

December 17, 2010

California Energy Commission
Docket Office, MS-4
Re: Docket No. 11-IEP-1D
1516 Ninth Street
Sacramento, CA 95814-5512
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Re: California Energy Commission Docket No. 11-IEP-1D: Comments on Electricity
Infrastructure Need Assessment

To Whom It May Concern:

On November 23, 2010, the California Energy Commission (“Energy Commission”) held a Joint Committee Workshop on Electricity Infrastructure Need Assessment (the “Workshop”) in connection with the 2011 Integrated Energy Policy Report (“2011 IEPR”). At the Workshop, many stakeholders including Southern California Edison Company (“SCE”) provided comments and asked clarifying questions regarding the Energy Commission’s Draft Staff Work Paper on Infrastructure Need Assessments for the 2011 IEPR (the “Draft Staff Paper”),¹ which outlines the Energy Commission’s plan to develop a comprehensive electric infrastructure need assessment (the “Need Assessment”) of generation and transmission, including both corridors and lines. SCE appreciates this opportunity to provide the following additional comments on the Draft Staff Paper.

In general, the Need Assessment should be used to promote policies that take advantage of the competitive market for electricity. SCE recommends the Energy Commission use the Need Assessment to form broad policy goals and allow the competitive market to achieve these goals. For example, the Energy Commission should use the results of the Need Assessment to designate transmission corridors to meet the 33% Renewable Portfolio Standard (“RPS”) target by 2020 and beyond, rather than focusing on transmission lines. The expedited designation of transmission corridors would provide flexibility for the future and would facilitate the eventual planning, siting, and construction of transmission lines. Using the results of this staff analysis as the basis to form mandates regarding transmission infrastructure development would not be in the best interest of California as it would limit possible courses of action. Within California, the planning of transmission line infrastructure is heavily dependent on the California Independent System

¹ Jaske, Michael, David Vidaver. 2010. Infrastructure Need Assessments for the 2011 Integrated Energy Policy Report – Reconciling Policy Goals With Reliability Constraints. California Energy Commission. CEC-200-2010-010-SD. (“Draft Staff Paper”).

Operator's ("CAISO") generator interconnection queue within each Investor Owned Utility's ("IOU") service territory followed by the execution of Large Generator Interconnection Agreements leading to construction of facilities. The Energy Commission Need Assessment would not bypass the CAISO's generator interconnection procedure, which includes the generator interconnection queue process.

SCE would be pleased to assist the Energy Commission staff as they move forward with the Need Assessment. As a possible starting point in this effort, the Energy Commission should review the PLEXOS Solutions database ("PLEXOS"), that CAISO developed as part of its stakeholder process supporting its 33% RPS study. This publicly available database is comprehensive and identifies transmission, generation, load, and fuel data in the Western Electric Coordinating Council for 2020. SCE actively participated in this CAISO stakeholder initiative process and can provide the Energy Commission with information about the structure and sources of information found within this database. SCE can also convey information on our experiences running the system to address renewable integration needs. However, because PLEXOS is based on a 2020 dataset, the Energy Commission staff will need to collect additional information to analyze 2017 and 2022, as proposed in the Draft Staff Paper.²

The timeframe for completing the Need Assessment as currently proposed in the Energy Commission's Draft Staff Paper will create some challenges. As a practical matter, it does not provide the necessary time to develop datasets significantly different from those currently being worked on by the CAISO for the California Public Utilities Commission's Long-Term Procurement Plan ("LTPP"). Furthermore, the Energy Commission should run PLEXOS with sub-hourly granularity in order to properly model generating unit operations and reflect greenhouse gas emission profiles accurately, but this process is time consuming and complex. Likewise, the complexity of models necessary to accurately measure operational impacts of renewable intermittency makes any kind of broad "data envelope analysis" impractical. Accordingly, SCE recommends that the Energy Commission limit the scope of its analysis by using datasets already available. SCE is also willing to share its ongoing work regarding the LTPP.

Having said this, SCE supports the Energy Commission's efforts to undertake a Need Assessment that includes all California balancing authorities, not just the CAISO. Other need assessments have limited their scope to the CAISO balancing area.

SCE agrees with the Independent Energy Producer's concerns voiced at the Workshop that the Draft Staff Paper not lead to the adoption of a "need conformance" process. California is better off if there are numerous power plant project developers participating in the available markets, even if only some of them are awarded procurement contracts. The nature of competition is that there are winners and losers, and the balancing of opportunity and risk creates the competitive tension that promotes innovation, efficiency and lower costs. SCE appreciates the Energy Commission's concern that many developers who have already obtained Energy Commission certification (and other permits) in order to participate in competitive solicitations, may fail to secure a procurement

² Id. at 12.

