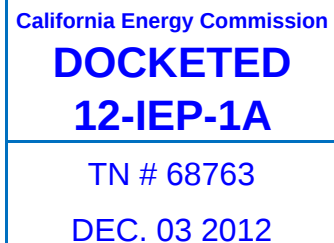


December 3, 2012

California Energy Commission  
Dockets Office, MS-4  
Re: Docket No. 12-IEP-1A  
1516 Ninth Street  
Sacramento, CA 95814



**Re: Comments of the Independent Energy Producers Association on the *Draft 2012***

***Integrated Energy Policy Report Update: Docket Number 12-IEP-1A.***

The Independent Energy Producers Association (IEP) appreciates the opportunity to comment on the *Draft 2012 Integrated Energy Policy Report (IEPR) Update*, released October 25, 2012. IEP represents over 20,000 MWs of independently owned generation resources in California, including renewable, gas-fired, and CHP resources. In our comments below, IEP addresses the general issues identified in chapters 1-4 first, followed by a brief discussion of the Renewable Action Plan included in chapter 5. We submit these comments in addition to our oral comments at the November 7, 2012 workshop.

**I. General Comments (Chapters 1-4):**

**The Energy Commission's Demand Forecast Appropriately Relies on Committed Rather than Uncommitted Energy Efficiency.** The *Draft 2012 IEPR Update* states, "The *California Energy Demand 2012-2022 Final Forecast* did not include uncommitted, or incremental, efficiency savings impacts."<sup>1</sup> IEP supports the Energy Commission's calculation of the 2012-2022 demand forecast using committed rather than uncommitted energy efficiency. While IEP recognizes that over the course of a 10-year period some of the uncommitted energy efficiency

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<sup>1</sup> CEC Draft Lead Commissioner Report: *2012 Integrated Energy Policy Report Update*, October 2012, page 14.

may indeed become committed, there is a real value in maintaining a forecast that keeps committed and uncommitted resources separate. Including uncommitted energy efficiency in the demand forecast creates an added level of uncertainty in forecasting future demand because there is no certainty that all of the proposed uncommitted resources will actually be realized (i.e. become committed). Furthermore, a forecast that relies too heavily on uncommitted energy efficiency will result in inadequate supply resources to meet our future needs. The effects of over-emphasizing uncommitted resources in planning in order to avoid investments in installed capacity can have very real and negative impacts. For example, during the mid to late 1990s, California planners chose to assume significant amounts of uncommitted resources to meet future load growth. As a result, procurement of new, installed capacity from Qualifying Facilities (QFs) and others was forestalled. That forestalled capacity undoubtedly would have been helpful in mitigating the energy crisis of 2000-2002. Given that the demand forecast goes through many iterations (i.e. preliminary, revised, and final form) and is updated every two years, there are plenty of opportunities to update the forecast based on uncommitted resources that later become committed.

As indicated in the *Draft 2012 IEPR Update*, “The Energy Commission’s electricity demand forecast is used in many venues, including the California Independent System Operator’s transmission planning studies and the California Public Utilities Commission’s (CPUC) electricity procurement planning process.”<sup>2</sup> Both the CPUC and the CAISO incorporate the CEC’s demand forecast into their own processes for different, but related purposes (e.g. the CAISO for reliability/transmission planning purposes and the CPUC for procurement purposes). Among the CEC, CPUC, and CAISO, there are varying opinions on how incremental uncommitted efficiency savings should be applied depending on what the demand forecast is being used to address. IEP supports the CEC’s role in providing a forecast, absent of any

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<sup>2</sup> CEC Draft Lead Commissioner Report: *2012 Integrated Energy Policy Report Update*, October 2012, page 11.

uncertainty created by uncommitted energy efficiency, which can be used as a base forecast across various different venues. In addition, IEP supports the Energy Commission's effort to update the demand forecast regularly so that newly committed energy efficiency impacts are included.

**Combined Heat and Power Estimates Should be Linked to Commercial Realities, Not Just Technical Capabilities.** The *Draft 2012 IEPR Update* refers to an ICF International report that identifies approximately “8,500 MW of active CHP throughout the state and more than 14,000 MW of technical potential for additional CHP that could be developed at existing industrial, commercial, institutional, and multifamily residential sites.”<sup>3</sup> In our oral comments at the November 7, 2012 IEPR workshop, IEP indicated our support for looking at the commercial realities to determine how much interest there is in CHP development, rather than just relying on the technical capabilities.

The QF/CHP Settlement Agreement requires, via the conduct of four CHP Requests for Offers (RFOs) from 2012 through the end of 2014, a process to inform policymakers on how much CHP is commercially viable over the next 5-10 years. IEP recommends that the CEC look to this process and the CHP project bids it elicits as an indication of the commercial viability for CHP resources. The results of the CHP Settlement auctions should inform the energy planning agencies on the commercial realities of CHP instead of relying on an engineering-based assessment of the technical potential for CHP alone.

