

**Comments of the Natural Resources Defense Council (NRDC) on the
*Inputs to the Energy Demand Forecasts for the 2013 Integrated Energy Policy Report***

Docket Number 13-IEP-1C/1L

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I. Introduction and Summary

The Natural Resources Defense Council (NRDC) appreciates the opportunity to offer these comments on the California Energy Commission's (CEC or the "Commission") *Inputs to the Energy Demand Forecasts for the 2013 Integrated Energy Policy Report* (demand forecasts). NRDC is a non-profit membership organization with a long-standing interest in minimizing the societal costs of the reliable energy services that Californians demand. We focus on representing our nearly 100,000 California members' interest in receiving affordable energy services and reducing the environmental impact of California's energy consumption. Our comments focus incorporating the full amount of uncommitted incremental energy efficiency, ("additional achievable" energy efficiency hereinafter), that is reasonably expected to occur, into the demand forecasts:

- NRDC urges the Commission to decide at the outset that it will include all additional achievable energy efficiency, which is reasonably expected to occur, into the expected case that it adopts and transmits to other agencies for resource planning purposes.
- NRDC recommends that the Commission make its goal in the IEPR forecast to produce an accurate and reasonable demand forecast for subsequent reliability determinations—not to put the cart before the horse and embed reliability concerns into the demand forecast itself.

II. Discussion

- 1. NRDC urges the Commission to decide at the outset that it will include all additional achievable energy efficiency, which is reasonably expected to occur, into the expected case that it adopts and transmits to other agencies for resource planning purposes.**

NRDC was encouraged to see the Commission commit to relying on additional achievable energy efficiency as resource in its recently filed letter to the Senate Energy

Committee;¹ however, we urge the Commission to support such words with concrete actions in the IEPR proceeding.

At the February 19, 2013 workshop pertaining to the demand forecast, it was stated that “additional achievable”² energy efficiency will be included in the final adoption of the IEPR demand forecast. We commend the Commission for this action and for its commitment in the recent joint energy agency letter to the Senate Energy Committee that: “the CEC [will adopt] the demand and additional achievable efficiency forecasts, [and] the three agencies will agree on a single recommended forecast case to be used consistently in the next transmission planning and procurement cycles.”³ However, the inclusion of the full amount of additional achievable EE in the expected case forecast—the forecast that is used for resource planning purposes—appeared to still be open for discussion in the IEPR workshop. After the Senate Energy Committee’s hearing in which the CEC testified that it will improve how its reliance on energy efficiency in its forecasts, there should be no question that the forecast to be used for resource planning purposes must include the full amount of additional achievable energy efficiency. And we assume that the CEC’s letter to the Senate Energy Committee was truly committing to relying on the full amount of energy efficiency in this final forecast. However, to ensure that this is indeed the intent of this Commission (and that its words in the Senate Energy Committee letter were not hollow), the Commission needs to clarify at the outset that the full amount of additional achievable EE will be relied upon in the expected case forecast that is used for procurement purposes. Therefore, we urge the Commission to make it explicit that the full amount of energy efficiency will be used in its final, adopted, expected case demand forecast.

2. NRDC recommends that the Commission make its goal in the IEPR forecast to produce an accurate and reasonable demand forecast for subsequent reliability determinations—not to put the cart before the horse and embed reliability concerns into the demand forecast itself.

¹ CEC/CPUC/ISO, Joint Agency Letter to California State Senate Committee on Energy, Utilities and Communications (February 25, 2012).

