INDEPENDENT ENERGY PRODUCERS

February 25, 2010

California Energy Commission
Attn: Docket Office
1516 Ninth Street, MS-4
Sacramento, CA 95814-5504

RE: Independent Energy Producers Association Comments on the Draft Staff Report "Incremental Impacts of Energy Efficiency Policy Initiatives Relative to the 2009 Integrated Energy Policy Report Adopted Demand Forecast," and Joint IEPR and Electricity and Natural Gas Committee Workshop February 17, 2010.
Docket Number 09-IEP-1C: IEPR Electricity Demand Forecast

Dear IEPR and Electricity and Natural Gas Committees:

The Independent Energy Producers Association (IEP) appreciates the opportunity to comment on the Joint IEPR and Electricity and Natural Gas Committee Workshop (February 17, 2010) related to the Incremental Impacts of Energy Efficiency Policy Initiatives Relative to the 2009 Integrated Energy Policy Report Adopted Demand Forecast. The CEC's Demand Forecast, based in part on the assumptions related to energy efficiency and demand response, will directly impact near-term procurement activities of the investor-owned utilities. Thus, the Commission's conclusions toward the treatment of energy efficiency has a direct bearing on critical issues to California consumers, including impacts on overall system planning and grid reliability as the IOUs strive to procure needed resources to serve consumer demand with an adequate planning reserve margin.

I. Overview

Supplemental to the oral comments provided to the Commission by IEP at the Committee Workshop on February 17, 2010, IEP reiterates its concerns regarding the application of "uncommitted energy efficiency" in the Commission's modeling efforts as part of the Demand Forecast. There is historical evidence that the application of "uncommitted energy efficiency" in the modeling of future demand can skew the perception of real demand and, thus, understate the real amount of electrical generation needed to adequately serve consumer demand. While recognizing the value and importance of integrating real, "committed" energy efficiency in demand forecasting, IEP is concerned that applying the

concept of "uncommitted energy efficiency" undermines the critical need for accuracy in forecasting based on what is known or has a relatively high probability to occur. To do otherwise, e.g. by applying "uncommitted energy efficiency," risks undermining the integrity of demand forecasting altogether if mis-applied.

Accordingly, IEP urges the Commission to not include "uncommitted energy efficiency" in its demand forecasting. To the extent that the Commission does integrate "uncommitted energy efficiency" in its demand forecasting, then the Commission should apply a conservative approach to its assumptions and adopt a "low scenario" as the most likely scenario to occur.

II. Specific Comments/Observations

Historically, the Commission has experience with applying "uncommitted" resources in its demand forecast. In the early 1990's, the Commission included in its Energy Report (ER) forecast an amount of "uncommitted DSM." As IEP recalls, the Commission added over 6,000 MWs of uncommitted DSM to its demand forecast. This had the effect of eliminating the need for planned IOU procurements in the latter half of the 1990s. This action undermined the development of a number of planned generation projects (stemming from the BRPU) that would have proved immensely helpful providing needed capacity and energy in the 2000-2001 timeframe. We urge the Commission to not replicate this history today.

a. "Uncommitted Energy Efficiency" Hinders Responsible System Planning

Uncommitted savings is defined as the savings from energy efficiency and demand management associated with "uncommitted programs or policies, and therefore are not included in the Energy Commissions' base demand forecast."[1] IEP interprets this definition as referring to programs, policies, etc., for which savings calculations and/or estimates are not presently available for validation. It is the absence of validations associated with uncommitted programs that makes the savings estimates problematic and potentially harmful to responsible system planning and grid reliability.

The concern over the harmful effects of adopting/applying invalidated and speculative assumptions to the demand forecast is what draws IEP's concern and comments. We note the following:

- The scale of the "uncommitted energy efficiency" being considered by the Commission is approximately 4,000 MWs in the "low scenario" case and approximately 6,500 MWs in the "high scenario" case.[2]

[1] "Incremental Impacts of Energy Efficiency Policy Initiatives Relative to the 2009 Integrated Policy Report Adopted Demand Forecast," Draft Staff Report, January 2010, p. A-5.

[2] Incremental Impacts of Energy Efficiency Policy Initiatives Relative to the 2009 Integrated Policy Report Adopted Demand Forecast," Staff Presentation (Chris Vavalec), February 17, 2010, p. 12

- Assuming total IOU demand of 52,000 MWs,[3] the uncommitted energy efficiency represents 8% to 13% of total IOU demand.
- The amount of uncommitted energy efficiency is nearly equivalent to the amount of planning reserves (currently 15-17% of net demand). If the uncommitted energy efficiency fails to materialize as planned, then the IOUs planning reserve may prove woefully inadequate as a means to maintain overall grid reliability.

b. The CEC Demand Forecast Should Be Determined By "Committed" Policies and Savings

As noted in the staff's presentation, the incremental uncommitted savings considered by the Commission today represents 65-90% of the CARB AB 32 statewide goals for energy efficiency.[4] While AB32 has positioned California as a progressive policy leader, it would be irresponsible to predicate near-term energy procurement needs around uncertain future policy.[5] Fundamentally, the CEC's Demand Forecast, which drives IOU procurement, should be based on "the knowns," i.e. committed programs, savings, etc. To do otherwise is to risk undermining grid reliability because, as noted above, the amount of uncommitted energy savings if unrealized equates to the planning reserve margin for the IOUs.

III. Conclusion

IEP appreciates the opportunity to provide these comments. We urge the Commission to consider the long-term ramifications of developing a Demand Forecast driven to a significant expectation by speculative, unmeasured energy efficiency programs and/or savings. The Commission has a broader responsibility to reliable system planning, and the Demand Forecast should remain grounded in committed programs and savings. We look forward to working with the Committee and staff to develop a useful Integrated Energy Policy Report to guide California energy policy into the future.

Respectfully submitted

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[3] Incremental Impacts of Energy Efficiency Policy Initiatives Relative to the 2009 Integrated Policy Report Adopted Demand Forecast," Staff Presentation (Chris Vavalec), February 17, 2010, p. 16 graphic
[4] Ibid, p. 20
[5] IEP notes for the record that the modeling and economic analysis undertaken by CARB to assist in the development of its CARB Scoping Plan is currently undergoing technical review. Thus, the assumptions underlying the CARB Scoping Plan are and will remain under scrutiny for some time.