

In the Matter of: ) Docket No. 11-IEP-1D RELIABILITY  
 ) COMMENT ON DRAFT NEED ASSESSMENTS  
 Preparation of the )  
 2011 Integrated Energy Policy Report )

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**Comments of the California Public Utilities Commission’s Energy Division  
 on the *Draft Staff Infrastructure Need Assessments for the 2011 IEPR Report***

The California Public Utilities Commission (CPUC or Commission) Energy Division respectfully submits these comments to the California State Energy Resource Conservation and Development Commission (CEC or Energy Commission) in regards to the *Draft Staff Infrastructure Need Assessments for the 2011 IEPR Report (Draft Need Assessments)*.<sup>1</sup> The CPUC is pleased to be collaborating with our sister agency, the Energy Commission, in the 2011 Integrated Energy Policy Report (IEPR) proceeding (proceeding). Energy Division commends the Energy Commission and its staff for preparing the draft Need Assessments and providing opportunities for public comment in developing this analysis. The CPUC has been an active participant in the current and past IEPRs, collaborating on issues ranging from demand forecasting and energy efficiency quantification to a joint proposal on implementation of once-through-cooling (OTC) replacement infrastructure in support of the State Water Resources Control Board’s draft OTC policy. Likewise, Energy Commission staff has collaborated with CPUC staff in developing assumptions for proceedings at the Commission, including development of the 2010 Long Term Procurement Plan (LTPP).

Our comments on the Draft Need Assessments are principally focused in six main areas:

- Combining efforts between the CPUC and Energy Commission to complement and not duplicate analyses;
- Collaboration between the CPUC and the Energy Commission;
- Infrastructure Assessment;
- Needs Conformance;
- Improved Data; and
- Requested clarifications.

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<sup>1</sup> Jaske, Michael, David Vidaver; *Infrastructure Need Assessments for the 2011 Integrated Energy Policy Report – Reconciling Policy Goals With Reliability Constraints*, issued November 2010 by the California Energy Commission, CEC-200-2010-010-SD

## **Complementing Analyses**

We acknowledge the Energy Commission staff's efforts to highlight areas of strength and areas of weakness in data when undertaking a statewide analysis of supply and demand. We also appreciate the ways that stakeholders have been involved in improving data weaknesses in past IEPR cycles, a trend which we hope to see continue in the 2011 IEPR and beyond.

Notwithstanding these improvements, the CPUC staff suggest greater consideration by the Energy Commission to work with stakeholders on ways in which the Draft Need Assessments can complement other analyses and data gathering from other agencies and stakeholders. To this end, we seek clarification from the Energy Commission on the timing and application of two distinct parts of the Draft Need Assessments, the infrastructure assessment and the need conformance.

## **Collaboration**

Going forward, as Energy Commission staff develops and refines the Draft Need Assessments, we recommend that relevant CPUC staff be included in any further scoping activities related to the Need Assessments track of the 2011 IEPR and similar overlapping work areas between the two agencies. This would be similar to the collaborative role the CPUC has invited Energy Commission staff to play in the 2010 LTPP process, and consistent with the recent Climate Action Team Energy Principals press release that committed the agencies to an "integrated approach to energy issues."<sup>2</sup>

We also request that the Need Assessments use the inputs and outputs from CPUC proceedings wherever possible for CPUC-regulated entities. In areas where these inputs and outputs may need alteration, we encourage the Energy Commission to work with us so that we may jointly improve our processes. Otherwise, we risk unnecessary duplication and confusion when all agencies and stakeholders are resource-constrained. Thus, we suggest collaboration and coordination where each agency contributes its relative strengths and resources in a way best designed to meet our collective challenges.

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<sup>2</sup> <http://www.cpuc.ca.gov/NR/rdonlyres/7795B802-DC99-408B-8A3B-5F06C44F58A8/0/CleanEnergyFuturePR.pdf>

## Infrastructure Assessment

As indicated in the California Clean Energy Future (CCEF) Implementation Plan (Implementation Plan),<sup>3</sup> the biennial IEPRs have occasionally developed supply assessments in conjunction with demand assessments. As indicated by the Implementation Plan, the IEPR studies of supply- and demand-side issues should be coordinated with the LTPP, using common assumptions and planning scenarios.<sup>4</sup> We welcome the Energy Commission's cooperation with developing data and processes at the CPUC. However, we caution that certain suggestions in the Draft Need Assessments appear to depart both from the Implementation Plan and from the analyses currently underway in the LTPP.

