



**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)

**REPLY COMMENTS OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E)  
IN RESPONSE TO ASSIGNED COMMISSIONER AND ADMINISTRATIVE  
LAW JUDGE'S RULING INITIATING PROCUREMENT TRACK AND  
SEEKING COMMENT ON POTENTIAL RELIABILITY ISSUES**

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## TABLE OF CONTENTS

I.	INTRODUCTION .....	1
II.	DISCUSSION .....	2
	A. It is Not Necessary to Initiate a Procurement Track at This Time.....	2
	B. Additional Analysis is Required to Determine Incremental RA Capacity Need .....	8
	1. The Commission should first evaluate local RA need.....	9
	2. The Commission should next assess import availability .....	10
	3. Finally, the Commission should order an RFO to assess whether market power concerns are significant enough to warrant the construction of additional generating capacity .....	12
	C. The Proposed 500 MW of Incremental Local RA Capacity is not CAM-Eligible .....	12
	D. The IOUs Should Not be Obligated to Act as Central Procurement Entity on Either a Permanent or Ad Hoc Basis.....	15
	E. The Commission Should Allow IOUs to Consider Utility-Owned Storage to Meet Any Incremental RA Procurement Requirement .....	16
III.	CONCLUSION.....	17

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**I. INTRODUCTION**

Pursuant to the Rules of Practice and Procedure of the California Public Utilities Commission (the “Commission”), the direction set forth in the *Assigned Commissioner and Administrative Law Judge’s Ruling Initiating Procurement Track and Seeking Comment on Potential Reliability Issues*, issued on June 20, 2019 (“Ruling”), and the July 25, 2019 email ruling of Administrative Law Judge (“ALJ”) Julie Fitch extending the reply comments filing deadline, San Diego Gas & Electric Company (“SDG&E”) provides these reply comments concerning the “procurement track” of the instant Integrated Resource Planning (“IRP”) proceeding.

The Ruling sets forth several questions regarding the procurement track, which the Commission has concluded could be necessary in order to accomplish certain procurement activities needed to ensure adequate procurement by all load-serving entities (“LSEs”).<sup>1/</sup> SDG&E responds herein to opening comments submitted by other parties. SDG&E’s silence

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<sup>1/</sup> Ruling, p. 2.

regarding a particular topic is not intended to indicate agreement with comments offered by parties on that topic.

## **II. DISCUSSION**

### **A. It is Not Necessary to Initiate a Procurement Track at This Time**

SDG&E submits that the key question raised in the Ruling is whether it is necessary to initiate an IRP procurement track *now* in order to secure near-term commitments for Resource Adequacy (“RA”) capacity in year 2021 and beyond. SDG&E submits that the answer is no. While, as discussed below, there is some evidence to suggest that supply margins for Commission-jurisdictional LSEs, in the aggregate, are tightening, so long as LSEs can contract for imported RA capacity up to the Maximum Import Capability (“MIC”) limit, there should be adequate capacity available to the California Independent System Operator (“CAISO”) through 2022, which will provide an opportunity for additional analysis of the need for incremental RA resources through the 2019-2020 IRP cycle.

The conclusion that it is not necessary to initiate a procurement track at this time is supported by information presented in the CAISO’s opening comments. The CAISO presents three bar charts that compare: (i) the amount of energy estimated to be available from anticipated system RA capacity for hours 4:00 pm – 9:00 pm on the forecast highest load day of years 2020, 2021, and 2022, to (ii) the California Energy Commission’s (“CEC’s”) expected loads for those hours plus a 15 percent margin.<sup>2/</sup> Notably, the 15 percent margin exceeds the difference between CEC’s expected (1-in-2) peak load and the CEC’s forecast extreme (1-in-10) peak load; the CEC estimates that the difference between peak loads under expected and extreme summer weather conditions is approximately 10 percent. Even assuming a 15 percent increase in loads above

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<sup>2/</sup> CAISO Opening Comments, p. 4, Figures 1, 2 and 3.

