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Northern California Power Agency Comments on the Draft 2015 Integrated Energy Policy Report

Additional submitted attachment is included below.

BEFORE THE CALIFORNIA ENERGY COMMISSION

In the matter of:

**2017 INTEGRATED ENERGY POLICY
REPORT (2017 IEPR)**

Docket No. 17-IEPR-01

*RE: Draft 2017 Integrated Energy
Policy Report*

**NORTHERN CALIFORNIA POWER AGENCY COMMENTS ON
THE DRAFT 2015 INTEGRATED ENERGY POLICY REPORT**

The Northern California Power Agency¹ (NCPA) appreciates the opportunity to provide these comments to the California Energy Commission (CEC or Commission) on the Draft 2017 Integrated Energy Policy Report released on October 16, 2017 (Draft 2017 IEPR).

I. INTRODUCTION

The 2017 Draft IEPR covers a broad range of policy issues affecting not only the energy sector, but comprehensive statewide climate issues. The culmination of months of workshops and multiple rounds of stakeholder comments, NCPA appreciates the breadth of matters addressed in the 2017 Draft IEPR. Even with such a broad range of issues, a few central themes are reflected throughout the document. These include the need for continued coordination between this Commission, the California Public Utilities Commission (CPUC), the California Air Resources Board (CARB), and the California Independent System Operator (CAISO); ongoing engagement with California stakeholders; the importance of addressing climate impacts on all of our communities, especially those most vulnerable to the adverse impacts of climate change and greenhouse (GHG) emission; and the need to ensure that our vital electricity infrastructure is resilient to changes in operation, industry transformations, and the impacts of climate change itself.

Established in 1968, NCPA is a California Joint Powers Agency comprised primarily of locally owned electric utilities. NCPA was established to make joint investments in energy resources that would ensure an affordable, reliable, and sustainable supply of electricity for customers in its member communities, and continues to do so today. NCPA members include

¹ NCPA is a nonprofit California joint powers agency established in 1968 to construct and operate renewable and low-emitting generating facilities and assist in meeting the wholesale energy needs of its 16 members: the Cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Redding, Roseville, Santa Clara, Shasta Lake, and Ukiah, Plumas-Sierra Rural Electric Cooperative, Port of Oakland, San Francisco Bay Area Rapid Transit (BART), and Truckee Donner Public Utility District—collectively serving nearly 700,000 electric consumers in Central and Northern California.

municipalities, a rural electric cooperative, and other publicly owned entities for which the not-for-profit agency provides such services as the purchase, aggregation, scheduling, and management of electrical energy. NCPA owns, operates and maintains a fleet of power plants that is among the cleanest in the nation, providing reliable and affordable electricity to approximately 700,000 Californians. NCPA's mix of geothermal, hydroelectric, solar, and natural gas resources is well positioned to help its members achieve California's Renewable Portfolio Standard (RPS) and greenhouse gas (GHG) reduction goals.

The vast majority of the topics addressed in the 2017 Draft IEPR will impact NCPA and its member agencies to some degree. For that reason, NCPA has participated in multiple IEPR workshops and has engaged with Commission staff and other stakeholders throughout this proceeding. However, in these comments, NCPA focuses on just two issues raised in the draft report, but which warrant further consideration and deliberation, one in the context of the alternate year IEPR update proceeding and one through an immediate joint agency proceeding. NCPA asks that the Commission:

- immediately establish mechanisms to retain power plants that increase the resiliency of the electricity system; and
- continue working with the California Air Resources Board and affected stakeholders to develop the greenhouse gas planning target for integrated resource planning, informed by the information in the latest revised Scoping Plan and the most recently available information to set the SB 350 GHG planning target for the electric utilities as soon as possible, in a transparent proceeding.

II. COMMENTS

A. **The Commission Must Ensure Power Plants that Increase the Resiliency of the Electric System are Retained.**

The State's electric utilities, including NCPA's member agencies, play a critical role in reducing GHG emissions and helping the State meet its aggressive climate objectives. While the path toward reaching greater GHG emissions reductions involves higher levels of renewable resources, it is important to note the role that natural gas generating facilities will play in successfully meeting this objective, as well. NCPA is pleased that the draft IEPR acknowledges this. The Draft IEPR correctly notes that even "[r]ecognizing that California must move away from its reliance on fossil fuels, including natural gas in the electricity sector to meet its climate goals . . . , natural gas power plants still play an important role in maintaining grid reliability."²

² 2017 Draft IEPR, p. 102.

Natural gas-fired plants are needed for grid reliability and resiliency, and will be a part of ensuring that the energy from renewable resources not located close to electricity customers can still be delivered to end-users. If there is one lesson to be learned from the recent hurricanes, floods, and wildfires, it is that resiliency of the electric grid cannot be taken for granted. While there may be different interpretations of what it means for the electricity grid to be resilient, in answering that question – which even the Federal Energy Regulatory Commission has recently posed – we know that mitigating the potential for widespread disruptions in the provision of electric service is the objective. Ensuring that clean and reliable electric generation facilities are available in the event that other resources are unavailable is key. Developing mechanisms to further ensure that these facilities can be operated to maximize their efficiency is also important.