The Draft Need Assessments contain the recommendation that beyond the alternative scenarios, which the Investor Owned Utilities (IOUs) and other stakeholders can file in the 2010 LTPP proceeding (R.10-05-006), these same filings of alternative scenarios<sup>5</sup> should also be made with the Energy Commission in March 2011.<sup>6</sup> This duplication of efforts may only increase the burden upon stakeholders in the IEPR and LTPP processes. Instead, we encourage the Energy Commission to use the same alternative scenarios as filed with the CPUC, as well as any additional scenarios which surface from other stakeholders in the 2011 IEPR proceeding. Additionally, we recommend that the Energy Commission also use the CPUC's required scenarios, as specified in the December 3, 2010 LTPP Scoping Memo, in the Need Assessments. We make these recommendations and suggestions because to the extent that differences emerge between the Draft Need Assessments and the LTPP, these studies could generate different conclusions, leading to uncertainty and confusion.

We are also concerned with how the market, regulated entities, and other participants in California's energy sector may construe a "no regrets" analysis from the Energy Commission. As Energy Commission staff have identified, "a different interpretation of the vision would lead to [a] different set of infrastructure needs."<sup>7</sup> For example, the Energy Commission identifying a "no regrets" path with a

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<sup>3</sup> [http://www.cacleanenergyfuture.org/common/CCEF%20Implementation%20Plan\\_vFinal\\_2a.pdf](http://www.cacleanenergyfuture.org/common/CCEF%20Implementation%20Plan_vFinal_2a.pdf)

<sup>4</sup> Implementation Plan at page 69.

<sup>5</sup> The 2010 LTPP has Commission "required" scenarios with standardized planning assumptions. Additionally, parties may file "alternative" scenarios that employ assumptions other than those indicated in the 2010 LTPP scoping memo.

<sup>6</sup> Draft Need Assessments at page 26.

<sup>7</sup> Draft Need Assessments at page 3.

certain amount of energy efficiency, could be construed as the Energy Commission assessing “reasonably expected to occur” incremental uncommitted energy efficiency which should then be used in the LTPP. We suggest that this final determination should be made in the LTPP process for CPUC-jurisdictional entities.

Instead, we recommend that in its infrastructure assessment, the Energy Commission conduct analyses similar to that undertaken in quantifying energy efficiency in the 2009 IEPR. In the 2009 IEPR, the Demand Forecast Energy Efficiency Quantification Project Working Group brought together a broad range of stakeholders to develop ranges of energy efficiency impacts organized into three broad scenarios listing impacts for each class of program and each year out through 2020 based on the IOU and CPUC energy efficiency goals. With the stakeholders, CEC staff developed data and analysis that the Energy Commission then transformed into a range of future possibilities for the CPUC, and then stakeholders to the CPUC’s LTPP and EE processes had an opportunity to provide their insight into what future from this range was most likely to occur.

We believe that adopting a similar process for other areas, such as demand response or distributed generation, as part of the infrastructure assessment, would help further collaboration between the agencies and entities involved, help create coordinated analyses, and would help ensure that the analyses performed would coordinate scenarios across many venues. We provide, as an example, that in-depth analysis of non-event-based demand response impacts would greatly enhance the understanding of demand response for Energy Commission demand forecasting. This analysis could then be employed in the LTPP, the IEPR, and in numerous other proceedings.

Lastly, transmission permitting is one of the most high-profile and contentious arenas for debate about infrastructure need, but in the discussion of existing need assessments and jurisdictional responsibilities,<sup>8</sup> the Draft Need Assessments does not mention the CPUC’s statutory responsibility<sup>9</sup> to determine the need for transmission projects under its review. We believe that the Draft Need Assessments’ infrastructure assessment should consider the existing legal requirements for review of transmission projects and identify the specific value that this assessment will add to the existing planning and permitting processes – and, procedurally, how it would do so.

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<sup>8</sup> Draft Need Assessments at pages 7-10.

<sup>9</sup> See, for example, Public Utilities Code Sections 1001, 1002, 1002.3, 1003, and 399.2.5.

As the Draft Need Assessments states, “transmission needs are largely expected to be derived from generation development and retirement patterns.”<sup>10</sup> In the interest of consistency, and with the aim of identifying projects in the transmission planning process that would be legally defensible in the permitting process, the CPUC and the California Independent System Operator (ISO) signed a Memorandum of Understanding this past May.<sup>11</sup> The Memorandum of Understanding expresses the “desire to work together to coordinate the ISO’s revised transmission planning process and identification of needed transmission infrastructure with the CPUC’s subsequent siting/permitting processes,” and agreeing to the ISO’s consideration in its planning process of the 33% RPS scenarios developed in the LTTP. Given Energy Commission staff’s acknowledgement of the extent to which RPS development will drive transmission need, and staff’s general endorsement of the CPUC’s RPS scenarios for inputs related to renewable development, the CPUC suggests that the Need Assessments could fill a crucial role by helping to identify, quantify, and understand the implications of the risks and uncertainties inherent in the CPUC’s RPS scenarios. If the Need Assessments instead undertake a separate identification of generation and transmission needs, we are uncertain as to how, procedurally, that information would be incorporated into the planning and permitting processes, and we are concerned that such an assessment would not achieve its goal of providing to “developers of generation and transmission projects...a coherent view across balancing authority areas, local areas, and functional purposes for project development.”<sup>12</sup>