expected levels, the CAISO’s analysis shows that there is adequate import capacity to supply CAISO Balancing Authority loads in all hours.<sup>3/</sup>

It is important to note that this result assumes that portions of currently uncontracted MIC are used to import energy into the CAISO Balancing Authority. SDG&E submits that this assumption is reasonable. Information provided in the Ruling establishes that recent use of MIC to import energy from contracted RA capacity has been modest: 3,600 megawatt (“MW”) out of the 11,310 MW MIC in 2017, and 4,000 MW of the 10,340 MW MIC in 2018.<sup>4/</sup> In its opening comments, the CAISO assumes historical levels of energy imported from contracted RA capacity would continue (4,000 MW) in years 2020, 2021, and 2022. The CAISO further assumes that the MIC in these three years would remain static at 10,193 MW.<sup>5/</sup> The CAISO’s analysis indicates that perhaps half of the 6,193 MW (10,193 MW – 4,000 MW) of uncontracted MIC could be needed in hour-ending 8:00 pm PST in year 2022 to import enough energy to meet load within the CAISO Balancing Authority, assuming the load is 15 percent higher than expected. In all other hours of the three-year period, either smaller portions, or none, of the uncontracted MIC would be needed to import enough energy to meet loads, assuming loads are 15 percent higher than expected.

A number of parties have suggested that the Commission should assume that uncontracted MIC is not available to import energy into the CAISO Balancing Authority during

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<sup>3/</sup> The CAISO’s analysis assumes a 15 percent planning reserve margin for *each* hour. However, the planning reserve margin concept only applies to the highest load hour (*e.g.*, 6:00 pm), not to the subsequent load hours where loads gradually decline.

<sup>4/</sup> Ruling, p. 13.

<sup>5/</sup> CAISO Opening Comments, p. 5.

any extreme load hours.<sup>6/</sup> SDG&E finds such an assumption unreasonably conservative and unsupported by recent history.<sup>7/</sup> For example, in year 2017 an average of 11,310 MW was imported during high load hours; in year 2018, an average of 10,340 MW was imported. Plainly, uncontracted MIC was used to import energy during those high load hours. SDG&E is not aware that anticipated conditions outside of the CAISO Balancing Authority in the years 2020-2022 will differ so materially from the 2017-2018 period that imports during peak load hours will drop – as the CAISO and others imply – to the 4,000 MW level.

As SDG&E pointed out in its opening comments, the North American Electric Reliability Corporation’s (“NERC’s”) December, 2018 Long-Term Reliability Assessment concludes that for the Western Electricity Coordinating Council (“WECC”) area, “the Western Interconnection and all the individual subregions are expected to have sufficient generation capacity to exceed

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<sup>6/</sup> See, e.g., CAISO Opening Comments, p. 6 (“By 2022, the...deficiency in resource adequacy-backed energy to meet the actual system capacity requirement [1-in-2 peak load plus 15 percent planning reserve margin]... increases significantly—to 2,500 MW—in hour ending 19, when solar generation no longer provides energy.”) A “deficiency” exists because the CAISO assumes 2,500 MW of energy will not be imported on the available MIC; Solar Energy Industry Association (“SEIA”) Opening Comments, p. 8; The Utility Reform Network (“TURN”) Opening Comments, p. 1 (“TURN shares staff’s general concerns with relying increasingly on imports to meet Resource Adequacy (“RA”) requirements.”). Public Advocates Office (“PAO”), p 5 (“The Public Advocates Office is concerned with increasing reliance on imported capacity to meet RA requirements because of the... ability to meet reliability needs.”); Wellhead Opening Comments, p. 3.

