



BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA

FILED

06-13-11
04:59 PM

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

R.09-10-032
(Filed October 29, 2009)

COMMENTS OF SOUTHERN CALIFORNIA EDISON COMPANY (U-338E)
ON PROPOSED DECISION ADOPTING LOCAL PROCUREMENT OBLIGATIONS
FOR 2012 AND FURTHER REFINING THE RESOURCE ADEQUACY PROGRAM

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Dated: June 13, 2011

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In accordance with Rule 14.3 of the California Public Utilities Commission’s (“Commission”) Rules of Practice and Procedure, Southern California Edison Company (“SCE”) respectfully submits these comments to the Proposed Decision Adopting Local Procurement Obligations for 2012 and Further Refining The Resource Adequacy Program (the “PD”).

I.

INTRODUCTION

SCE appreciates and supports the Commission’s careful approach to adopting refinements to the resource adequacy (“RA”) program. SCE, however, urges the Commission to consider the following modifications to the PD:

- The Commission should adopt SCE’s proposal to update the Path 26 netting allocation process. The PD errs in its assumption that netting is not “real” capacity and does not consider how adoption of the proposal will assist in mitigating congestion on Path 26 by creating an incentive for load-serving entities (“LSEs”) to participate in the netting process.

- The Commission should modify the PD to clarify that the individual investor-owned utility (“IOU”) caps for reliability-based demand response programs only apply when the aggregate cap is exceeded, as set forth in the Settlement Agreement adopted in Decision (“D.”) 10-06-034;
- The exemption granted for Pacific Gas and Electric Company’s (“PG&E”) Peak Day Pricing program should extend to the demand response programs of all similarly situated LSEs for 2012.
- The Local RA Template should be modified to allow counting of “under construction” resources in accordance with D.09-06-028.

With respect to the issues deferred until next year’s RA proceeding pursuant to the PD, SCE makes the following comments:

- Even though it does not adopt the proposal of the Alliance for Retail Energy Markets (“AReM”) to change the coincident adjustment factor, the PD appears to assume that the coincident adjustment factor must be revised after the requisite technical analysis is performed. SCE notes that AReM’s proposal may recommend a solution to a problem that does not exist and that the technical analysis on this issue may demonstrate that the current approach is appropriate.
- The PD does not adopt San Diego Gas and Electric Company’s (“SDG&E’s”) proposal to create a seasonal RA requirement, but indicates that it will be willing to consider the issue next year after the California Independent System Operator (“CAISO”) or any other party performs a study on this issue. No party will be as knowledgeable or have as good of information to accurately model the grid than the CAISO. Therefore, the PD should be modified to clarify that only the CAISO may perform the studies necessary for consideration of a seasonal RA requirement.
- The PD defers consideration of allocation of the demand response cap among the IOU service territories until next year’s RA proceeding. Given the uncertain state

of many demand response issues, SCE notes that next year may be too early to decide this issue, as well as some other demand response issues.

II.

THE PD PROVIDES NO BASIS FOR REJECTING SCE’S PROPOSAL TO REALLOCATE THE PATH 26 COUNTING CONSTRAINT

The PD does not adopt SCE’s proposal to reallocate the Path 26 counting constraint based on the following reasons:

We will retain the current Path 26 allocation process. The Path 26 process is intended to promote reliability by ensuring that LSEs procure resources both north and south of Path 26 regions. Increased capacity created by netting is not the same as real capacity on the line. In terms of additional reliability benefits, there does not appear to be great value to changing the already complex Path 26 allocation process.¹

These reasons are based on an incorrect understanding of the current Path 26 counting constraint practice. Under the current Path 26 allocation process, netting **is** considered to create “real” capacity on the line. For example, if a southern California entity has 100 MW of RA capacity in northern California and a northern California entity has 75 MW of RA capacity in southern California, 75 MW of the RA capacity “net” leaving only 25 MW of northern California RA capacity subject to Path 26 transfer constraints. If the Commission did not believe that any real capacity was created on the Path 26 line by assuming that load in the north will first be served by generation in the north (regardless of whether or not the generation was actually contracted to come from the south), and vice versa in the south, then there would be no need for the netting process in the first place. However, given the significant constraints of Path 26, the Commission has determined that it is in the interest of grid reliability—as well as ratepayers—to ensure that every MW of capacity is made available on that line, and has therefore established a netting process for Path 26.

