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California Energy Commission
Docket Office, MS-4
Re: Docket No. 11-IEP-1D
1516 Ninth Street
Sacramento, CA 95814-5512
docket@energy.state.ca.us

Re: California Energy Commission (“Energy Commission”) Docket No. 11-IEP-1D Reliability: Staff Workshop on the Proposed Method to Calculate the Amount of New Renewable Generation Required to Meet Policy Targets

To Whom It May Concern:

Southern California Edison Company (“SCE”) appreciates the opportunity to comment on the Energy Commission’s staff draft paper titled, “Proposed Method to Calculate the Amount of Renewable Generation Required to Comply with Policy Goals” (the “Draft Paper”). SCE supports the Energy Commission’s stated goal of “develop[ing] a standard method for calculating the amount of renewable generation need to comply with California energy policy goals.”¹ SCE agrees with the basic equation for calculating renewable net short as proposed in the Draft Paper. However, the values used in the calculation are of concern. Below, SCE addresses specifically the need for acknowledgement of the role of flexible compliance when attempting to calculate California’s netshort, as well as, assumptions and issues around the values for distributed generation, energy efficiency, and existing generation.

While SCE agrees with the Energy Commission’s attempt to establish a range of possible net short estimates, the proposed methodology fails to account for flexible compliance mechanisms that are part of the Renewables Portfolio Standard (“RPS”), the Renewable Electricity Standard, and proposed legislation to expand the RPS. The flexible compliance mechanisms contained in each of these programs allow total physical deliveries from renewables to be spread over time to accommodate transmission siting, permitting, or other development delays outside of the load serving entities’ (“LSE”) control. Without accounting for flexible compliance mechanisms, the resulting quantity estimates could vastly overstate the amount of renewable electricity needed to achieve program targets and adopted policy goals. Such overestimation, if used to set future renewables policy and programs, may adversely affect customers who will ultimately bear the increased costs of implementing such programs. Accordingly, SCE encourages the Energy Commission and others to acknowledge the role of flexible compliance in the State’s renewable

¹ Draft Paper, p. ii.

programs and incorporate this programmatic element into study conclusions so that appropriate policy choices are made.

Distributed Generation (“DG”) and Combined Heat and Power (“CHP”) Targets

SCE urges the Energy Commission to base its net short range on reasonable and realistic assumptions of achieving DG and CHP targets. As the Draft Paper recognizes, different assumptions result in studies with vastly different results.² SCE is concerned with the Energy Commission’s incorporation of proposals to “develop more combined heat & power projects”³ and “build 12,000 MW of localized electricity generation.”⁴ To date, these ambitious proposals have not been evaluated for feasibility or their effects on system reliability. Any assumptions based on these proposals would be inadequate to support a reliable conclusion about a likely range of net short values. Due to the inherent uncertainty and lack of feasibility study associated with evolving policies regarding DG and CHP, SCE does not support including any incremental customer-side DG in the net short analysis.

Energy Efficiency (“EE”)

California’s investor-owned utilities (“IOUs”) are required by Public Utility (“Pub. Util.”) Code § 454.5 to develop procurement plans that “will first meet its unmet resource needs through all available energy efficiency and demand reduction resources that are *cost effective, reliable and feasible*.”⁵ SCE has and will continue to provide EE programs that meet or exceed the requirement of Pub. Util. Code § 454.5.

With respect to EE assumptions, SCE disagrees with Staff’s assessment of committed⁶ program uncertainty,⁷ and strongly believes that SCE EE programs may be consistently relied upon to meet or exceed CPUC EE goals. SCE’s 2010-2012 program cycle compliance filing⁸ and the program designs contained therein were specifically designed to be cost-effective, reliable, and feasible and to meet or exceed the CPUC adopted EE savings goals.⁹ As referenced in the chart below, SCE’s EE programs have a long, successful track record of delivering reliable savings to its customers. SCE’s committed EE program results are reliable and contain the most reasonable estimates of future EE savings available.

² Draft Paper, at 4.

³ http://www.jerrybrown.org/sites/default/files/6-15%20Clean_Energy%20Plan.pdf, p. 6.

⁴ *Id.* at 3.