<sup>7/</sup> See, also Public Generating Pool (“PGP”) Opening Comments, p. 2 (“PGP does not believe the Commission should be concerned about increased reliance on firm imported capacity for meeting resource adequacy requirements. PGP believes imports, and specifically, the sale of surplus capacity across the West, is critical to ensuring an efficient and coordinated power system that supports and integrates existing and new renewables.”).

the Reference Margin Level during the [2019-2028] assessment period.”<sup>8/</sup> The Reference Margin Level “represents the desired level of risk based on a probability-based loss of load analysis.”<sup>9/</sup>

NERC’s probability-based loss of load analysis looks across all hours of a year and accounts for variations in load (*e.g.*, extreme weather conditions) and variations in supply (*e.g.*, overlapping outages due to multiple forced outages, changes in output due to variations in cloud cover and wind speed). A combination of unusually high load and unusually low supply can result in unserved energy (“loss of load”). The analysis accounts for the probabilities of all such outcomes and produces metrics such as “expected unserved energy” (“EUE”) during a given year. Subject to “conservative” transfer capability assumptions, the analysis moves energy from individual subregions with surplus capacity to other subregions so as to minimize unserved load.

NERC estimates that EUE in most WECC subregions will be near zero MWh for year 2022. This takes into account that, from a statistical perspective, there is always some EUE in every hour of a year since it is always possible that some combination of resource outages will result in less supply than load. In the two WECC subregions where the annual EUE exceeds 0.00 MWh (the U.S. Pacific Northwest and the California-Northern Baja, Mexico), EUE is forecast to be 2,553 MWh and 41,468 MWh respectively. As a basis for comparison, forecast annual load in year 2023 for the California-Northern Baja, Mexico subregion is 270,617,000 MWh.<sup>10/</sup>

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<sup>8/</sup> NERC, *Long-Term Reliability Assessment*, December 2018, p. 127. Available at: [https://www.nerc.com/pa/RAPA/ra/Reliability%20Assessments%20DL/NERC\\_LTRA\\_2018\\_12202018.pdf](https://www.nerc.com/pa/RAPA/ra/Reliability%20Assessments%20DL/NERC_LTRA_2018_12202018.pdf).

<sup>9/</sup> *Id.*, p. 11.

<sup>10/</sup> NERC’s 2016 reliability assessment for year 2020 found less than 0.00 MWh of EUE in both subregions.

For both regions, NERC points out that if “Tier 2” resource additions had been included in the analysis, “most of the EUE would disappear.”<sup>11/</sup> NERC defines Tier 2 resource additions as generating units with:

- Signed/approved Completion of a feasibility study
- Signed/approved Completion of a system impact study
- Signed/approved Completion of a facilities study
- Requested Interconnection Service Agreement
- Included in an integrated resource plan or under a regulatory environment that mandates a resource adequacy requirement (Applies to Regional Transmission Organizations (“RTOs”)/ISOs)<sup>12/</sup>

In addition, SDG&E notes that NERC’s analysis uses highly conservative assumptions for the availability of hydro capacity in the two subregions. Nameplate hydro capacity is derated by 38 to 41 percent and nameplate pumped storage capacity is derated by 46 to 79 percent.<sup>13/</sup> SDG&E believes that hydroelectric resources with storage capability should be assumed to have higher levels of availability, especially during the hours when supplies are tightest relative to loads. Energy storage resources are specifically managed with these hours in mind.

SDG&E agrees with the CAISO and Southern California Edison Company (“SCE”) that if other states in WECC adopt greenhouse gas (“GHG”) reducing climate action plans, the amount of energy available for import into California could be significantly reduced.<sup>14/</sup> However, this is a longer-term concern rather than an immediate problem that requires additional procurement by 2021. The claim that GHG reduction plans implemented by other states or

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<sup>11/</sup> NERC, *Long-Term Reliability Assessment*, *supra*, note 8, pp. 143-144.

<sup>12/</sup> *Id.*, p. 15.

<sup>13/</sup> *Id.*, pp. 143-144.

<sup>14/</sup> CAISO Opening Comments, pp. 14-15; SCE Opening Comments, p. 12.



provinces will materially impact imports into California by 2021 is alarmist and lacks merit. It should be noted that fewer than half of the states and provinces in the WECC have GHG reduction goals in place for 2020, and, excluding California, only 25 percent have renewable energy targets for 2020 or earlier.