¹ PD at 38-39.

The issue is not whether “real” capacity exists through netting, but who should be entitled to utilize the incremental capacity that results from netting. Principles of fairness and causation dictate that those entities that contribute to or *cause* the additional capacity to be available should be the same entities that benefit from the capacity they create. To allocate the capacity in a fashion other than one based on causation is to condone free riding and subsidization.

Furthermore, without this “incentive” provided by allocating the additional capacity created by netting to those entities responsible for the counter-flows that created the capacity, entities have no reason to attempt to help relieve the constraints on the Path 26 line by providing in advance the necessary contract information that allows the CAISO to determine if netting is possible. The Commission should modify the PD to distribute additional capacity obtained from the netting process to those entities that committed resources to year-ahead and month-ahead RA showings that resulted in the additional capacity. At a minimum, given the interest in this issue by other parties in the proceeding,² the Commission should defer a final decision on this issue until next year’s RA proceeding to allow for further consideration.

III.

THE COMMISSION SHOULD CLARIFY IN THE PD THAT THE INDIVIDUAL IOU MW CAPS FOR RELIABILITY-BASED DEMAND RESPONSE PROGRAMS ONLY APPLY WHEN THE AGGREGATE CAP IS EXCEEDED

The PD adopts the Energy Division’s proposal to implement the MW caps for reliability-based demand response programs adopted in D.10-06-034.³ The PD specifies the individual IOU caps but does not state that these caps will only apply when the total IOU aggregate cap is exceeded:

² As stated in the PD, PG&E and SDG&E expressed support for SCE’s Path 26 proposal and DRA “believes the proposal merits further consideration.” PD at 37-38.

³ PD at 58.

The RA amounts applicable to specified reliability-based demand response programs in each IOU service territory shall be less than or equal to the following amounts:

1. PG&E: 543.9 MW
2. SCE: 1,087.8 MW
3. SDG&E: 27.2 MW
4. Total: 1,658.9 MW⁴

The PD appropriately calculates the total RA credit allowed in 2012 as 1,658.9 MW for the three IOUs (3% of the all-time CAISO coincident demand, currently 50,270 MW, plus a ten percent tolerance band). The PD does not, however, explain that the individual IOU caps only become effective if this aggregate cap of 1,658.9 MW is exceeded. Under the Settlement Agreement adopted in D.10-06-034, if the sum of the three IOU reliability program MWs exceed the aggregate cap in 2012, then an “oversupply” condition exists.⁵ Only at that time does each IOU’s individual cap become the limit of that IOU’s RA credit. Given that the Commission is intending to implement the Settlement Agreement adopted in D.10-06-034 by adopting the Energy Division’s proposal, the PD should be modified to clarify that the individual IOU MW caps apply only if the sum of the IOU reliability program MWs exceed the aggregate RA cap of 1658.9 MW in 2012.

IV.

THE COMMISSION SHOULD EXTEND THE EXEMPTION GRANTED TO PG&E TO ALL LSES FOR 2012

SCE supports the PD’s determination that PG&E should be able to count its Peak Day Pricing DR programs for full RA credit even though they are usable only during the hours of 2:00 p.m. to 6:00 p.m. as opposed to the otherwise applicable 1:00 p.m. to 6:00 p.m. availability

⁴ *Id.*

⁵ *See* D.10-06-034, Appendix A, Section C(4)(a)(iv-v).

requirement.⁶ SCE notes that it has similar programs that should be granted equivalent treatment. Both the Critical Peak Pricing (“CPP”) and Peak Time Rebate (“PRT”) programs were approved by the Commission in D.09-08-028, and operate from 2:00 p.m. to 6:00 p.m. rather than the requisite 1:00 p.m. to 6:00 p.m. necessary to count for full RA credit. SCE contends that these programs – like PG&E’s Peak Day Pricing program – should be granted an exemption for 2012 to allow these resources to fully count toward meeting SCE’s RA requirements.

