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Procurement Policies and OTC

California Public Utilities Commission

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PUC has been working to end Once-Through-Cooling (OTC)

- PUC approved Projects are now under construction to end the use of OTC at the Humboldt, Potrero and South Bay Power Plants
- PUC has approved projects to limit the need for the Bay Area and LA Basin plants using OTC





PUC has stated its desire to use Procurement to end OTC

- Decision 07-12-052 identified OTC reduction as a stated goal, but recognized the need to balance environmental goals with system reliability and cost.
- PUC staff is working with the CAISO and CEC to advise the on the SWRCB on implementation of a workable rule.





PUC Procurement Process

- Analyze resource needs and priorities
- Utility filed Long Term Procurement Plans
- Competitive process for selecting new resources
- Commission approval of contracts





The Loading Order Prioritizes Procurement Activities

- Energy Action Plan (EAP II)
 - Joint agency policy document – CPUC, CEC
- Identifies priority sequence for electricity procurement
 - Energy Efficiency (EE) and Demand Response (DR)
 - Renewables (RPS) and Distributed Generation (DG, including combined heat and power - CHP)
 - Clean, efficient fossil-fired
- Procurement “from the market” picks winners/losers

“Preferred Resources”

- Energy Efficiency (EE) and Demand Response (DR)
- Renewables (RPS) and Distributed Generation (DG, including combined heat and power - CHP)
- Clean, efficient fossil-fired





Long Term Procurement Plans will incorporating OTC policy

- 10-year outlook, filed every two years
- Demonstrates compliance with State Priorities (Preferred Resources, OTC, Resource Adequacy, etc.)
- Calculates residual net short
 - CEC load forecast
 - Fossil need, after loading order resources
- Authorizes:
 - Physical need for system reliability (bundled + DA load)
 - IOU procurement of new generation on behalf of all benefiting customers (D.06-07-029)
 - Bundled (contractual) procurement plan
- A LTPP Rulemaking should take one year from Issuance to decision.





Procurement Oversight

- Procurement Review Groups (PRGs) oversee Utility procurement activity
- RFOs
 - Least Cost Best Fit
 - Market valuation
 - Portfolio fit (location, ramping ability, etc.)
 - Independent Evaluator
 - PUC staff approval of RFO language
- Authorized Procurement Products – Electric, Gas
- Mix of contracts – short-, mid-, long-term





RFOs can be used to finance OTC replacements

- LTPP rules encourage competitive solicitations
- Two main types of RFOs:
 - All-Source RFOs
 - Frequency: Annual, driven by resource adequacy (RA)
 - Eligibility: Open to all resources, but existing fossil most economic
 - Products: Mix of products < 5-yr in duration, according to bundled procurement plan
 - Long-Term RFOs
 - Frequency: every 2-3 years, driven by system reliability
 - Eligibility: New only
 - Products: PPAs (> 5-y), Utility-ownership
- RFO can take from 6-18 months from Authorization to signed contract.





PUC Approval of Projects

- Utility Power Purchase Agreements of 5 years or more or contracts to build new utility owned generation require Commission Authorization
- Commission Applications can take from 6 - 12 months from filing to Commission approval.





Appendix

- Excerpts from D.07-12-052





2006 LTPP Decision (D.07-12-052)

2.4 Existing Plant Retirements

- Encouraging the retirement or repowering of these older units also supports a variety of California's policy aims (e.g., reduction of once-through cooling units, Brownfield development per the goals set out in AB 1576, air quality goals, and reduction of GHGs). Consequently, our goal is to strike a balance between inducing retirements or repowerings through our procurement authorizations and containing the costs associated with replacing many of these facilities in a short period of time.





2006 LTPP Decision (D.07-12-052)

2.6 Need Determination

- Preference should be given to procurement that will encourage the retirement of aging plants, particularly inefficient facilities with once-through cooling, by providing, at minimum, qualitative preference to bids involving repowering of these units or bids for new facilities at locations in or near the load pockets in which these units are located.





Thank You!

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