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Updates to the 2022-2035 California Energy Demand Forecast

Additional submitted attachment is included below.

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December 30, 2022

California Energy Commission
Docket Unit, MS-4
Docket No. 22-IEPR-03
715 P Street
Sacramento, CA 95814-5512

SUBJECT: Comments on Updates to the 2022-2035 California Energy Demand Forecast (Docket # 22-IEPR-03)

Dear Vice Chair Gunda:

San Diego Gas & Electric Company (SDG&E) appreciates the opportunity to provide comments on the California Energy Commission's (CEC) Integrated Energy Policy Report (IEPR) workshops regarding the 2022-2035 California Energy Demand Forecast.

During the December workshops, CEC staff noted a change in the forecast methodology being used. SDG&E is generally supportive of the new framework, which provides clarity on how particular policy issues can impact energy demand. However, SDG&E notes that the proposed change in methodology is a significant departure from past practice and, as such, would typically be addressed as part of a full IEPR cycle, rather than in an update year, to allow for robust stakeholder discussion. As such, SDG&E encourages the Commission to further vet these proposed changes in methodology and incorporated assumptions as part of the 2023 IEPR stakeholder process. In particular, it will be important to understand the assumptions being made for how each of these load modifiers will impact peak electricity consumption.

We offer the following specific comments to help guide CEC Staff in further refining its approach for the forecast, with the understanding that consideration of substantive changes would occur as part of the 2023 IEPR process:

1. **To ensure proper planning for a reliable electric grid, the CEC should establish planning scenarios that meet the currently adopted and planned adoption of regulations, policies, and programs.** It is unclear if the Baseline, Planning, and Local Reliability scenarios incorporate the suite of policies that were

included in the recently approved California Air Resources Board (CARB) 2022 Scoping Plan.[1] Incorporating Scoping Plan considerations will be necessary to facilitate state greenhouse gas (GHG) emissions reduction goal attainment and provide emissions modeling not undertaken by the CEC. Leveraging the Scoping Plan will help ensure consistency across the state, identify prudent infrastructure investments, and reduce the use of inconsistent assumptions. Aligning with the Scoping Plan may result in a more comprehensive planning tool to inform necessary infrastructure investments and build the grid of the future. Furthermore, an aligned and comprehensive approach will help stakeholders be more effective in planning, coordinating and implementing the related workstreams.[2]

In the near-term, providing a realistic, but conservative forecast is important for the Resource Adequacy (RA) process. This is because Load Serving Entities' (LSE) submitted forecasts in the RA process are compared to the latest CEC forecast for the compliance year and adjusted to align with the CEC forecast. The adjusted forecast is used to establish the amount of RA capacity that SDG&E, and other LSEs, must purchase for bundled customers. For the mid- and long-term planning horizons, a policy-compliant load forecast will accommodate the long lead times often required for new and expanded transmission substations and for new transmission lines. Such a forecast would also better inform the planning of distribution system upgrades that will be needed to support increased electricity demand associated with the State's ambitious clean energy and climate goals.

An electric forecast that incorporates the state's GHG emissions reduction goals will help to ensure that electric system planning is performed in a way that supports electrification efforts. However, an electric forecast that assumes increased electrification (which contemplates fuel switching from natural gas to electricity) would imply a commensurate reduction in demand in the gas sector. This reduced gas demand should not be misinterpreted as elimination or reduced capability of electric generation sources that use natural gas. Natural gas and associated infrastructure will still need to be available and deliverable to fuel the electric generation necessary for maintaining grid reliability – particularly at times when renewable and zero-carbon resources are not available (*i.e.*, summer and winter peak demand).

