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Gary L. Schoonyan
Director
San Francisco Office

November 1, 2004

California Energy Commission
Docket Office
1516 Ninth Street
Sacramento, CA 95814-5512

Dear Commissioners:

Re: SCE's Comments on the Committee's Final 2004 Update Report on the IEPR

Southern California Edison (SCE) has the following comments and observations regarding the Final Committee Update to the 2004 Integrated Energy Policy Report (IEPR Update). To begin, the majority of the IEPR Update represents a good and thoughtful assessment of the key issues effecting the state. Our concerns are presented below, with the major area of disagreement involving the Committee's inequitable renewable mandate recommendations.

Higher Renewable Requirements for SCE Are Unjust and Unproductive

The IEPR Update inequitably singles out SCE for a more aggressive and higher renewable portfolio standard than required by law and what other California utilities and load serving entities (LSEs) are required to provide. This is unjust to the customers of SCE who have shouldered the lions share of the state's renewable burden over the last twenty years and sets the undesired precedent of unequal procurement requirements among LSEs. This policy change goes against the level playing field California has been trying to establish in the pursuit of its other policy objectives.

The state would be better served in its effort to (a) achieve its renewable goals by developing policies and protocols which address the current issues of bringing the state's other LSEs into compliance with the state's mandate and on par with SCE's national leadership level; and (b) address methods for assessing and incorporating the inherent operating and planning costs and burdens associated with integrating large amounts of intermittent and non-dispatchable resources into a portfolio.

The IEPR Update offers two reasons for SCE's proposed higher requirements. Namely, that SCE is already the national leader and that the majority potential for renewable development is located in or near SCE's service territory. Although SCE does not take issue with either of these facts, they do not justify differing standards.

SCE's leadership has come at an enormous cost to its ratepayers, totaling nearly $13 billion nominal since 1985 from just the overpayment component for renewable energy under mandated PURPA contracts. During this period, nothing prevented the other utilities and municipalities from developing or procuring the necessary transmission infrastructure to access and acquire renewable power. The decisions by these entities not to pursue renewable energy and the infrastructure necessary to integrate it were, presumably, conscious business decisions that resulted in most of these entities lagging far behind SCE.

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Imposing even greater operational burdens and costs on SCE's customers, while continuing to allow other LSEs to simply catch up, is not the answer. Policy makers should focus their efforts on ensuring compliance with existing law by all LSEs in the state and create incentives for those that may want to procure renewables above the current mandates.

Orderly Pursuit of Demand Response is Recommended

SCE agrees with the IEPR Update that "the first order of business should be the adoption of dynamic pricing tariffs for large customers". For SCE, these larger customers (200kW+) represent 40% of the load in our service territory and already have the metering infrastructure in place.

It is, however, premature to "roll-out advanced metering for small customers". From our perspective and understanding, neither the business case, nor the desire of our 4 million+ small customers for dynamic pricing, exist at this time. This isn't to say that demand response doesn't hold promise. Only that SCE believes the state would be better served by developing and studying the results of demand response programs for larger customers who already have the requisite meters installed, rather than embarking on a premature multi-billion dollar roll-out of a demand response infrastructure for smaller customers.

Observations on Capacity Markets and Supply/Demand Forecasts

Although making forecasts and projections is an uncertain process, our review suggests that the supply/demand projections provided at the end of the IEPR Update seem to (a) omit the benefits from the load control programs that currently exist and are planned; and (b) assume a very adverse case of existing generating unit retirements. Considering expected levels in these two areas alone would likely result in tight, but manageable, resource conditions for the next several years.

Our understanding is that capacity markets will not incent the development of new generation initially and cannot result in the construction of new generation in the next three years. In fact, it could have the opposite effect as smaller LSEs rely on the capacity market to fulfill all their resource adequacy requirements, rather than engage in the longer term commitments needed to support the development of new infrastructure. A criterion of the CEC in addressing proposed market approaches for the State should be that they result in a durable framework where all customers support their fair share of infrastructure development.

Sincerely,

GSchonyan

Gary Schoonyan

cc: Chair William J. Keese
Commissioner James D. Boyd
Commissioner John L. Geesman
Commissioner Jackalyne Pfannenstiel
Commissioner Arthur H. Rosenfeld

From: <Tambre.Doyle@sce.com>
To: <docket@energy.state.ca.us>
Date: Tue, Nov 2, 2004 7:15 AM
Subject: SCE's Final 2004 Update Report Comments - Docket 03-IEP-01

Attached are SCE's Comments on the Committee's Final 2004 Update Report on the IEPR (Docket No. 03-IEP-01).

(See attached file: Nov 1-2004 SCE Ltr on IEPR Update.pdf)

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