As the CAISO notes in its opening comments, the Ruling requests that LSEs disclose any additional resources under development that are not currently visible to the Commission or parties to this proceeding.<sup>15/</sup> Such LSEs may include Community Choice Aggregators (“CCAs”),<sup>16/</sup> the southern Cities (*e.g.*, Anaheim, Riverside, Pasadena, Banning, Azuza, Colton, etc.) and other self-governing entities (*e.g.*, Metropolitan Water District, California Department of Water Resources, Western Area Power Administration, other special purpose districts) whose loads are part of the CAISO Balancing Authority. In addition, information concerning any planned retirements not currently known to the Commission or parties to this proceeding should be provided. Uncontracted merchant generation projects that are currently being constructed could be another source of RA capacity that is not accounted for in the CAISO’s and SCE’s analysis. SDG&E agrees that such disclosures would be helpful in assessing near-term supply reliability.

Finally, SDG&E agrees with the CAISO that Production Cost Modeling (“PCM”) should be conducted to assess hour-to-hour operational concerns. Indeed, SDG&E proposed PCM of the Western Interconnection for year 2021 to confirm that capacity will be delivered at the hours of the day when the CAISO Balancing Authority is likely to need it.

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<sup>15/</sup> CAISO Opening Comments, p. 10.

<sup>16/</sup> The California Community Choice Association (“CalCCA”) believes that 259 MW of net qualifying capacity (“NQC”) are not reflected in the staff analysis. CalCCA Opening Comments, p. 2.

Thus, while immediate action to procure new reliability resources is not warranted, it is important that the Commission remain engaged on this issue through the 2019/2020 IRP cycle.<sup>17/</sup> As the NERC’s EUE estimates are beginning to suggest, supplies in the western interconnection are tightening and could justify the construction of new resources with the ability to supply power during the critical early evening hours. Another indicator of tightening supplies is the Commission’s recent report on RA capacity prices for the 2018-2022 period. For this period local RA prices averaged about \$3.20/kW-mo. while system RA prices averaged about \$2.76/kW-mo.<sup>18/</sup> Even with limited competition within transmission-constrained load pockets, the delta between the prices obtained by suppliers inside these load pockets versus those obtained by suppliers outside of these load pockets is not large. Despite competition across the entire western interconnection, suppliers outside of Local Capacity Requirement (“LCR”) areas are finding higher RA prices possible. Hence, while immediate action is not required, future action may be necessary.

**B. Additional Analysis is Required to Determine Incremental RA Capacity Need**

Although resources appear to be tightening as discussed above, SDG&E believes that adequate resources exist to address reliability needs for at least one more year. Based upon this analysis, the incremental procurement proposed in the Ruling is not appropriate at this time.

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<sup>17/</sup> Another possible source of supply tightening is identified in the comments of the California Wind Energy Association (“CalWEA”). CalWEA points out that “1980s-vintage wind, biomass and geothermal projects are either in the last few years of their 1980s-era ‘QF’ contracts, are operating under short-term contracts, or are selling directly into the CAISO market. These contracts or prices are insufficient to support the repowering of – or even capital repairs for – these aging facilities. As a result, these projects are at risk of deterioration and shutdown, which could significantly reduce system reliability.” These risks must be accounted for in determining when and how much new procurement needs to take place. CalWEA Opening Comments, pp. 5-6.

<sup>18/</sup> Energy Division, *2018 Resource Adequacy Report*, August 2019, Table 7.

Instead, the Commission should conduct additional analysis as part of the 2019/2020 IRP cycle, with conclusions expected in February of 2020, to ensure that reliability requirements are met in the most cost-effective manner. This process would allow for procurement, if needed, by the end of 2020. SDG&E describes the additional analysis needed below.

**1. The Commission should first evaluate local RA need**

SCE suggests that the IRP proceeding should focus on identifying system need, “leaving local and flexible RA issues to the active RA proceeding [which is] scoped to resolve issues associated with procurement of local and flexible RA.”<sup>19/</sup> SCE notes further that “the Commission is contemplating a central procurement structure to address local (and potentially flexible) RA needs in R.17-09-020.”

