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California Energy Commission
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Re: Docket No. 13-IEP-1D
1516 Ninth Street
Sacramento, CA 95814-5512

California Energy Commission

DOCKETED
13-IEP-1D

TN 71751

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Subject: Docket Number 13-IEP-1D: Electricity Infrastructure Planning/Reliability

The Division of Ratepayer Advocates (DRA) is an independent division of the California Public Utilities Commission (CPUC) created by state legislation. DRA's statutory mission is to obtain the lowest possible rate for service consistent with reliable and safe service levels. In fulfilling this goal, DRA also advocates for customer and environmental protections.

DRA appreciates this opportunity to provide comments and reflections on the presentations from the July 15th *Joint Workshop on Electricity Infrastructure Issues Resulting from SONGS Closure*. With the permanent closure of the San Onofre Nuclear Generating Station (SONGS) announced on June 7, 2013, it is critical that all stakeholders, including government agencies, consumer advocates, and environmental organizations, collaborate in an effort to resolve the near and long-term reliability issue in the Los Angeles Basin and San Diego local areas. This collaborative effort must ensure long-term reliability at a price that is cost-effective for ratepayers, while complying with the State's mandates for greenhouse gas (GHG) emissions reductions. The discussion below highlights some of DRA's observations and recommendations in response to the July 15th workshop.

1. A variety of solutions need to be explored to address early SONGS retirement.

Presentations by various stakeholders at the July 15th workshop make clear that there are a variety of solutions to fulfill local capacity needed in the LA Basin and

SDG&E area as a result of both Once-Through Cooling (OTC) and early SONGS retirement. These solutions range from an aggressive pursuit of preferred resources (energy efficiency, demand response, distributed generation, and combined heat and power) to transmission upgrades, reactive power, changes to OTC compliance deadlines, and finally new conventional gas-fired generation. All of these options should be explored to arrive at a cost-effective, reliable, and GHG compliant solution. In addition, DRA hopes that the results of the power flow analysis being developed in the CPUC's long-term procurement planning (LTPP) proceeding's Track IV will provide a comprehensive analysis of possible SONGS replacement alternatives. The results of these LTPP power flow analyses will arrive in August, and could potentially inform any work being done to address SONGS replacement need as part of the Governor's Task Force.

In order to effectively assess all the resource option combinations to address the local capacity need in the LA Basin and SDG&E area as a result of OTC and SONGS retirement, DRA recommends that the following questions be considered:

- How effective will the resource mix/portfolio be at reducing costs for ratepayers?
- How can the CPUC's current renewable programs be used to promote and achieve any established renewable procurement allocations and preferred resource targets?
- How effective will this solution/resource mix be at reducing GHG emissions?
- How effective will this resource mix be in achieving compliance with the Loading Order and other State policies including elimination or reduction of OTC technology in producing electricity?
- Do the solutions provide short-term or long-term benefits and stability?

2. Loss of SONGS presents more of a capacity concern than an energy concern.

The loss of SONGS results in local capacity needs and related reliability issues more so than the need for replacement energy. For most of the hours of the year, SONGS energy can be replaced with energy from existing resources as well as new preferred

resources. The impact of the loss of the SONGS will be felt most severely during high-load summer “peaking” hours. Resources that can help to resolve traditional “peaking” needs include preferred resources (energy efficiency, demand response, and distributed generation) as well as energy storage. The loss of SONGS presents an opportunity to maximize the use of preferred resources and storage to meet energy requirements. The loss of SONGS presents an opportunity to maximize the use of preferred resources and storage to meet energy requirements. Gas-fired units are most efficient at providing both capacity and energy and can also be used to meet flexible capacity needs.

3. Encina and other existing gas-fired OTC units can be used as emergency reserve resources.

All parties seem to prefer use of energy efficiency, demand response, and renewable resources to meet resource needs going-forward. This procurement path can be a relatively low-risk path if consideration is given to using existing OTC units – in some combination – as insurance policies against any “failures” to procure sufficient preferred resources to meet needs. The opportunity cost of buying new gas-fired resources does not have to be incurred at this time. These existing OTC units have steadily produced less energy, and have been used primarily for capacity purposes over the past decade as more efficient combined cycle units and renewable resources have come on-line to meet more of the energy needs of the region. DRA echoes the recommendations of other parties at the workshop that any changes to OTC unit compliance or modifications to the OTC retirement schedule should be made in the immediate future to ensure reliability and provide an emergency reserve for the development of preferred resources which can meet local capacity requirements.

4. LA Basin emissions concerns can be lessened with lower energy requirements.

LA Basin emissions from electric power production are proportional to energy output, not capacity requirements. If OTC units can continue to serve an emergency reserve role while pursuing a preferred resource procurement path for energy,

emissions can be minimized as an emergency reserve role for OTC units – potentially for a few years after their current retirement date – does not come with a significant emission burden since annual GWH requirements from these units, if used only in an emergency reserve role, should be low.

5. Plan for transmission and reactive support first.

The highest utilization of the existing (and proposed new) transmission assets demands that effective reactive and inertial support be available across the transmission grid. Investment in transmission—including investment in synchronous condensers at existing SONGS and OTC sites, which provide incremental inertia and voltage support—can support the State’s preferred resource policy goals since renewable resources located at a distance from load centers can more reliably be used for energy. Transmission also helps to mitigate perceived or actual exercise of market power by allowing a greater number of (more distantly located) resources to compete to meet IOU load-serving needs.

6. The CPUC is on the right track with the SONGS LTPP analysis.

The CPUC has made significant progress to address both the near and long-term impacts of the SONGS outage and early SONGS retirement. In the LTPP Track I decision that examined local capacity needs in SCE and SDG&E’s service areas, the CPUC authorized SCE to procure a range of 1,400 – 1,800 MWs for the LA Basin and 215 – 290 MWs for Big Creek/Ventura, and SDG&E was authorized to procure 343 MWs. These procurement authorizations represent the residual need determined after taking into account preferred resources.

Even before the CPUC issued a Revised Scoping Memo and Ruling in May to open Track IV of the LTPP (the SONGS Track), the CPUC had already begun working with the IOUs to implement many short-term reliability solutions for the SONGS outage, such as:

- Converting Huntington Beach units 3 & 4 to synchronous condensers;
- Implementing flex alerts;

- Utilizing demand response programs.

The CPUC's efforts to evaluate the local reliability needs in the LA Basin and SDG&E service area without SONGS in operation should continue in LTPP Track IV, and should influence the work being conducted as part of the Governor's Task Force. In this process, DRA supports a SONGS and OTC replacement solution that is fact-based, accurate, and transparent. This solution should seek to maximize reliability, cost-effectiveness, and GHG reduction goals through a diverse portfolio of resources. The CPUC has set an expedited schedule for Track IV with a decision expected in late 2013 or the first quarter of 2014. DRA supports the CPUC's process and finds that this process achieves the right balance of conducting a thorough SONGS grid reliability and needs assessment within a reasonable amount of time.

DRA appreciates this opportunity to provide input into the CEC's 2013 IEPR stakeholder initiative and looks forward to more opportunities to be involved in this process.

Respectfully submitted,

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Please contact me at (415) 703-1529 if you have any questions about these comments.

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