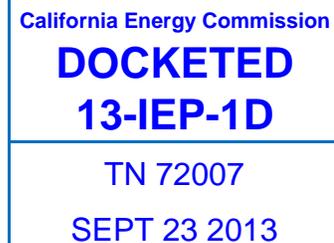


September 23, 2013

**VIA E-MAIL DOCKET@ENERGY.
CA.GOV**California Energy Commission
Docket Office, MS-4
Re: Docket No. 13-IEP-1D
1516 Ninth Street
Sacramento, CA 95814-5512Re: 2013 Integrated Energy Policy Report: Workshop on Southern California Electricity Infrastructure and Reliability Issues—Comments of Pacific Gas and Electric Company**I. INTRODUCTION**

Pacific Gas and Electric Company (PG&E) appreciates the opportunity to provide comments on the California Energy Commission's (CEC) September 9 Workshop titled "Workshop on Southern California Electricity Infrastructure and Reliability Issues" (Workshop). The purpose of this workshop, as described in the notice, is to receive stakeholder feedback on the Preliminary Reliability Plan for the Los Angeles Basin and San Diego (Preliminary Reliability Plan),¹ prepared by staff from the CEC, California Public Utilities Commission (CPUC), and California Independent System Operator (CAISO).

The retirement of the San Onofre Nuclear Generating Station (SONGS) and the scheduled retirement of once-through cooling (OTC) power plants have created immediate reliability needs in Southern California. Adequate resources must be procured to meet these identified needs as quickly as possible, and PG&E appreciates that the CEC, CPUC, and CAISO, as well as Southern California Edison (SCE) and San Diego Gas and Electric (SDG&E), are addressing this matter in a coordinated fashion.

II. PG&E SUPPORTS STUDYING THE EFFECTIVENESS OF ALL RESOURCE TYPES IN MEETING THE FULL IDENTIFIED RESOURCE NEED

PG&E supports the Preliminary Reliability Plan's emphasis on utilizing a mix of resource types, along with actions and assumption changes, to meet both the short-term needs stemming

¹ Randolph, E., Bender, S., & Pettingill, P. (2013, September). *Southern California Reliability: Preliminary Plan*. Presented at the Workshop on Southern California Electricity Infrastructure and Reliability Issues, Sacramento, CA. Retrieved from http://www.energy.ca.gov/2013_energypolicy/documents/2013-09-09_workshop/2013-09-09_reliability_presentation.pdf

from the retirement of SONGS and the longer-term needs for the region. Three crucial actions, as outlined in the Preliminary Reliability Plan, will help to guide development of these resources and ensure that their projected contributions are being achieved. Those actions are:

“(1) an assessment of whether physical capabilities exist to produce, procure, install, and interconnect a heightened level of preferred resources, (2) an operational assessment to review the degree to which preferred resources and conventional resources can in aggregate meet the local reliability needs, and (3) a monitoring system to ensure that programs are implemented and achieve the impacts that are being relied upon.”²

PG&E supports this analytic framework and, notwithstanding the focus on Southern California, looks forward to being an active participant in the discussions around how these actions can be operationalized going forward. PG&E commends the agencies for recognizing the need to coordinate the permitting and siting of contingency generation. These contingency plans will allow potential conventional resource alternatives to serve as a backstop in case OTC repowerings, preferred resources, or transmission alternatives do not materialize as quickly or fully as expected.

III. CREATION OF A MULTI-YEAR AUCTION FOR DR AND EE IS NOT CONSISTENT WITH THE CURRENT PROCUREMENT MODEL FOR THESE RESOURCES AND IS COUNTERPRODUCTIVE

PG&E was surprised to see the Preliminary Reliability Plan include an item on “examining the feasibility of implementing a pilot multi-year auction for energy efficiency and demand response.”³ As described below, this proposal is not consistent with the current procurement model for these resources and is counterproductive. It should not be included in the Final Reliability Plan.

Under the existing regulatory structure, the CPUC has primary responsibility for overseeing and regulating long-term energy procurement (*i.e.*, on a timeframe of between one and ten years). Through the annual Long-Term Planning Process (LTPP) and Resource Adequacy Proceedings (RA), among others, the CPUC reviews and approves plans for the investor-owned utilities (IOUs) to purchase capacity and energy, establish utility cost recovery for energy and capacity purchases, and ensure that the IOUs maintain an adequate capacity reserve. In this context, the CAISO operates the Capacity Procurement Mechanism (CPM), which acts as a backstop, preventing the available generation capacity from falling below what is necessary to meet near-term demand (*i.e.*, under one-year).

The idea of quickly developing an auction run by the CAISO to price preferred resources is not consistent with the way these resources are currently procured. Currently, local resource needs and procurement authorization for Southern California, including any incremental energy efficiency and demand response, are being addressed in Track 4 of the 2012 LTPP proceeding. This proposal seems to presume that the LTPP Track 4 proceeding will not result in sufficient

² Ibid., Pg 7.

³ Ibid., Pg 4.

incremental energy efficiency and demand response. Absent justification for why SCE and SDG&E are unable to procure these resources themselves through Track 4, PG&E believes discussion of establishing an auction outside of the regulatory process for preferred resources is premature.

Additionally, the proposal for a multi-year auction run by the CAISO upends key attributes of the existing procurement arrangement. First, the existing CPM is designed to address capacity shortfalls that threaten near-term system reliability. However, in addition to system reliability, long-term resource procurement is guided by a larger set of goals, including cost effectiveness. Recovering costs through the Transmission Access Charge (TAC), as the current CPM does, would remove the CPUC and IOUs from the resource planning process and potentially lead to higher costs for customers.

Additionally, a multi-year auction would create a duplicate procurement process for energy efficiency and demand response that would be inefficient and could actually delay the deployment of these resources. The LTPP and RA processes address procurement, including satisfying state policy goals, on a ten and one-year timeframe. The current CPM augments these efforts where capacity is insufficient (up to 12 months) or for unexpected system emergencies, thus complementing the CPUC proceedings. In contrast, the proposal for a multi-year auction would be developed in parallel with existing CPUC proceedings.

In short, PG&E would prefer to first work through the existing demand-side program structure and the existing LTPP request for offer process, as applicable, before assessing the need for a parallel procurement process to support the development of demand side resources. PG&E supports in concept the SCE LTPP Track IV proposal to seek additional program funding through the CPUC for a "Living Pilot" to assess the viability of local targeting of demand-side resources to mitigate identified local resource deficiencies.

IV. CONCLUSION

In conclusion, the PG&E appreciates the consideration of these comments and looks forward to its continuing collaboration with the agencies and organizations involved. Please do not hesitate to contact me if you have any questions.

Sincerely,

/s/

Matthew Plummer

cc: M. Jaske (Mike.Jaske@energy.ca.gov)