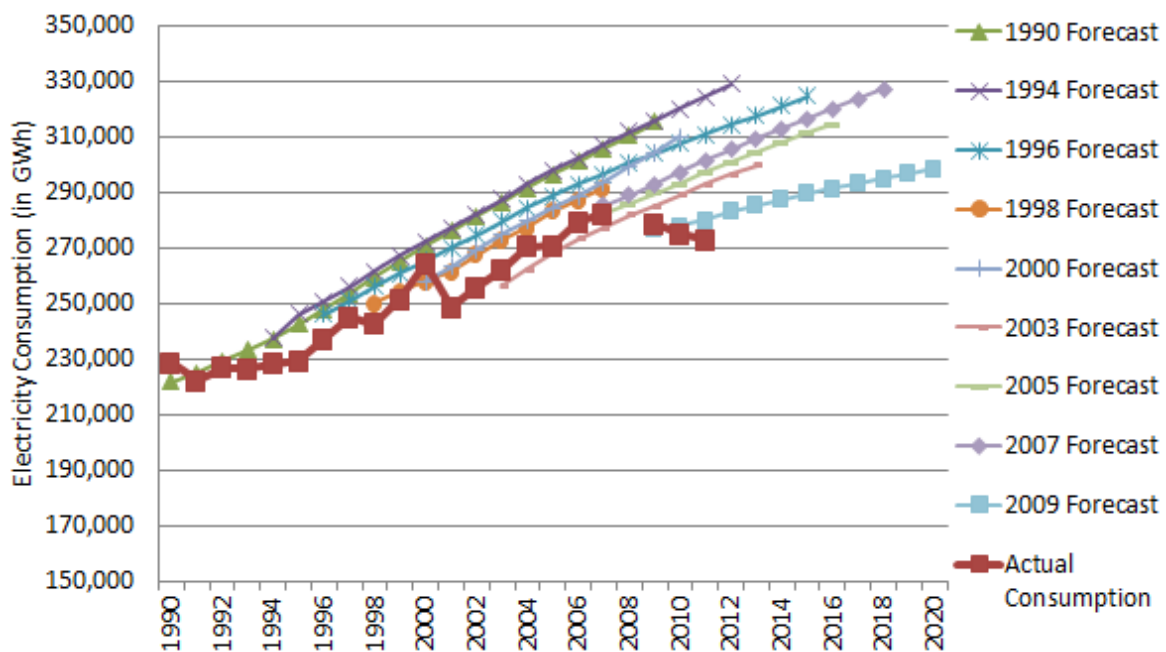
² Formerly “incremental uncommitted.”

³ *Id.*

At the workshop, the asymmetrical risk of the demand forecast was raised. The asymmetrical risk is that if the Commission overestimates demand, reliability would not suffer, but if the Commission underestimates demand, reliability could suffer. First, it is the job of system planners and operators to ensure that California has a reliable electric system. NRDC has always supported, and continues to support, that important objective. However, reliability decisions can only be made correctly if they are based on an accurate and reasonable forecast. The CPUC makes its determinations as to planning reserve margins, and other measures to ensure reliability, on the assumption that the CEC's demand forecast is reasonable and accurate. Also, operational reserves calculations need to be based on accurate and reasonable forecasts. Therefore, the CEC should not build into the demand forecast any additional amount demand for the purposes of ensuring reliability. Rather, the CEC should build the most reasonable and accurate demand forecast possible, so that subsequent and additional calculations can be made by the appropriate agencies to ensure reliability.

To build an accurate and reasonable forecast, all energy efficiency that is reasonably expected to occur must be included in the adopted demand forecast that is used for resource planning purposes. If the full amount of energy efficiency is not included, then it biases the demand forecast upward. Historically, the CEC's IEPR demand forecasts have not included additional achievable energy efficiency in the adopted base forecast, and correspondingly, have always overestimated what actual demand would be in the long term. That is, in every IEPR forecast dating back to 1990, as published in the 2009 IEPR report—every demand forecast has overestimated the endpoint levels of demand. Here is the history of all IEPR forecasts for which data were published in the 2009 IEPR, and presented alongside actual CEC electricity consumption data.

History of CEC IEPR Forecasts Compared to Actual Electricity Consumption⁴



Every endpoint estimate of electricity consumption is above actual consumption. The long term estimates are important because they are what drive long term investments in resource planning processes. Given that the CEC has always, in every IEPR forecast since 1990, overestimated demand in the long term, it is critical that the CEC set its goal in the IEPR proceeding to create an accurate and reasonable forecast—not a forecast with any upward bias built into it. As part of ensuring an accurate and balanced forecast, we urge the CEC to include the full amount of additional achievable energy efficiency in the reference case demand forecast that is transmitted to other agencies for resource planning purposes.

III. Conclusion

NRDC thanks the CEC for the opportunity to comment on the *Inputs to the Energy Demand Forecasts for the 2013 Integrated Energy Policy Report*. We urge the CEC to include the full amount of additional achievable energy efficiency in its 2013 IEPR demand forecast to ensure that the forecast is as accurate and reasonable as possible. We thank you for considering our recommendations.

⁴ CEC, *California Energy Demand 2010-2020 Adopted Forecast*, Figure A-6: Past State Electricity Forecasts versus Historical Consumption, p. A-10 (December 2009). Actual consumption data for recent years, 2009-2011 added here from the CEC's database on electricity consumption: CEC, ECDMS, Electricity Consumption Data Management System (visited February 27, 2013). <http://ecdms.energy.ca.gov/elecbyplan.aspx>.