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contract. However, SCE believes that this is a necessary and appropriate part of a competitive market environment.

As discussed at the Workshop, SCE encourages the Energy Commission to coordinate the Need Assessment with the work being done by other state agencies working on energy infrastructure issues. Such coordination will prevent redundancy and enable the agencies to form uniform policies on divisive issues such as the balance between energy infrastructure development and environmental protection.

SCE encourages the Energy Commission to consider allowing its staff to once again participate in SCE's Procurement Review Group ("PRG"). Energy Commission staff members would have the ability to fully review and provide comments on SCE's many procurement processes. SCE anticipates that Energy Commission staff can effectively communicate procurement policy issues and choices to senior Energy Commission staff and Commissioners without violating PRG non-disclosure agreements. SCE is willing to work with Energy Commission staff participating in the PRG to organize information in a manner that can be communicated within the confidentiality rules.

Attached as Appendix A hereto is SCE's response to the Prepared Questions to Guide Comments which were attached as Attachment A to the Energy Commission's Notice of Workshop. As always, SCE appreciates the opportunity to be part of the 2011 IEPR process and submit comments on the Need Assessment. Feel free to contact me regarding any questions or concerns.

Sincerely,

/s/ Manuel Alvarez

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APPENDIX A

SCE's Response to Energy Commission's Prepared Questions to Guide Comments Set Forth in Attachment A of the Notice of the Joint Committee Workshop on Electricity Infrastructure Need Assessment

- 1. What kind of "cases" would be most useful to stakeholders for displaying a range of need resulting from the uncertainties of input assumptions and methods for computing need?*

SCE suggests that the Energy Commission select one of the CPUC's four RPS scenarios from the recent LTPP scoping ruling and use it as a starting point, rather than building a case from scratch. As a practical matter, building completely new cases will be extremely difficult in the time that the Energy Commission has allotted to conduct the Need Assessment. So, it is advisable that the Energy Commission rely heavily on existing datasets. Moreover, the complexity of models necessary to accurately measure operational impacts of renewable intermittency makes any kind of broad "data envelope analysis" impractical. In SCE's view, past and anticipated work by the CAISO and by IOUs through the CPUC's LTPP to identify infrastructure needs under several load scenarios and a variety of renewable resource construction plans will take anywhere from 12 to 18 months. Successful completion of a detailed Need Assessment from scratch within the one year IEPR cycle (as recommended by the Energy Commission) is unlikely.

The Energy Commission should also attempt to fill the gaps in the past and anticipated work of the CAISO and CPUC. For example, the Energy Commission should focus broadly on the status of the RPS throughout California, since the work to date has been focused primarily on the CAISO balancing area. In addition, a major gap in the CPUC's LTPP efforts is the lack of focus on greenhouse gas reduction. This is surprising, given California's broad greenhouse gas reduction initiative under the California Global Warming Solutions Act. Yet the CPUC work appears directed almost exclusively to one strategy for greenhouse gas reduction, namely expansion of renewable energy production.

- 2. Given that the results will display a range of need, how can such ranges of need be developed to be most useful in various infrastructure planning and/or decision-making forums?*

Infrastructure planning based on the Need Assessment will be an inexact process -- more of an art than a science. Any infrastructure planning undertaken by the Energy Commission should be flexible enough to handle future uncertainty. Furthermore, given that the CPUC is the state agency charged with ensuring that end-use customers pay fair and reasonable rates and that the Energy Commission is the state agency that designates transmission corridors, both agencies should collaborate to determine what infrastructure should be developed by various regulated entities to achieve the state's reliability objectives. In addition, it would be useful to expedite the designation of the transmission corridors identified by the Renewable Energy Transmission Initiative (RETI) and other planning entities to support meeting state energy goals.

3. How might the results of an infrastructure assessment be used?

In general, the Need Assessment should be used to promote policies that take advantage of the competitive generation market for electricity. California has deregulated power generation and opened the retail sale of electricity to competitive entry. In this environment, command-and-control measures function poorly at achieving particular generation infrastructure development results. Thus, SCE recommends against the Energy Commission using the results of this staff analysis to pursue particular kinds of infrastructure development.

SCE acknowledges that there has been considerable coordination among the state agencies already with respect to energy infrastructure planning and that the Energy Commission has been an active participant in these interagency working groups. However, more collaboration among state agencies is needed and many issues impacting infrastructure planning need to be addressed by the agencies in a coordinated fashion. Much of the lack of coordination to date has been the result of conflicting interests. Addressing competing environmental requirements collaboratively to eliminate those conflicting interests in the context of future planning is important for state agencies to undertake as they set new policies.