

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

Order Instituting Rulemaking to Integrate and Refine Procurement Policies and Consider Long-Term Procurement Plans.

Rulemaking 12-03-014

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

As noted in comments submitted on March 3, 2014, the ISO supports the Track 4 Proposed Decision (PD) as a well-balanced first step in addressing the local area resource needs caused by the SONGS retirement. The ISO cautioned that in order to ensure grid reliability, development of all types of resources procured to meet local needs must be carefully monitored, so that alternatives can be developed and deployed if it appears that any needed resources will not be on line, or otherwise effective, in time to address reliability issues.

Other parties agree with the ISO that the PD reasonably addresses the issues that were thoroughly addressed on the record. For example, TURN endorses the PD's findings regarding the interim procurement quantity and type as "reasonable given the range of positions advanced by parties in Track 4."¹ ORA notes that "the PD's cautious approach will allow the development of preferred resources and transmission solutions without risking reliability."² SDG&E and SCE generally support the PD determinations and suggest limited changes, including changes to the authorized procurement mix.³

In contrast, other parties take issue with the PD's conclusions by simply re-arguing their positions that adjustments should have been made to the ISO's local capacity studies underlying the need for additional procurement authorization. These parties have not provided the

¹ TURN comments, p.2.

² ORA comments, p. 1.

³ See, e.g. SDG&E comments, pp. 3-4; SCE comments, pp. 1-2.

Commission with any legitimate basis for making adjustments to the PD, and their comments should be disregarded.

I. The PD Correctly Supports the ISO’s Study Methodology and Power Flow Analysis.

Despite the abundance of technical evidence presented by the ISO and the investor owned utilities regarding how the N-1-1 limiting contingency for the SONGS study area was derived, POC continues to argue that using the N-1-1 contingency to develop local area needs is not reasonably supported by the record. POC asserts that the decision to use this contingency is a matter of “regulatory law” within the exclusive jurisdiction of the Commission to decide, and challenges the PD’s finding that there was no “credible” basis for accepting the ISO’s analysis.⁴

POC’s comments and misplaced legal arguments still seem to be based on the theory espoused by Sierra Club’s witness Bill Powers and CEJA witness Julia May, who argued in testimony that the N-1-1 Category C3 contingency was “functionally” an N-2 Category D contingency that could simply be re-classified by WECC upon request by SDG&E.⁵

The PD correctly rejects this line of reasoning, noting that the testimony presented by the ISO and SDG&E on cross-examination discredited this notion by explaining that the WECC re-classification procedure is not available for an N-1-1 contingency.⁶

The City of Redondo Beach’s (City) comments on the PD present arguments comparing the results of its study with the ISO’s study results (adopted by the PD). However, the basis for these arguments is misplaced.⁷ For example, following Table 1, the City states that its solution “uses the same power flow methodology and assumptions” as the ISO, but produces “a lower LCR” than the ISO’s study. The City encourages the Commission to explore why there is a difference between the ISO’s and the City’s study results.⁸ Contrary to the City’s claims, the power flow study described in the City’s direct testimony did not use the same assumptions as

⁴ POC comments, pp. 7-15.

⁵ *Id.*, p. 8.

⁶ PD, p. 47

⁷ See Redondo Beach comments, pp. 4-9.

⁸ *Id.*, p. 5.

the ISO's study.⁹ Thus, the LCR results that are listed in Table 1 of Redondo Beach's comments are based on different assumptions and they are not comparable. The record abundantly supports the PD's adoption of the ISO study methodology and results, and the City has not provided any compelling reasons to re-examine the adopted methodology and results or utilize the City's study.

