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SoCalGas Comments on the CEC Demand Forecast Update

Additional submitted attachment is included below.



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December 30, 2022

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

Subject: Comments on the 2022 IEPR Workshop on Updates to the California Energy Demand 2022-2035 Forecast

Dear Vice Chair Gunda:

Southern California Gas Company (SoCalGas) appreciates the opportunity to provide comments on the California Energy Commission (CEC) 2022 Integrated Energy Policy Report (IEPR) Update Workshop on Updates to the California Energy Demand 2022-2035 Forecast held on December 7 and 16, 2022. It is in the public interest that the CEC's Energy Demand Forecast is developed with a robust stakeholder vetting process to promote as much precision as possible. The Demand Forecast is the foundation on which electricity and gas procurement and planning is based; as such, it has always taken a nonbiased, conservative approach in load modifying assumptions, especially those that are not tied to assigned programs or laws.

Our comments focus on a summary of the CEC's common practice for IEPR energy demand forecast updates. We offer the following comment to encourage transparency in the CEC's Energy Demand Forecast development process and to promote the integrity and accuracy of the Forecast results.

SoCalGas recommends the CEC hold off on the inclusion of the CARB State Implementation Plan (SIP) Strategy in the 2022–2035 Demand Forecast Update until the SIP is more formally vetted through the 2023 IEPR Energy Demand Forecast process; inclusion of modifications to “additional achievable” analyses are more appropriate for the full forecast cycle.

In the past, the common practice for the CEC Demand Forecast during IEPR Update years has focused on updates to the economic and demographic projections from various resources including Moody's Analytics and the latest hourly and peak energy data from the preceding summer.¹ The CEC has not included new significant changes to methodology, especially not in the Additional Achievable categories. Historically, when the Demand Forecast considers load modifiers like approved building standards and appliance standards, it takes a conservative approach which assumes some discounted level of compliance as well as some errors in the installation and construction. Therefore, the CEC has not assumed in previous forecasts that approved regulations and standards achieve 100% compliance regarding installation, nor has the CEC assumed that the energy savings of appliances are the same as modeled through the regulatory process.

However, the approach taken in the 2022-2035 Demand Forecast differs from past practice. Specifically, the integration of building electric appliance turnover assumptions for CARB proceedings which have yet to begin at the end of an IEPR Update cycle appears to be premature. CARB approved a State Implementation Plan (SIP) Strategy² in January 2022, which states that CARB will launch a proceeding in 2023 with potential adoption of regulations in 2025. Similarly, the CEC "SIP update" released in December 2022 includes assumptions that the 2025 Title 24 will have 100% compliance of all electric space and water heating for all new residential and commercial buildings³ (by comparison, the adopted 2022 Scoping Plan assumes electric space and water heaters for new residential buildings in 2026 and electric space and water heaters for commercial buildings in 2029 – the forecast update is even more aggressive than that approved in the Scoping Plan)⁴; without the 2025 Title 24 process having commenced. Furthermore, it assumes a rapid ramp up of heat pump turnover from 2025 to 2030 which, given the cost of investments needed to support this transition, likely assumes the availability of incentive programs that have not yet been created.⁵

The latest CARB SIP, South Coast Air Quality Management District (SCAQMD) Air Quality Management Plan (AQMP), and CEC Title 24 changes **should** be included in the 2023 forecast and given the same level of review and scrutiny as all other aspects of Additional Achievable load modifiers. However, these changes should not be included in the 2022 Update, because they have not received the same level of analysis and review as is required in the full IEPR Demand Forecast cycle.

Lastly, with thin electricity supply margins and the need for significant contingency resources over the past few years, the significance of modeling increased electricity demand is apparent.

¹ See "California Energy Demand Forecast Update" presentation, CEC, December 7, 2022, available at: <https://www.energy.ca.gov/event/workshop/2022-12/iepr-commissioner-workshop-updates-california-energy-demand-2022-2035>.

² See "Draft 2022 State SIP Strategy," CARB, January 31, 2022, available at: https://ww2.arb.ca.gov/sites/default/files/2022-01/Draft_2022_State_SIP_Strategy.pdf.

³ *Ibid.*, CEC Energy Demand Forecast Update.

⁴ See "2022 Scoping Plan for Achieving Carbon Neutrality," CARB, November 16, 2022, available at: <https://ww2.arb.ca.gov/sites/default/files/2022-12/2022-sp.pdf>.

⁵ Southern California Edison (SCE) which has just begun forming their incentive-based program.

However, to fully weigh how load modifiers are affecting electricity demand, the forecast should more closely evaluate the changes electrification of appliances and transportation could have on peak loads, rather than on annual energy consumption. The load modifiers modeled in this forecast could potentially have a significant impact on peak load, therefore it is in the public interest to fully vet and conservatively plan for potential peak electricity increases due to transportation electrification and fuel substitution. Peak load modifier updates need to take into account the potential increases in load due to the use of electric appliances and transportation charging during peak hours. As well, for buildings located in cooler, coastal communities (which may not have previously had air conditioning units), the installation of heat pumps to replace furnaces could add peak cooling loads, as heat pumps can be used for both heating and cooling.

A forecast for 2022 through 2035 will not help to alleviate near-term electricity shortfalls and Resource Adequacy concerns.⁶ **However, as proposed, the updates contemplated in the 2022-2035 Demand Forecast would set a precedent of incorporating unvetted assumptions that are not tied to specific laws that have taken effect or established programs.** Thus, SoCalGas recommends the CEC fully analyze the building electrification updates during the appropriate, 2023 IEPR full forecast cycle. As long-term reliability will not be put at risk by a one-year delay in incorporating the building electrification updates into the forecast, there is no need to rush the forecast results through. Instead, the CEC should continue to utilize the current process which allows for stakeholder input, through robust discussion in the Demand Analysis Working Group and via public workshops as part of the 2023 IEPR process.

Conclusion

The implications of the CEC California Energy Demand Forecast are wide-ranging and foundational to integrated resource plans and transmission planning. Thus, it is in the public interest that the CEC consider major changes to the forecast through a full vetting cycle with input from stakeholders and the public to ensure the forecast's integrity. To that end, we support Additional Achievable (Energy Efficiency, Transportation Electrification, and Fuel Substitution) changes through the statutorily required process in the biennial IEPR in the odd years (i.e., 2023, 2025, etc.). Thank you for your consideration of our comments.

Respectfully,

/s/ Kevin Barker

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CC: Commissioner J. Andrew McAllister
Commissioner Kourtney Vaccaro

⁶ The CEC's Energy Demand forecasts have historically been 10-year forecasts. Thus, a forecast starting in 2023 and ending in 2035 is longer than a typical 10-year forecast.