## **II. Specific Comments on the Renewable Action Plan (Chapter 5):**

A large portion of the 2012 IEPR Update is focused on the Renewable Action Plan (RAP) in Chapter 5. The purpose of the Renewable Action Plan is to identify “actions to help California achieve its Renewable Portfolio Standard target of 33 percent renewables by 2020 and

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<sup>3</sup> CEC Draft Lead Commissioner Report: *2012 Integrated Energy Policy Report Update*, October 2012, page 21.

support potentially higher targets in the future.”<sup>4</sup> Two of the recommendations identified in the RAP are to (1) identify and prioritize geographic areas for renewable development, and (2) develop a forward procurement mechanism to ensure that flexible capacity resources are available when needed. IEP speaks to each of these recommendations below.

**The Task of Identifying and Prioritizing Geographic Areas for Renewable Development**

**Should be Transparently Conveyed in the Utilities Bid Evaluation Process.** One of the strategies identified in the RAP to reach the state’s renewable energy goals is to identify and prioritize geographic areas for renewable development.<sup>5</sup> In our oral comments we indicated that a broad application of the Renewable Action Plan, specifically in identifying and prioritizing these development areas, should be to provide information that is publicly available and transparently conveyed in the RPS RFOs conducted by the utilities. Transparency on these geographic elements and information on how they are translated into bid evaluation factors that have meaning to market participants will aid the marketplace in understanding how the utilities are weighing various factors in bid evaluation. Including these efforts into the utilities bid evaluation process will ensure that this task of identifying these geographic zones as part of the RAP is not wasted, but is used to help inform renewable developers on where they should be developing while also indicating to the utilities which locations ultimately have the most value to policymakers. In the absence of this transparency, higher valued portfolios that give greater weight to certain geographic areas over others will have little effect on project development decision making because developers will not have a comprehensive understanding of how these factors are being scored and weighed.

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<sup>4</sup> CEC Draft Lead Commissioner Report: *2012 Integrated Energy Policy Report Update*, October 2012, page 1.

<sup>5</sup> CEC Draft Lead Commissioner Report: *2012 Integrated Energy Policy Report Update*, October 2012, page 43.

## **IEP Supports Pursuing Forward Procurement Mechanisms Three to Five Years in**

**Advance.** The RAP indicates that the state should develop a forward procurement mechanism for three to five years ahead, designed so that all resources including demand response, energy storage, and distributed technologies, as well as natural gas power plants are allowed to compete on a level playing field.<sup>6</sup>

IEP supports this recommendation to develop a forward procurement mechanism 3-5 years out. Any resources that are able to provide the desired product should be allowed to bid, including new conventional gas-fired resources, repowered gas-fired resources, existing resources, renewable generation, distributed generation, CHP, Demand Response (DR), energy efficiency (if it can be properly packaged to provide the desired product), and transmission projects that can provide the desired product or eliminate the identified constraints. Furthermore, IEP recommends using competitive solicitations to pick the least-cost resources that are able to provide the products sought in the solicitation. Competitive solicitations foster innovation and lower costs to consumers.

As part of the recommendation to develop a forward procurement mechanism, the RAP recommends that, “By the end of 2012, the CPUC should consider opening a new proceeding (or use its existing Resource Adequacy Rulemaking [R.09-10-032]) to allow utilities to participate in such a procurement mechanism.”<sup>7</sup> IEP recommends that the CEC add the ongoing long-term procurement proceeding (LTPP) to the list of potential venues where the forward procurement mechanism could be developed.

Further, instead of aiming for the end of 2015 for the necessary tariffs, rules, products, and protocols for a forward procurement mechanism to be ready for adoption,<sup>8</sup> the respective agencies should be aggressive in developing a forward procurement mechanism, not to be

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<sup>6</sup> CEC Draft Lead Commissioner Report: *2012 Integrated Energy Policy Report Update*, October 2012, page 65.

<sup>7</sup> CEC Draft Lead Commissioner Report: *2012 Integrated Energy Policy Report Update*, October 2012, page 65.

<sup>8</sup> CEC Draft Lead Commissioner Report: *2012 Integrated Energy Policy Report Update*, October 2012, page 65.

completed by the end of 2015, as suggested, but rather by the end of 2014. The necessary tariffs, rules, products and protocols could be developed throughout 2013 and the beginning of 2014, for adoption by end of year 2014.

In conclusion, IEP thanks the Energy Commission for this opportunity to comment on the *Draft 2012 IEPR Update*.

Respectfully submitted,



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