2. **The CEC should include a "gap analysis" in each forecasting cycle that assesses the difference between (i) the forecast electric and gas loads that are consistent with state policy goals, and (ii) the then-current expectation of future electric and gas loads.** A "gap analysis" would provide state agencies

[1] 2022 CARB Scoping Plan, https://ww2.arb.ca.gov/sites/default/files/2022-12/2022-sp_1.pdf

[2] SDG&E notes that the state agencies' various processes take place on different timelines. This introduces potential inconsistencies in the forecast vintages that each agency is using. For example, the load forecast that the CPUC approves for use in developing forecast loads at transmission substations is one year behind the system level forecast that is used in the CAISO's Transmission Planning Process (TPP).

and stakeholders with a current view of progress toward state goals in the context of electric and natural gas demand. The analysis would provide a basis for adjusting existing programs affecting the demand for electricity and natural gas (*e.g*., increasing and/or shifting funding for behind-the-meter programs), and for introducing new programs, as necessary to close the gap between state policy objectives and the current expectations as to the ability to achieve those objectives.

3. **Extending the modeling time horizon out to 2045 will support identification of long lead-time infrastructure projects that may be necessary to achieve the state's climate and energy policies.** Senate Bill (SB) 887 (Becker, 2022) directs the CEC and California Public Utilities Commission (CPUC) to update its forecasts to at least 15 years into the future to ensure adequate lead time for the California Independent System Operator (CAISO) to analyze and approve transmission development, as well as facilitate permitting and construction of approved facilities. While this legislative change was a helpful modification to agency planning horizons, further extending the forecast and establishing a glidepath to 2045 would provide a foundation to enable all state agencies to take a cohesive approach to planning for the future and charting toward the same legislative targets.

   Extension of the CEC's demand forecast to 2045 could also help to ensure alignment with the SB 100 joint agency planning process. Rather than establish separate modeling specifically for the SB 100 proceeding, the demand forecast could serve as an input to the SB 100 analysis. CARB stresses the importance of this type of coordination in its Scoping Plan, advocating for use of long-term planning processes "to support grid reliability and expansion of renewable and zero-carbon resource and infrastructure deployment."[3] The robust infrastructure build out needed to meet the state's climate goals reinforces the need for an expanded planning horizon, as some projects are likely to require multiple years to plan, secure necessary regulatory approvals and environmental permits, design, and construct.

   Extending the planning horizon will also support the required planning necessary to complete transmission and distribution system upgrades that support increased electricity demand associated with transportation and building energy use. Proper planning will help accommodate the long lead times often required for new or expanded infrastructure and potentially allow this infrastructure to be placed in-service over time, smoothing the cost impact.

4. **Providing public access to the CEC's forecasting data would improve stakeholders' ability to provide targeted feedback.** SDG&E appreciates that CEC staff make data available to the public upon request. However, providing

[3] 2022 CARB Scoping Plan, https://ww2.arb.ca.gov/sites/default/files/2022-12/2022-sp_1.pdf

public access to these detailed data files (*e.g.*, excel or csv) earlier in the process would allow stakeholders time to better analyze the data and provide more meaningful feedback on the CEC's modeling efforts. SDG&E recommends that the CEC initiate discussions with the Demand Analysis Working Group to (1) define the list of data that would be made available to the public for review, and (2) establish a process for proactively making that data available. As an example, forecasting data released to the public should include assumptions within the forecast, such as electric vehicle stock, installed rooftop solar and battery storage capacity, Additional Achievable Energy Efficiency (AAEE), and Additional Achievable Fuel Substitution (AAFS).

Conclusion

Thank you for the opportunity to provide input on the 2022-2035 California Energy Demand Forecast. SDG&E looks forward to continuing to work with staff on honing the methodologies and approaches used in the forecast to ensure that the forecast can continue to provide a strong foundation for state agencies and stakeholders to plan for and execute decarbonization strategies in a reliable and affordable manner.

If you have any questions or would like to discuss these comments in greater detail, please contact me at (916) 708-7409 or staheri@sdge.com.

Sincerely,

/s/ Sarah M. Taheri

Sarah M. Taheri
Regulatory Affairs Manager