Comments of the Natural Resources Defense Council (NRDC) on the *2007 Integrated Energy Policy Report (IEPR)* Electricity Supply Forms and Instructions for Submitting Electricity Resource Plans

Docket Number 06-IEP-1J
December 1, 2006

Submitted by:
Eric Wanless and Audrey Chang
NRDC

The Natural Resources Defense Council (NRDC) appreciates the opportunity to offer these comments on the California Energy Commission's (CEC) *2007 Integrated Energy Policy Report (IEPR)* Forms and Instructions for Submitting Electricity Resource Plans (forms and instructions, document). 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 more than 130,000 California members' interest in receiving affordable energy services and reducing the environmental impact of California's energy consumption.

NRDC commends the CEC staff for developing comprehensive instructions for the submittal of load serving entities' (LSE) resource plans. Our comments are summarized as follows:

- Understanding the environmental impacts of LSE supply plans should be an explicit purpose of collecting data and information on electricity resource plans.
- Projections of fuel types and generation technology types (instead of simply identifying generic fossil resources) should be collected for all future supply for all LSEs.
- Publicly Owned Utilities (POUs) that do not have studies that allow for the prediction of uncommitted energy efficiency savings should provide a plan to generate this data.
- Data should be collected for more than just a "best-guess" (reference case) scenario to allow for rigorous portfolio analysis.
- We recommend the term "offset" be replaced by "reduction" when referring to energy efficiency savings.

Understanding the environmental impacts of LSE supply planning should be an explicit purpose of collecting data and information on electricity resource plans.

Reflecting the overarching goal of the Energy Action Plan, the 2005 IEPR concluded that "[t]he health of California's economy depends upon reliable, affordable, adequate, *and environmentally sound* supplies of energy" [emphasis added] (p. 11). As such, an understanding of the environmental impacts of LSE supply planning should be an explicit purpose of collecting supply resource data. As the document describes in its Executive Summary, assessments of the information collected through these forms and instructions "provide a foundation for policy recommendations to the Governor, Legislature, and other agencies. The broad strategic purpose of these policies is to conserve resources, protect the environment, ensure energy reliability, enhance the state's economy, and protect public health and safety." (p. 1)

However, the document later states that:

> "The general purpose of these forms and instructions is to provide the energy commission with a better understanding of LSE planning assumptions and resource adequacy commitments" (p. 9).

While such an understanding is critical to the CEC and the state, an understanding of the environmental impacts of resource plans, notably the greenhouse gas (GHG) emissions, is also extremely important, especially given the statewide GHG reductions required by Assembly Bill (AB) 32, the Global Warming Solutions Act of 2006.

NRDC urges the CEC to explicitly state that gaining an understanding of the environmental impacts of resource plans is a general and primary purpose of the data collection. We suggest the following wording changes to the aforementioned section:

> "The general purpose of these forms and instructions is to provide the energy commission with a better understanding of LSE planning assumptions, ~~and~~ resource adequacy commitments, and the environmental impacts of these assumptions and commitments."

Projections of fuel types and generation technology types (instead of simply identifying generic fossil resources) should be collected for all future supply for all LSEs.

The 2005 IEPR recommends that "[t]he Energy Commission should ensure that portfolio analysis of future resource fuel types is a primary focus of the next Energy Report cycle and make the necessary changes in its Common Forecasting Methodology regulations to ensure appropriate information is collected from load serving entities" (p. 60). To aid the CEC in accomplishing this recommendation, projections of fuel types and generation technology types should be collected for all future supply for all LSEs.

Currently, the forms and instructions do not ask for explicit fuel type and generation technology type for existing and planned utility resources or generic future resources. The document states:

> "As a general requirement, each individual resource should have a line-item entry on forms S-1 and S-2. Each resource should have a numeric entry showing capacity or energy for each month that the LSE expects to own, control, or contract with that resource. This includes all supply resources, existing or planned, physical or contractual" (p. 15).

We strongly urge the CEC to collect fuel type and generation technology type information (e.g., generic capacity additions of natural gas, conventional coal, IGCC, etc.) for all future resources for all LSEs. This data is critical for calculating the environmental impact of LSE supply plans. This will allow the CEC to perform an analysis of these resource fuel types and an assessment of the state's projected energy mix. The absence of this data will make it difficult to analyze the long-term economic and environmental characteristics of California's electricity system – analysis which is critically needed and serves the public interest.

