not delivered the promised benefits of greatly reducing the LCRs for the San Diego area.⁷ As TURN points out, the Sunrise line reduces the LCR for San Diego by only 140 MW, whereas, according to TURN, SDG&E represented that Sunrise would reduce the San Diego's LCR by 1000 MW.⁸

DRA strongly supports TURN's recommendation that the Commission direct the CAISO and SDG&E to take appropriate measures to achieve the most LCR benefits from the Sunrise line, i.e. around 1000 MW reduction in San Diego LCR. CAISO's analysis suggests that if the Sunrise line were to be rated at 1200 MW capacity, instead of the current 1000 MW capacity, with an SDG&E import limit of 3500 MW, then the San Diego LCR would decrease from 2849 MW to 1984 MW.⁹ In other words, whereas, the first 1000 MW of Sunrise capacity reduces the San Diego LCR by only 140 MW, by re-rating the Sunrise line capacity at 1200 MW, the LCR would be greatly reduced by 865 MW, for only 200 MW increase in the rating. The Commission should direct SDG&E and the CAISO to seek from Western Electricity Coordinating Council (WECC) a revision of the Sunrise line from current 1000 MW capacity to 1200 MW. The revision of the current 1000 MW Path Rating for Sunrise adopted by WECC may take time.

⁷ Comments of TURN on the CAISO's Filed 2012 LCR Study.

⁸ Comments of TURN, p. 2.

⁹ CAISO 2012 Draft LCR Study Results San Diego Area, Stakeholder Meeting (March 9, 2011), p. 16.

However, based on DRA's rough estimate, the annual savings to ratepayers from the additional 825 MW reduction in the LCR (using a future RA cost of \$100/Kw-yr, assuming new CT cost of \$150/Kw-yr, and subtracting \$50 /Kw-yr for energy and ancillary service benefits) would be \$86.5 million. This is not a small sum when one calculates the present worth of such a large annual benefit over the economic life of Sunrise. The reduction of 865 MW in LCR, in addition to the value of increased renewable resources to be imported to San Diego through Sunrise, will make the project a cost effective addition to California's transmission system.

Respectfully submitted,

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May 13, 2011

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of “**REPLY COMMENTS OF THE DIVISION OF RATEPAYER ADVOCATES ON THE FINAL 2012 LOCAL CAPACITY REQUIREMENTS STUDY**” to the official service list **R.09-10-032** by using the following service:

E-Mail Service: sending the entire document as an attachment to all known parties of record who provided electronic mail addresses.

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Executed on May 13, 2011 at San Francisco, California.

/s/ NANCY SALYER
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