V.

THE RA FILING TEMPLATE SHOULD BE MODIFIED TO ALLOW COUNTING OF “UNDER CONSTRUCTION” RESOURCES IN ACCORDANCE WITH D.09-06-028

The PD does not address SCE’s request to modify the Local RA Template to accommodate “under construction” resources (*i.e.*, those resources that come on-line mid-year that an LSE is permitted to count toward partially meeting its RA requirements in the year they come on line). D.09-06-028 allows for counting of new resources that come on-line mid-year. However, modifications are still needed to the Local RA Template and Filing Guidelines to accommodate this feature of the RA program. SCE recommends that Energy Division establish an additional column or tab in the Local RA Template labeled “under construction” to ensure that LSEs are provided a mechanism for counting these resources. This modification will implement the change in policy established by D.09-06-028 and allow these resources to contribute toward fulfilling RA requirements, thereby mitigating the need for LSEs to obtain additional resources at ratepayer expense to supplement their RA filings when these resources already exist.

⁶ PD at 61.

VI.

SCE'S COMMENTS ON DEFERRED ISSUES

A. AReM's Proposal to Revise the Coincident Adjustment Factor May Be a Solution Without a Problem.

Although the PD defers consideration of AReM's proposal to revise the coincident adjustment factor until next year's RA proceeding, SCE disagrees with the PD's apparent conclusion that revisions to the coincident adjustment factor have been proven necessary.⁷ The PD appears to assume there is a problem to be fixed, but that is not clear yet. The "significant technical analysis" required by the PD may reveal that the current approach is appropriate. Additionally, SCE reiterates that the technical analysis on this issue must include a full review and consideration of all of the factors that contribute to the coincident adjustment factor, not simply load shape.

B. The CAISO Should Perform Any Studies Required to Determine If There Is a Need for a Seasonal RA Requirement.

The PD does not adopt a seasonal RA requirement because there is not sufficient information on the issue at this time and to require the CAISO to perform "a new study would be time consuming, in addition to actually doing the work of modeling."⁸ However, the PD appears to invite parties other than the CAISO to develop the new methodology and modeling requirements and perform the study: "Were the CAISO or any other party to perform this study, a lengthy description of modeling work and methodology would need to be composed and vetted via stakeholders, concurrent with study results."⁹ The PD indicates that it would be willing to consider the study in next year's RA proceeding.

⁷ PD at 17.

⁸ PD at 45.

⁹ PD at 45 (emphasis added).

SCE believes the CAISO is a far superior source, and should be the official source of such a study because no other party is going to have similar access to the full range of information needed to accurately model the grid. Therefore, the PD should be modified to clarify that the CAISO may perform the studies necessary for consideration of a seasonal RA requirement.

**C. Consideration of Certain Demand Response Issues
May be Premature Even for 2013.**

As explained in the PD, EnerNOC, Inc. raised an issue in this proceeding regarding the allocation of the cap on reliability-based demand response programs within each service territory.¹⁰ The PD explains that this issue is outside the scope of the instant proceeding, but will be addressed in the 2013 RA proceeding. Given that the demand response proceeding is in a state of flux and there are a number of outstanding issues still left to be resolved, SCE notes that even next year's RA proceeding for the 2013 RA compliance period may be too early to consider some of the demand response issues, such as EnerNOC's proposal on allocation of the RA cap on demand response programs.

¹⁰ PD at 58.

VII.

CONCLUSION

SCE appreciates this opportunity to provide these opening comments on the PD. For the foregoing reasons, the Commission should modify the PD as set forth in these comments.

Respectfully submitted,

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Dated: June 13, 2011