Analysis of future fuel type projections is absolutely necessary to be able to determine the long-term economic effect on California, since different fuel types will have different costs, benefits, and financial and environmental risks. These are highly relevant questions within the context of a long-term planning document such as the IEPR. Statewide resource mix projections also have critically important implications for California's ability to meet its GHG reduction targets.

Specifically, we urge to CEC to collect fuel type and generation type data for *all* existing and planned resources (including contractual resources). This data should be used to develop an assessment of the environmental performance of California's projected energy supply in the 2007 IEPR.

We stress that we do not suggest that the CEC request specific plant-by-plant fuel and technology type information for future supply. While it is impossible to know the exact makeup of future contracts, it is possible to make estimates of the composition of LSEs' projected resource mix. A request for these estimates should be included in the forms and instructions along with the assumptions and methodologies used to create them. The CEC can then aggregate the information provided by all LSEs to provide projections of the state's electric sector GHG emissions and to evaluate how they compare to state policy goals.

POUs that do not have studies that allow for the prediction of uncommitted energy efficiency savings should provide a plan to generate this data.

POUs that do not have studies that allow for the prediction of uncommitted energy efficiency savings should provide a plan to generate this data. Currently the forms and instructions allow for POUs to enter zero for uncommitted energy efficiency if they do not have studies available (p. 20, p. 36). NRDC suggests that if a POU does enter zero for uncommitted energy efficiency, a plan for implementation of energy efficiency studies that will generate this data be included with the submission.

Assembly Bill 2021 (Levine) requires that POUs identify "all potentially achievable cost-effective electricity efficiency savings" (Sec. 3(b)) and report this data to the CEC on or before June 7, 2007 and every third year thereafter. We suggest that the following language be added to the aforementioned sections:

> "<u>If a POU is unable to identify reasonable uncommitted energy efficiency reductions at the time of the data submittal, a narrative that outlines its plan to accurately predict uncommitted energy efficiency should be submitted. The resulting energy efficiency potential from these future studies should be reported by June 7th 2007 and will be incorporated into the 2007 IEPR at that time.</u>"

Data should be collected for more than just a "best-guess" (reference case) scenario to allow for rigorous portfolio analysis.

In the 2005 IEPR process, NRDC and others recommended a robust assessment of alternative future supply portfolios for all LSEs using scenario analysis. While this did not happen in the 2005 IEPR, we support the CEC's statement that it "is committed to correcting this deficiency in the next *Energy Report* cycle and strongly believes that a rigorous portfolio analysis is a necessary cornerstone to integrated resource planning" (2005 IEPR, p. 60). Currently the forms and instructions only collect data and projections of supply for a "best-guess" (reference case) scenario. While much effort is put into accurately predicting what will likely happen, collecting data for one scenario will only allow for analysis of one scenario.

We suggest that data also be collected for high- and low-supply need scenarios. The definitions of these scenarios could be developed by the CEC in consultation with LSEs to allow for consistency with scenario planning practices already in place (namely, the investor-owned utilities' current long-term procurement planning process being undertaken at the California Public Utilities Commission), and to reduce additional burden on all involved parties. Requesting this data will allow for a more complete portfolio analysis of California's energy future in the 2007 IEPR.

We recommend the term "offset" be replaced by "reduction" when referring to energy efficiency savings.

Currently, sections of the forms and instructions use phrases like "energy efficiency offsets to load" (p. 20). In the context of global warming policy, the term "offset" has very specific connotations. For instance, offsets in a GHG regulatory system are commonly understood to be GHG reductions generated outside the capped system. However, the specifics of AB 32 implementation, including the use of flexible compliance mechanisms such as offsets, are yet to be determined. To avoid possible confusion, NRDC recommends that the term "offset" be replaced by "reduction" in the document (see p. 20, 36). We recommend that phrases like "energy efficiency offsets to load" (p. 20) be replaced with "energy efficiency ~~offsets~~ <u>reductions</u> to load."