II. There is Ample Record Support for the Preferred Resource Modeling Assumptions Approved in the PD.

CEJA, Sierra Club, NRDC, EnerNOC and other parties generally argue that the PD erroneously overstates local area capacity needs by failing to take into account additional quantities of preferred resources,¹⁰ and/or by understating the percentage of potential preferred resources that are likely to develop in some combination.¹¹ These parties urge the Commission to adjust the overall needs to reflect the higher levels of Demand Response identified in the Scoping Memo as available after the second contingency, higher levels of Energy Efficiency (both naturally occurring and from the updated CEC report), higher levels of rooftop PV and higher levels of energy storage procurement.

These arguments are unpersuasive and do not support a finding that the PD's conclusions are based on factual or legal error. Indeed, the PD carefully took all of these arguments into consideration in balancing the risks of over- and under-procurement for purposes of determining the "no-regrets" procurement authorization levels for SDG&E and SCE. Specifically, in determining the minimum procurement range, the PD takes into account the possibility that the preferred resource adjustments advocated by these interveners will develop, in some combination, by 2022 in the SONGS study area.¹² Although some parties would have preferred to have the overall LCR needs reduced by including higher levels of preferred resources as part of the baseline modeling assumptions used by the ISO, that does not mean that the approach

⁹ See Redondo Beach opening testimony (Firooz), pp. 20-21.

¹⁰ See, e.g. CEJA comments pp. 2-5; EnerNOC comments pp. 3-8; NRDC comments pp.2-5

¹¹ See e.g. Sierra Club comments, pp. 5-7; NRDC comments pp. 6-8.

¹² PD, pp. 75-76.

taken in the PD, declining to reflect such higher levels, is unreasonable or contrary to the record evidence. The scoping memo assumptions used by the ISO were based on the preferred resource levels found to be reasonable in D.13-02-015 and D.13-03-029, thus providing a solidly supported basis for the PD procurement authorization.

III. There is No Need to Incorporate the ISO’s Transmission Planning Study Results into the Track 4 Record.

Several parties have argued that the PD erroneously excludes the results of the ISO’s 2013-2014 transmission planning studies that are now publicly available in the draft transmission plan. For example, CEJA suggests that the local area needs be adjusted to reflect the transmission solutions addressed in the draft plan.¹³ CEERT recommends that the Commission, “at a minimum,” take official notice of the draft plan and reconsider a process for making adjustments to the SDG&E/SCE procurement authorizations to reflect the ISO’s transmission recommendations.¹⁴

Once again, the PD has taken the correct approach with respect to the ISO’s transmission planning study results, and the Commission should not be persuaded by these comments to make adjustments in the final decision. As the PD carefully explains, the decision not to authorize procurement for all of the local area needs identified by the ISO recognizes that some combination of already-authorized procurement and new transmission solutions could reduce overall needs. In other words, the PD takes into account the fact that there could also be new transmission solutions, and the utilities therefore will procure less than the authorized maximum amount set forth in the PD. On the other hand, if there were no transmission solutions developed to address local needs, it is possible that the maximum procurement authorization in the PD would need to be supplemented. Under either circumstance, the PD concluded there would be no need to update the Track 4 decision (or record) for the ISO’s specific study results.¹⁵

¹³ CEJA comments, pp. 7-9.

¹⁴ CEERT comments, pp. 6-7.

¹⁵ PD, pp. 112-114.

The ISO agrees with the PD's conclusion. Although in its initial testimony, the ISO suggested that the 2013-2014 transmission planning results should have been taken into account before reaching a holistic determination on local area needs without SONGS, the ISO recognized in its rebuttal testimony that the interim procurement approach presented a much more expeditious means to address the pressing reliability needs in the area. The ISO is already developing its study plan for the 2014-2015 planning cycle, and the 2013-2014 transmission solutions will be included in these studies. To the extent there are residual local area needs that are not addressed by the Tracks 1 and 4 procurement authorizations (and the recent final decision on SDG&E's Pio Pico PPTA) and transmission mitigation solutions, these needs can be addressed in the 2014-2015 LTPP cycle. The ISO supports the PD determination that Track 4 will close with the issuance of the final decision.

Respectfully submitted,

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