SDG&E disagrees that system and local need should be assessed in separate proceedings. Both should be handled together in the IRP proceeding as part of the focus on assessing reliability needs which results in a determination of building new generation. The Local RA needs determination in the RA proceeding is limited to only existing resources and would not result in Commission authorization of development of new generation. Importantly, however, evaluation of local need should, as a general rule, always precede the assessment of system need, as discussed below. Given this fact, the Commission should wait until the fourth quarter of 2019 – or until after a central buyer framework is in place – before ordering procurement for LSEs in the IRP procurement track.

As SDG&E explained in its opening comments, local RA counts toward meeting system RA obligations; system RA, on the other hand, does not count toward meeting local RA obligations. Thus, local RA need should be the starting point for the reliability need analysis

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<sup>19/</sup> SCE Opening Comments, p. 29.

since meeting identified local need will also result in progress toward meeting system need (*i.e.*, will lower identified system need and reduce the need for incremental system resources).

SDG&E's need for local RA resources is more pressing than its need for system resources; the same may be true for other LSEs. The Ruling's proposal that LSEs procure additional system resources, when what they need is local resources, would lead to inefficient and wasteful double procurement. Accordingly, SDG&E agrees with the several other parties suggesting that the Commission should expand its need analysis to include an examination of local resource need.<sup>20/</sup> The Commission should perform a more robust analysis of local RA need in the IRP and allow LSEs to procure only the amount of system RA that is still needed once local RA obligations have been met. Specifically, as noted above, the Commission should wait until the fourth quarter of 2019 – or until after a central buyer framework is in place – before ordering procurement for LSEs in the IRP procurement track. In the interim, the Commission should perform more analysis of both system and local RA need, and the most cost-effective solutions for meeting any needs that may be found.

## **2. The Commission should next assess import availability**

The Commission should also take additional time to study the availability of supplies outside the CAISO Balancing Authority. This will provide much needed insight into LSEs' ability to meet the remaining system need (once local RA resources have been obtained) with imports. As discussed above, NERC's December 2018 Long-Term Reliability Assessment indicates that the availability of resources is beginning to tighten. However, NERC's analysis also indicates that anticipated planning reserve margins will not drop below Reference Margin

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<sup>20/</sup> See, e.g., Opening Comments of CESA; Opening Comments of CEJA; Opening Comments of Sierra Club; Opening Comments of Union of Concerned Scientists; Opening Comments of PAO.

Levels<sup>21/</sup> until the 2027 – 2028 time frame, and then only in the British Columbia, Rocky Mountain and desert Southwest subregions.<sup>22/</sup> Additionally, parties do not appear to challenge the conclusion that expected peak load (without the 15 percent reserve margin) can be met with historically reliable imports. To be clear, the imports in question are primarily needed to meet the 15 percent planning reserve margin which represents a peak load that would occur less than once in 10 years.

Once the analysis described above is complete, the Commission would have a much better understanding of the actual need for local and system RA capacity. The additional analysis could be performed in connection with IRP modeling that is occurring now and targeted for completion by February 2020 in connection with the existing proposed IRP schedule.<sup>23/</sup> The 2019 IRP process already appears to be focused more heavily on reliability issues and to be designed to more closely coordinate with the CAISO.

The procurement responsibility determination could be performed in connection with the 2019/2020 IRP's procurement track. The 2019/2020 procurement track could be scheduled on an expedited basis towards the end of 2020 if needed, but this schedule provides for an additional year of analysis to make sure that the guidance provided through the IRP process is the optimal approach to benefit customers.

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<sup>21/</sup> Reference Margin Levels are the minimum planning reserve levels NERC determines are necessary for supply reliability in each of the WECC subregions.

<sup>22/</sup> NERC, *Long-Term Reliability Assessment*, *supra*, note 8, pp. 128, 130, 132, 134, 136 and 138.