## **Need Conformance**

As we indicated in our comments to the Draft 2009 IEPR,<sup>13</sup> the need conformance process appears inconsistent with California’s current electricity market structure, and has the potential to narrow the range of resources able to meet identified needs, such as renewables integration. For example, if only one project is admitted to the AFC (Application for Certification) process because it would fill the identified need, that action would preclude other projects that may be lower cost or better meet the identified need from competing for contracts. The AFC process is not designed to identify least cost solutions to system needs. On the other hand a process that leverages the CPUC and ISO planning

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<sup>10</sup> Draft Need Assessments at page 11.

<sup>11</sup> The MOU is available on the California ISO’s website, at <http://www.caiso.com/2799/2799bf542ee60.pdf>.

<sup>12</sup> Draft Need Assessments at page 2.

<sup>13</sup> Comment on Draft 2009 IEPR Report, October 28, 2009 at page 3.

process may be able to bring efficiencies to the system by identifying locations and/or performance characteristics that will not be needed in the planning horizon. We encourage the Energy Commission to work with the CPUC and other stakeholders to develop methods in which the CPUC's Request for Offer (RFO) and the Energy Commission's AFC processes can be streamlined and coordinated in order to maintain consistency with California's electricity market structure while also helping to reduce uncertainty in the market. We believe that a balance between these two concerns must be reached in a way that benefits the goals of both agencies.

The 2010 LTPP Scoping Memo indicates that renewables integration, OTC policy implementation, local reliability, and GHG goal attainment, will be primary drivers for any new resources identified in the 2010 LTPP proceeding. One possibility is that Energy Commission staff could require conformance with LTPP identified needs and reduce the number of AFCs coming before the Energy Commission.<sup>14</sup>

### **Opportunities for Improved Data**

We believe that attaining similar quality data to that provided by the CPUC and IOUs is an important step in attaining the goals of the Draft Need Assessments. The Draft Need Assessments tables showing data sources is an important first step in illustrating who provides what data. We believe the next step in achieving the needed data is expanding these tables to include what entity or entities can provide the needed data by Balancing Authority Area (BAA), and if Energy Commission staff feel that data available today is sufficient or insufficient. This would allow further dialogue between stakeholders in how data could be improved in order to further the analyses and resulting policy discussions.

### **Requested Clarifications**

We commend the Energy Commission's staff on the Draft Need Assessments. However, we request that Energy Commission staff clarify or provide further detail on the following questions.

- Definitions of:

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<sup>14</sup> R.10-05-006 at page 9.

- Central Station Power Plants
- Bulk Transmission
- What changes, based on their current knowledge, do Energy Commission staff anticipate making to information coming from sources like the LTPP?
- Will there be a stakeholder process for helping determine the total range and potential cases for analysis?<sup>15</sup> If so, what would this process look like?
- How does Energy Commission staff anticipate resolving differences or discrepancies that arise between its analysis and analyses like the 2010 LTPP system track, or the California ISO's Transmission Planning Process?
- Will Energy Commission staff be using the results from the ISO's renewable integration studies once they have been updated and run with the 2010 LTPP required scenarios?
- What impact does Energy Commission staff see having a "no regrets" level of resource development mean in terms of the three goals stated in the Draft Need Assessments: 1) sensitivity of future assumptions; 2) coherent view across BAAs; and 3) power plant licensing?
- What steps and information sources can improve the data weaknesses highlighted in the Draft Need Assessments?
- How can efficient market outcomes be insured through Energy Commission staff's proposed changes to the permitting process and need assessments?
- Are there other alternatives for determining the transmission capacity values that Energy Commission staff would propose using other than long-term contracts, such as the maximum RA value?
- What impact does Energy Commission staff see on the need analyses from the data shortcomings identified for areas such as Publically Owned Utility generation, such as automated generation control, ramping, regulation, and other ancillary services?
- Will assumptions about future generation be broken out by likelihood of occurrence? If so, what categorization might be used for likelihood of occurrence?
- How will Energy Commission staff identify the necessary amount of transmission, and locations, for renewables or locally constrained areas?

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<sup>15</sup> We concur with the many stakeholders at the IEPB workshop on November 23, 2010, who said that the CCEF cases were a good starting point for this analysis.

## **Conclusion**

We thank the Energy Commission for the opportunity to provide comments on the Draft Need Assessments. We look forward to continued collaboration with the Energy Commission and its staff in helping address the myriad challenges and opportunities facing California's energy sector today.

Dated December 17, 2010

Respectfully submitted,

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