

**STATE OF CALIFORNIA ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION**

2013 Integrated Energy Policy Report (2013 IEPR)

Docket No. 13-IEP-1D
WORKSHOP
RE: Electricity Infrastructure

**COMMENTS OF THE
CALIFORNIA WIND ENERGY ASSOCIATION
ON
ELECTRICITY INFRASTRUCTURE ISSUES
RESULTING FROM SONGS CLOSURE**

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July 29, 2013

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CALIFORNIA WIND ENERGY ASSOCIATION
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ELECTRICITY INFRASTRUCTURE ISSUES
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The California Wind Energy Association (“CalWEA”) appreciates this opportunity to comment in response to the Commission’s June 26, 2013, Notice in Docket No. 13-IEP-1D, announcing the July 15, 2013, Joint Workshop on Electricity Infrastructure Issues Resulting from SONGS (San Onofre Nuclear Generating Station) Closure. The Notice states that the Workshop, and the related public record, will contribute to the “joint agency effort” to respond to Governor Brown’s 90-day directive to develop options to satisfy reliability needs without SONGS.

In summary, CalWEA recommends the following:

- The joint agencies should rely on the CPUC’s LTPP process to determine resource needs, to provide transparency and stakeholder participation in the process, which can dramatically affect agency decisions;
- The CPUC should address any near-term local reliability needs with interim measures;
- The CPUC should authorize procurement of long-term resources only after conducting a more comprehensive assessment of needs and resource options; and
- The joint agencies should develop appropriate criteria for a “deliverable” product to guard against overbuilding the transmission system or disregarding suitable generation assets in serving system reliability needs.

A. The Joint Agencies Should Rely on the CPUC’s LTPP Process to Determine Resource Needs

In making its recommendations to the Governor, the state’s energy agencies should reinforce, and not supplant, the need to rely on the CPUC’s public and transparent Long-Term Procurement Plan (LTPP) process to determine the local reliability services and long-term resources that will be needed to address the loss of SONGS. In particular, there should be no rush to judgment regarding the amount of new gas resources that may be required. Experience from the recent past regarding resource need suggests that the CAISO’s initial forecasts of needed resources may change dramatically after stakeholder input is considered. For example, in the CPUC’s 2010 LTPP case, the CAISO estimated that over 4,000 MW of additional gas resources would be required to integrate 33% renewables, but after review of the CAISO’s model assumptions, model runs of alternative scenarios, and discussion among

the parties, an all-party settlement was achieved¹ under which the parties recognized that the record had yet to identify *any* long-term procurement needs resulting from renewables integration and that further study (still ongoing) was necessary. While local reliability needs are different than integration requirements, the point remains that transparency and stakeholder participation in the process can markedly affect agency decisions.

The CPUC's LTPP process is well underway, with the close participation of the CAISO and the Energy Commission. Track 4 of the LTPP proceeding is focused on identifying the local reliability needs to address SONGS's closure. The Joint Agencies should rely on this process to determine local reliability needs. As further explained below, the CPUC (and the joint agencies) should hold off on authorizing any new resources as a result of Track 4 of the LTPP proceeding, pending a broader assessment of system needs and state and federal policies.

B. The CPUC Should Address Any Near-Term Local Reliability Needs With Interim Measures

The CPUC's LTPP Track 4 will consider only local reliability issues resulting from SONGS's retirement, apparently without any consideration of SONGS's retirement in the broader context of the state's long-term greenhouse-gas (GHG) goals.² These goals are set forth under Executive Orders S-3-05 and B-16-2012, which call for 80% reductions in GHG emissions by 2050.³ Meeting these goals will require steep reductions in the use of natural gas in the electric sector beginning in 2020 and increasing reliance on electric vehicles. The need to ramp down gas over the long-term may be further evident when the ARB's AB 1318 report is issued.⁴

Decisions on the long-term procurement of new resources must be based on the simultaneous consideration of the impact of SONGS's retirement on both local reliability needs and the state's GHG-reduction goals. Only through such coordinated consideration can the resources needed to meet the

¹ CPUC Decision 12-04-046, April 19, 2012.

² The CPUC's Administrative Law Judge rejected a June 14, 2013, motion by CalWEA, the Solar Energy Industries Association and the Large-scale Solar Association to expand the scope of Track 4 beyond the local reliability impacts of SONGS's retirement to enable a more comprehensive approach. The ALJ's June 27, 2013, response stated that there is no need to expand the scope to "consider a diverse set of resources" noting that the current scope "anticipates 'building resources to meet local capacity needs' which may be required without SONGS." The ALJ did not respond directly to the motion's call to expand Track 4 to consider the impact of SONGS's retirement *beyond* local reliability goals to also consider the state's greenhouse-gas reduction goals, and how both goals can be optimized to lower total costs to consumers.

³ Information available at <http://www.arb.ca.gov/cc/scopingplan/scopingplan.htm>.