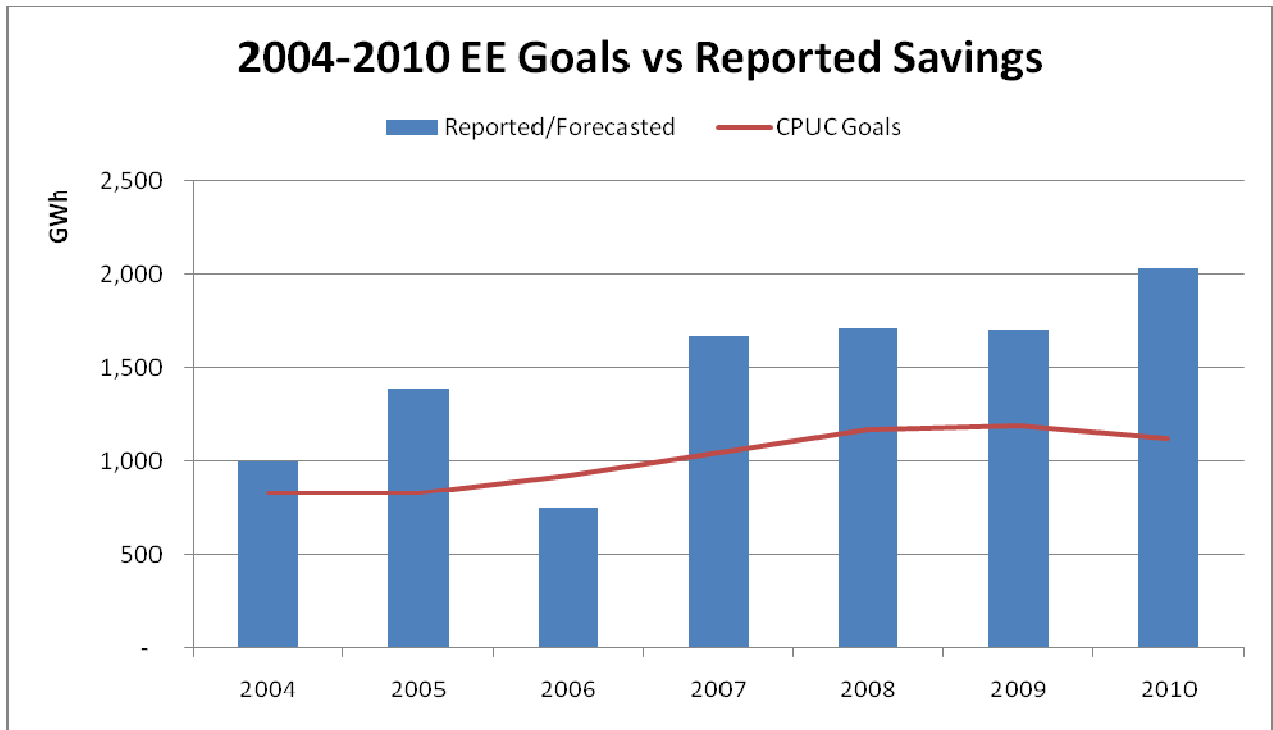
⁵ Pub. Util. Code § 454.5(b)(9)(C).

⁶ The Energy Commission has defined committed activities as energy efficiency activities that have existing current delivery mechanisms and have been fully authorized and funded by the associated regulatory agency. It is generally accepted that the committed period is defined as the current EE program cycle (2010-2012).

⁷ Draft Paper, at 15.

⁸ Compliance filing (2410-E) dated 11/23/2009.

⁹ CPUC Decision (D.) 04-09-060.



Source: D.04-09-060, D.09-09-047

Note: 2004-2008 results are reported in net savings, 2009-2010 results are reported in gross.

SCE disagrees that the 2006-2008 IOU programs reported savings are overstated.¹⁰ SCE believes that its 2006-2008 reported ex ante savings estimates are the most accurate and appropriate representation of the program impacts for this time period. These impacts were derived using the most up-to-date, reliable, and publicly vetted and accepted Evaluation Measurement and Verification (“EM&V”) studies. In contrast, the 2006-2008 Energy Efficiency Evaluation Report (“EEER”)¹¹ was not thoroughly vetted and estimates a result that may not be accurate or reliable.

Furthermore, the 2006-2008 EEER has not been adopted by the Energy Commission. SCE believes that the 2006-2008 EEER may be flawed and should not be used as a reliable assessment of IOU program achievement in the 2006-2008 program cycle.¹² In addition, SCE has requested that the Energy Division correct the errors and release a revised report that represents a more accurate assessment of IOU program achievement in the 2006-2008 program cycle.

¹⁰ Proposed Method to Calculate the Amount of New Renewable Generation Required to Comply with Policy Goals, March 2011, CEC-200-2011-001-SD, p. 16.