<sup>23/</sup> See "IRP Modeling Advisory Group Webinar Core Modeling Assumptions for 2019 – 20 IRP Reference System Portfolio Development" Presentation, June 17, 2019, Slide 6 (discussion of IRP Proceeding Major Milestones 2019-2020).

**3. Finally, the Commission should order an RFO to assess whether market power concerns are significant enough to warrant the construction of additional generating capacity**

After the local and system need are established pursuant to the analysis described above, an all-source request-for-offers (“RFO”) could be conducted to assess the market and the potential for market power by remaining available generators. Generators have economic alternatives and can choose to offer into a given market and withhold in another. The RFO will provide market price data to determine at what price it becomes economic for generators to make a firm RA commitment to California and how that price compares with the cost to build new generation within the state. If prices bid into the RFO are lower than what it would cost to build new generation, those bids could be selected; if bid prices are higher than the cost of new generation, this would signal market power conditions and a need for new generation. In other words, with this market price data in hand, LSEs and the Commission can assess whether market power concerns are significant enough to warrant the construction of additional generating capacity, and if so, whether this capacity should be built out-of-state or in-state. Such an assessment would need to account for any associated transmission costs.

Alternatively, if the market does not respond satisfactorily to this RFO – thus providing more evidence of a tight market with potential market power – the Commission could initiate a procurement track to delegate procurement responsibility as necessary. The CAISO can exercise backstop provisions and other tools at their disposal to address any near-term shortfall in meeting system need.

**C. The Proposed 500 MW of Incremental Local RA Capacity is not CAM-Eligible**

The Ruling proposes that SCE contract for 500 MW of existing RA capacity, with costs to be allocated to all customers in the service territories of the three investor-owned utilities

(“IOUs”) through a modified Cost Allocation Mechanism (“CAM”) mechanism.<sup>24/</sup> SCE identifies concerns with this approach and recommends that “unless there is a unique need for one LSE to procure the 500 MW of existing RA capacity here, the Commission should follow the established CAM process and allocate the 500 MW procurement requirement among the IOUs on behalf of their service areas, with costs recovered by each IOU from all customers in their service area through their respective CAM accounts.”<sup>25/</sup>

As noted above, SDG&E does not perceive a need for the proposed procurement at this time. Even *assuming arguendo* an immediate need did exist, the current CAM framework would not permit the IOUs to recover costs associated with the proposed procurement of existing RA resources since the current CAM applies only to new generation resources. In D.06-07-029, the Commission adopted the CAM “to support *new* generation and long-term contracts for California which can ensure investment in construction in a timely fashion so new generation can begin to come online in 2009.”<sup>26/</sup> The Commission established rules for application of the CAM to IOU procurement including the express requirement that procurement be of new or repowered resources.<sup>27/</sup>

After the Commission established the original CAM in D.06-07-029, a statutory CAM provision was adopted in Senate Bill (“SB”) 695.<sup>28/</sup> To implement the statutory CAM provision, the Commission considered what changes to the original CAM were required in response to adoption of the legislation. It made necessary adjustments to the CAM in D.11-05-005, but

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<sup>24/</sup> Ruling, p. 16.

<sup>25/</sup> SCE Comments, pp. 50-52.

<sup>26/</sup> D.06-07-029, Finding of Fact 1 (emphasis added).

<sup>27/</sup> *Id.*, p. 29.

<sup>28/</sup> Codified at Pub. Util. Code § 365.1(c).

modified only those aspects of the original CAM that were inconsistent with SB 695 and left intact those aspects of the original CAM that were consistent with the bill.<sup>29/</sup> Thus, the Commission left in place many of the requirements of the original CAM, including the requirements that resources be new or repowered in order to qualify for CAM treatment. While this requirement is not expressly stated in the statutory provision, it has been preserved as part of the Commission's current CAM framework. Accordingly, to the extent the Ruling contemplates procurement of 500 MW of existing rather than new resources, the current CAM framework may not be relied upon to allocate the costs of such procurement.