⁴ Based on study scenarios developed by the CAISO, CEC and CPUC, the ARB's AB 1318 Report will look at the minimum capacity additions needed to satisfy local and zonal reliability standards, identify any potential roadblocks to permit that capacity, and develop recommendations, if necessary, to help ensure that the needed capacity can obtain air permits. See: <http://www.arb.ca.gov/energy/esr-sc/esr-sc.htm>.

two goals be optimized to lower total costs (discussed further below). To accomplish this, CalWEA urges the CPUC to postpone authorization of any new supply-side resources as part of the Track 4 proceeding. CalWEA recommends against making long-term commitments to new gas-fired resources in Track 4 based solely on an analysis of local reliability needs. It is far preferable for Track 4 to adopt interim measures for local reliability, such as a few years of additional operation by existing OTC units or the addition of reactive power sources, providing the time for a more integrated analysis of long-term requirements. Such a long-term plan should seek, first, to reduce the need to replace OTC units with combustion turbines and, second, to replace SONGS without a net increase in GHG emissions. This evaluation should be accomplished expeditiously, but with due process.

C. The CPUC Should Authorize Procurement of Long-Term Resources Only After Conducting A More Comprehensive Assessment of Needs and Resource Options

California is approaching the time when its 33% Renewables Portfolio Standard (RPS) goal and other key existing mandates, such as the California Solar Initiative, will be achieved. As these goals are reached, it becomes increasingly important to adhere to the CPUC's "loading order" policy to ensure that preferred resources are acquired whenever "they are feasibly available and cost effective."⁵ In order to properly ascertain feasibility and cost-effectiveness, it is necessary to conduct an integrated approach to resource planning and procurement. Such an approach has become difficult given the CPUC's separate, "siloeed" processes for the RPS, system capacity, local capacity, flexible capacity, storage capacity, solar resources, energy efficiency, etc., which prevents optimization among all available resources to meet the various identified system needs at the lowest total cost, in the context of the state's long-term environmental policy goals.

Ideally, California should consider all needs and policy goals at once, evaluate all commercially available resources (including transmission and storage) based on a consistent set of attribute valuations, and optimize for the combination of resources that satisfies all of the identified needs and goals and accounts for all known policy and technical constraints at the least total cost, while incorporating all cost-effective preferred resources. This may be difficult to accomplish, but at a minimum there needs to be a greater integration of the state's resource evaluations than is occurring today. In particular, long-term resource needs for local reliability or general system needs should not be

⁵ CPUC Decision 12-01-033 (at 21) states: "[T]he utilities should ... procure additional energy efficiency and demand response resources [above mandated levels] to the extent they are feasibly available and cost effective. If the utilities can reasonably procure additional energy efficiency and demand response resources, they should do so. This approach also continues for each step down the loading order, including renewable and distributed generation."

adopted without also considering the state's long-term GHG goals and the loading order. This integration of local reliability, general system needs, and GHG goals will require the inclusion of reasonably expected carbon prices at carbon-reduction levels sufficient to meet those goals or, alternatively, an administratively established limit on portfolio GHG emissions consistent with the state's AB 32 goals.

An exclusive focus on local reliability in the wake of SONGS's retirement will risk producing an outcome involving substantial new capital investment in gas-fired resources expected to operate at high capacity factors. In a GHG context, however, such an outcome could result in stranded assets if the state's long-term GHG goals are to be met. A holistic approach, on the other hand, might result in an equally cost-effective combination of storage, transmission upgrades, and/or renewable energy with a long-term commitment to existing or enhanced gas resources that would operate only during critical times for system flexibility and reliability.

D. The Joint Agencies Should Consider Appropriate Criteria for a “Deliverable” Product To Guard Against Overbuilding the Transmission System

When we look beyond the local reliability impacts of SONGS' closure, and consider the contribution to overall system reliability and to GHG goals that SONGS provided, it will be important to carefully consider whether transmission upgrades will be needed. Currently, for renewable energy projects to get credit for contributing to system reliability, they must obtain “full capacity deliverability status” from the CAISO, which often entails paying for major upgrades to the transmission system in order to enable the generator to deliver to any point on the grid under highly conservative assumptions.

It is very important to recognize that the CPUC has never established criteria for the standard that “deliverable” system resources need to meet, and that the CAISO's deliverability methodology for such resources is, in some respects, significantly more conservative than even the CPUC's adopted deliverability standard for establishing local capacity obligations.⁶ It may be that, using rational deliverability standards for both system and local resources, we will see that we can supply a good fraction of system reliability needs with existing resources as well as new renewables and other resources from outside of the local area that SONGS served, that we can focus future transmission investments on reducing local reliability needs, and that we can replace SONGS's GHG-free power with additional renewables located outside of the Los Angeles Basin.

⁶ For example, a resource that would meet local capacity criteria could fail the system-wide deliverability assessment.

Therefore, the joint agencies should develop appropriate and consistent criteria for a “deliverable” product to meet system and local reliability needs.

CalWEA appreciates this opportunity to comment on these important issues.