Retaining the cleanest and most efficient electric generation facilities does not mean that the State is compromising on its objective of reaching near-zero GHG generation, but rather, reflects the technological and practical certainties of operating the State’s integrated electric grid. Removing barriers that preclude the most efficient facilities from being dispatched and operated means that when natural gas fired generation is necessary – and it will be at certain times – the plants that are operating will be those that provide the least adverse impacts on air quality and emit the fewest GHGs. For these reasons, NCPA recommends that the Commission immediately undertake implementation of the following recommendation from the draft report:³

Establish mechanisms to retain power plants that increase the resiliency of the electricity system. The Energy Commission, the California Public Utilities Commission (CPUC), and the California ISO should work together to develop a thoughtful and comprehensive plan to retain generation that is needed for reliability.

It is important that the Commission undertake this effort in conjunction with the CPUC and CAISO, as well as in consultation with the State’s other balancing authorities, because of the myriad different factors that affect the dispatch of natural gas fired electric generation facilities. For example, differences in the rates for gas transportation to electric generation facilities can impact which facilities are called upon to run when needed, which could mean that cleaner plants are shuttered while higher-emitting facilities are called upon to firm renewable resources. This is not to say that the Commission should recommend “environmental” over “economic” dispatch, but rather, highlights the complications inherent in addressing this issue. Additionally, to the extent that exploration of mechanisms to retain the cleanest and most efficient plants needed to facilitate deliverability of renewables and increase the overall resiliency of the electricity system

³ 2017 Draft IEPR, p. 121.

determines that the State should streamline the total number of plants being operated, the heat rate of the plants being run more often may decrease, reflecting increased efficiency and lower GHG emissions, providing even greater overall statewide benefits.⁴ Because of considerations such as these, it is incumbent upon the Commission to initiate this multi-entity deliberation immediately.

B. The Commission Should Continue Working with the California Air Resources Board and Affected Stakeholders to Develop the Greenhouse Gas Planning Target for Integrated Resource Planning, and Must Ensure that the Integrated Resource Plans are not Viewed as Separate Compliance Obligations for Publicly Owned Utilities and Load Serving Entities

An important element of SB 350 was the direction to publicly owned utilities (POUs) and load serving entities (LSEs) to develop integrated resource plans (IRPs).⁵ The POU and LSE IRPs are intended to serve as comprehensive planning documents for long-term resource procurement that takes into account how such procurement will achieve a share of the electric sector's GHG reductions. As the 2017 Draft IEPR notes, the Commission and CPUC have different responsibilities and obligations under the statutory mandate, but both are to work in consultation with CARB to set the GHG planning target for the electricity sector, which will then be used to shape individual POU and LSE specific planning targets that will inform the utilities' long-term procurement planning.

The IRP will play a central role in statewide planning, but the role of the IRP must be kept in context. IRPs are static, long-range *planning tools* that take into account not only the resource requirements of the utility, but also obligations to meet statutory mandates for GHG reductions, renewable energy procurement, resource adequacy, transmission constraints, reliability, and cost effectiveness, as well as other planning requirements and constraints. The requirement to prepare an IRP *does not* alter any of the existing measures or mandates that POU and LSEs are otherwise required to comply with. Furthermore, while the IRP requirement is part of the electric sector's known commitments, the requirement to prepare the IRP *does not* reflect a separate or quantifiable GHG emissions reduction requirement for any LSE or POU.

CARB, in coordination with the Commission and the CPUC, is tasked with establishing the GHG planning target. Because the GHG planning target will be used to inform the totality of the utilities' resource plans, it is vital that the planning target represent a reasonable assessment of the electric sector's share of the statewide GHG reduction target, as well as the share of that target

⁴ 2017 Draft IEPR, p. 103.

⁵ PUC sections 9621(b) and 454.52(b).

for which utilities’, such as the POU’s, can be responsible. Both the Commission and the CPUC have expressed a preference for using the electric sector GHG planning range set forth in the CARB Scoping Plan update as the basis for setting the SB 350 IRP planning target.⁶ NCPA agrees that the Scoping Plan target should be used as the starting point for this discussion. However, the Scoping Plan electric sector target and the IRP GHG planning target are not synonymous. As noted in the most recent draft Scoping Plan Update, the electric power sector range is not intended to serve as the IRP GHG planning target, but rather should be used to “help inform CARB’s setting” of the SB 350 IRP GHG emissions reduction planning targets for the sector.⁷ NCPA urges the Commission to continue working with CARB and affected stakeholders to develop the GHG planning target, informed by the information in the latest revised Scoping Plan and the most recently available information on sector-wide emissions to set the SB 350 GHG planning target for the electric utilities as soon as possible, in a transparent proceeding.

III. CONCLUSION

NCPA appreciates the opportunity to provide these comments on the Draft 2017 IEPR. NCPA looks forward to further developing the issues addressed in these comments in the context of the 2018 IEPR Update, and to working with Commission staff, the CPUC, CAISO, and other stakeholders to establish mechanisms to retain power plants that increase the resiliency of the electricity system and determine the appropriate GHG planning target for the upcoming POU IRPs. Please do not hesitate to contact the undersigned or Scott Tomashefsky at 916-781-4291 or scott.tomashefsky@ncpa.com with any questions.

Dated this 13th day of November, 2017.

Respectfully submitted,



C. Susie Berlin
LAW OFFICES OF SUSIE BERLIN
1346 The Alameda, Suite 7, #141
San Jose, CA 95126
Phone: 408-778-8478
E-mail: berlin@susieberlinlaw.com

Attorneys for the:
Northern California Power Agency

⁶ 2017 Draft IEPR, p. 39; Rulemaking 16-02-007 September 19, 2017 Administrative Law Judge Ruling, pp. 16-17.
⁷ Draft 2017 Climate Change Scoping Plan, dated October 27, 2017, p. 46, footnote 67.