More broadly, SDG&E submits that ordering the IOUs to procure resources and allocate the costs through CAM is inconsistent with the state's current policies related to customer choice. Historically, IOUs were the only Commission-jurisdictional LSEs capable of procuring new RA resources that generated hundreds of megawatts needed for reliability. CAM was adopted as a "limited and transitional" mechanism in response to the Commission's finding that non-IOU LSEs were not in a position to enter into long-term contracts for new generation.<sup>30/</sup> Today's procurement landscape and policy imperatives are different in three key regards. First, with the expansion of Direct Access ("DA") and the growth of CCA the IOUs may soon no longer serve the majority of the customers in their respective service territories. It would be illogical and unreasonable to require an IOU serving a minority of customers to procure on behalf of the majority of customers being served by other LSEs. Second, the state has adopted a policy favoring procurement autonomy for CCAs and DA providers; procurement through the CAM mechanism undermines this objective. Finally, new resource development is resulting in

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<sup>29/</sup> D.11-05-005, Conclusions of Law 1 and 2.

<sup>30/</sup> *Id.*, Conclusions of Law 3 and 5.



smaller distributed energy resources (“DERs”) capable of generating tens of megawatts. This means that smaller LSEs are able to procure many new resources on their own that would potentially sum to the size of a single resource that the IOU may have previously procured on their behalf. Thus, Commission precedent and current policy guidance make clear that the CAM is not applicable to the 500 MW procurement proposed in the Ruling.

**D. The IOUs Should Not be Obligated to Act as Central Procurement Entity on Either a Permanent or Ad Hoc Basis**

SCE further proposes that “the responsibility to be the central procurement entity for unique procurements should be rotated among the IOUs if a similar situation occurs in the future.”<sup>31/</sup> SDG&E strongly opposes this recommendation. While SDG&E supports the Central Buyer construct and is an active participant in the Central Buyer workshop process currently underway in the Commission’s Resource Adequacy proceeding, Rulemaking (“R.”) 17-09-020, it does not believe that an IOU should act as Central Buyer. To the extent the Commission orders SCE to undertake the procurement proposed in the Ruling, it should make very clear in doing so that its action is a one-time proposition and does not establish a precedent that any or all IOUs should or must act as Central Buyer on either a permanent or ad hoc basis. Ideally, however, the Commission would refrain from ordering *any* procurement by an IOU as central procurement entity – the 500 MWs proposed in the Ruling or any other amount –and would, instead, allow for the Central Buyer construct to be implemented in the RA proceeding before ordering procurement of incremental RA resources.

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<sup>31/</sup> SCE Opening Comments, p. 51.

**E. The Commission Should Allow IOUs to Consider Utility-Owned Storage to Meet Any Incremental RA Procurement Requirement**

As discussed above, SDG&E believes that existing RA resources are adequate to meet forecasted need in the near-term. Should the Commission, nevertheless, order procurement of incremental resources, SDG&E agrees with SCE that in addition to evaluating third-party energy storage, the Commission should allow the IOUs to consider utility-owned energy storage to meet RA procurement requirements.<sup>32/</sup> As SCE correctly explains, utility ownership provides several key benefits, including the ability to utilize utility-owned land to meet accelerated timelines and deployments.<sup>33/</sup> This ability to leverage existing available utility-owned land is key to achieving the Commission’s goal of bringing resources online by August 2021. Accordingly, the Commission should authorize the IOUs to pursue ‘build and transfer’ projects, such as engineering, procurement, and construction projects, to meet any Commission-identified RA need. SDG&E also agrees with SCE, that cost recovery for utility-owned energy storage projects should be approved via a Tier 3 advice letter process.<sup>34/</sup>

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<sup>32/</sup> *Id.*, p. 41.

<sup>33/</sup> *Id.*

<sup>34/</sup> *Id.*, p. 42.

### III. CONCLUSION

For the reasons set forth above, SDG&E respectfully requests that the Commission adopt a decision regarding the IRP Procurement Track that is consistent with the comments herein and in SDG&E's Opening Comments.

Respectfully submitted this 12<sup>th</sup> day of August 2019.

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