¹¹ 2006-2008 Energy Efficiency Evaluation Report, July 2010, prepared by Energy Division.

¹² See SCE’s comments on the Energy Division’s Draft 2006-2008 Energy Efficiency Evaluation Report, May 17, 2010, filed in R.09-01-019 and R.09-11-014 is available at www.energydataweb.com/cpuc.

Unlike the committed¹³ period, the uncommitted period contains significant uncertainty in the non-IOU portions of the Total Market Gross (“TMG”) goals.¹⁴ The Energy Commission has proposed using High, Mid and Low scenarios in the 2011 IEPR Demand Forecast process to help bound the uncertainty in the TMG goals. SCE suggests using the High EE and Low EE scenarios to reflect the full range of uncertainty in estimating the potential for success of the different efficiency programs and strategies included in the TMG goals. Details of SCE’s High, Mid and Low scenario proposals can be found in SCE comments on the Energy Commission Joint Committee Workshop on Economic, Demographic, and Energy Price Inputs for Electricity, Natural Gas and Transportation Fuel Demand Forecasts.¹⁵

The Energy Commission and other stakeholders in the IEPR process are currently vetting the Energy Commission’s load forecasting data inputs (including EE program impacts on both committed and uncommitted) in its IEPR Demand Analysis Working Group (“DAWG”). The results will be incorporated in the Energy Commission’s Demand Forecast process to include in possible High, Mid, and Low load scenarios. SCE suggests that the Renewable Net Short proceeding utilize data vetted in this process.

Existing Generation

SCE agrees that there is uncertainty inherent in forecasting the amount of generation expected in 2020 from existing renewable facilities. For instance, variation in weather alone can play a large role. As discussed in the Energy Commission’s Staff Workshop on the Proposed Method to Calculate the Amount of New Renewable Generation Required to Meet Policy Targets on March 8, 2011, using generation from a single past year may be a poor methodology for approximating future deliveries. SCE supports the Energy Commission’s suggestion to average hydro and wind performance over three or more years. In addition, the proposed calculation should acknowledge that there may be a small number of existing facilities that permanently retire prior to 2020.

SCE further urges the Energy Commission to reexamine its definition of existing facilities. An incorrect assessment of existing generation may cause the net short estimate to be overestimated. This may lead to inappropriate conclusions about the resources and costs needed to reach the State’s goals. As the Draft acknowledges, data about existing generation “will always be out of date...those facilities that came on-line in 2010 and those under construction that will be on-line in 2011...will reduce the overall amount of incremental renewable generation needed.”¹⁶ The

¹³ The Energy Commission has defined uncommitted activities as energy efficiency activities that will occur in future delivery mechanisms that have not been fully developed, authorized, and/or funded by the associated program administrator or regulatory agency. It is generally accepted that the uncommitted period is defined as 2013-2022 for the 2011 IEPR cycle.

¹⁴ D. 08-07-047.

¹⁵ SCE’s comment on the Energy Commission Joint Committee Workshop on Economic, Demographic, and Energy Price Inputs for Electricity, Natural Gas and Transportation Fuel Demand Forecasts is available at www.energy.ca.gov/2011_energypolicy/documents/2011-02-24_workshop/comments/Southern_California_Edison_Comments_TN-59981.pdf

¹⁶ Draft Paper, p. 25.

Energy Commission takes steps in the right direction in its proposed method to estimate existing renewable generation by including facilities that came on-line since the end of the most current complete year of the Energy Commission's Quarterly Fuels and Electricity Report data and facilities that are under construction, have power purchase agreements and are expected to be on-line by the end of the next calendar year.¹⁷ In addition, the Energy Commission should include facilities that are expected to be on-line after the end of the next calendar year. The Energy Commission may use generic capacity factor assumptions for these facilities that lack historical performance information, but these capacity factors should reflect the particular vintage/technology installed, as capacity factors may vary widely. The Energy Commission should either include all executed contracts regardless of on-line year or clarify its purpose in calculating a renewable net short to make plain that some of this 'short' may be met by executed contracts that have not yet come on-line.

SCE reserves the right to further comment on the reasonableness and values of specific assumptions as such specific assumptions are later discussed in the appropriate forums. SCE appreciates the Energy Commission's efforts to standardize a formula for calculating the 33% net short. SCE hopes to continue to be an active participant in the IEPR process.

Sincerely,

/s/ Manuel Alvarez

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¹⁷ *Id.* at 26-27.