

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA**

Application of Southern California Edison
Company (U338E) for Approval of the
Results of Its 2013 Local Capacity
Requirements Request for Offers for the
Moorpark Sub-Area.

Application 14-11-016
(Filed November 26, 2014)

**REPLY BRIEF OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

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December 15, 2016

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I. Introduction

In the August 18, 2016 Second Assigned Commissioner’s Ruling and Scoping Memo (Scoping Memo), the Commissioner established the relevant issues and procedural schedule for Southern California Edison Company’s (SCE) application for Approval of the results of its 2013 local capacity requirements (LCR) request for offers (RFO) for the Moorpark sub-area. According to the schedule set forth in the Scoping Memo, the California Independent System Operator Corporation (CAISO) filed testimony on October 13, 2016. The procedural schedule adopted for this proceeding established December 15, 2016 as the due date for reply briefs. Consistent with this schedule, the CAISO submits its reply brief.

II. Discussion

A. The CAISO LCR Analysis Conclusively Shows Need for Additional Resources in the Moorpark Sub-Area by 2021.

Both Sierra Club and the Office of Ratepayer Advocates (ORA) argue that CAISO overstates the need for LCR in the Moorpark sub-area. ORA claims that LCR need is overstated based on the availability of slow-responding demand response resources, while Sierra Club argues that LCR values have “historically been grossly overstated” and yearly LCR updates show declines compared with previous estimates. Contrary to these assertions, the CAISO has correctly modeled the loads and resources and as the retirement of once-through-cooling (OTC) generation approaches, it is increasingly clear that the Moorpark sub-area will be LCR deficient if additional resources are not procured. The CAISO addresses the specific issues raised by ORA and Sierra Club below.

1. *ORA Incorrectly States that CAISO Studies Do Not Support a Need for Ellwood.*

Consistent with the Commission’s Decisions D.13-02-015 and D.14-03-004, the CAISO incorporated demand response resources into its analysis to the extent those resources can be relied upon to meet LCR needs. In D.13-02-015, the Commission noted that “it is reasonable to assume that some amount of demand response resources will be located in the [local area], be locally dispatchable, and available to meet LCR needs by 2020.” For the Los Angeles basin, the Commission estimated that 200 MW of demand response resources would be able to meet 2020 LCR needs, despite the fact that 549 MW of demand response resources existed in the Los Angeles basin at that time.¹ No demand response resources were assumed to meet LCR needs in the Moorpark sub-area. The Commission took this conservative approach to allow “time to clarify the technical characteristics for the circumstances in which demand response resources should count for meeting local capacity requirements.”²

D.14-03-004 further noted that only “fast” demand response resources should be modeled as “First Contingency” resources that are capable of meeting LCR needs.³ The Commission found that slow-responding resources “should not be counted because they cannot be relied upon to activate within 30 minutes after the first contingency.”⁴

Consistent with these Decisions, the CAISO has incorporated all “fast” responding resources into its updated Moorpark sub-area LCR analysis. As a result, 18.1 MW of demand response resources⁵ were counted toward Moorpark sub-area LCR requirements. The CAISO and the Commission continue to work toward a framework for determining whether, and to what extent, slow-responding resources can be counted toward LCR needs, but this process has not yet concluded.⁶ It would be improper for the Commission to make long-term planning decisions on

¹ D.13-02-015, p. 56. This represents approximately 37% of then-existing demand response capacity.

² *Id.*

³ D.14-03-004, p. 54-56.

⁴ *Id.* p. 56.

⁵ Approximately 33% of existing demand response capacity in the Moorpark sub-area.

⁶ D.16-06-045, p. 36. (“Therefore, to maximize the benefits of DR resources to local reliability, system reliability, and California energy markets, we request that the CAISO work collaboratively with parties and Staff to develop clear tariff rules and practices around pre-contingency dispatch of DR resources to count for local RA capacity through an open and transparent CAISO stakeholder initiative process. We agree with the May 13, 2016 CAISO decision that a joint CPUC-CAISO workshop is an appropriate and helpful part of this process.”)

the basis that certain slow-responding demand response resources may lessen the need for LCR in the future.

Furthermore, as ORA notes in its opening brief, even if all slow-responding demand resources were assumed to meet LCR needs, a 16 MW residual need would still exist because these resources have limited effectiveness due to their inability to provide dynamic reactive support.⁷

Based in this information, the CAISO's analysis conclusively shows that a residual need will exist in the Moorpark sub-area after the 2020 retirement of the OTC generation.

2. *The CAISO's LCR Analysis Does Not Overstate Need.*

The Sierra Club states that the CAISO's LCR analysis is overstated, and yearly updates show declines over previous estimates. The CAISO disagrees with these characterizations because they based on fundamentally flawed premises.

Sierra Club states that yearly updates show declines based on a finding in the CAISO's 2017 LCR results that "Overall LCR is down by 341 MW."⁸ Sierra Club's reliance on this quote is misplaced because the quote does not refer to the Moorpark sub-area, but rather to the greater Big Creek/Ventura local area. The Moorpark sub-area did not experience significant changes between the CAISO's most recent studies, though there was some moderation of need based on reductions in load growth and the incorporation of approved RFO preferred resources as negative load.⁹ Furthermore, the declines experienced in the California Energy Commission's (CEC) demand forecast may be at least partially due to overestimating the impact of behind-the-meter solar as the CEC has recognized.¹⁰

⁷ Exhibit ORA-8, p.2-3.

⁸ Sierra Club Opening Brief, p. 4, fn. 5 (quoting Exhibit ORA-10).

⁹ The CAISO's 2020 LCR need showed a 547 MW need, whereas the 2021 analysis shows a 492 MW need. Note that the 2021 analysis includes 12.2 MW of preferred resources previously approved in this proceeding as negative load.

¹⁰ See the CEC's *California Energy Demand 2016-2026, Revised Electricity Forecast*, p. 37. ("At some point, continued growth in PV adoption will likely reduce demand for utility-generated power at traditional peak hours to the point where the hour of peak utility demand is pushed back to later in the day. This means that future PV peak impacts could decline significantly as system performance drops in the later hours. This possibility has not been incorporated into the demand forecast through *CED 2015*, since staff has not yet developed models to forecast hourly loads in the long term. Staff expects to develop this capability for the *2017 Integrated Energy Policy Report (2017 IEPR)*, and such an adjustment to PV peak impacts could significantly affect future peak forecasts.") The CEC formally adopted this forecast on January 27, 2016 (http://docketpublic.energy.ca.gov/PublicDocuments/15-IEPR-3/TN210111_20160201T121125_California_Energy_Demand_20162026_Revised_Electricity_Forecast.pdf).

Contrary to Sierra Club's assertions, the Commission should not expect that LCR requirements in the Moorpark sub-area will inevitably trend lower. The CAISO's analysis incorporates 65 MW of additional achievable energy efficiency that has not yet been reflected in a contract. In addition, more than one-fifth of the current Moorpark sub-area LCR need is met by qualifying facilities, which have limited obligations to remain operational and meet dispatch instructions.¹¹ If these resources fail to materialize or retire, the need in the Moorpark sub-area could be significantly exacerbated.

B. The Commission Should Not Rely on Speculative Resources to Meet LCR Needs.

ORA, Sierra Club, and World Business Academy urge the Commission not to approve the Ellwood contract and to meet any residual LCR need through new procurement. The CAISO notes that SCE's RFO stated a preference for preferred resources, but only 12 MW of resources were bid into the RFO. There is no evidence that additional procurement efforts will lead to substantially greater levels of preferred resource development. To be clear, SCE should be encouraged to continue its additional preferred resource procurement in the Moorpark sub-area, and the Ellwood contract should not displace that additional procurement. The additional preferred resource procurement would enable SCE to meet its short circuit duty requirements (to the extent that such resources are located in the correct area) and ensure that other gas-fired generation in Moorpark can retire without causing incremental LCR needs. In other words, the Commission should continue to promote preferred resource procurement in the Moorpark sub-area to ensure that there is no future need for gas-fired resources to bridge the LCR gap, such as Ellwood is needed in this case.

As a result, the Commission may take official notice of this finding pursuant to Rule 13.9 of the Commission's Rules of Practice and Procedure.

¹¹ Exhibit ORA-10, Slide 6 (119 MW of qualifying facility generation is included to meet LCR needs).

III. Conclusion and Recommendation

The CAISO recommends that the Commission approve the Ellwood contract to meet long-term LCR needs.

Respectfully submitted

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