

**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

**COMMENTS OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR
CORPORATION ON THE TRACK 4 PROPOSED DECISION**

Respectfully submitted,

By: /s/ Judith B. Sanders

Roger E. Collanton

General Counsel

Anna A. McKenna

Assistant General Counsel

Judith B. Sanders

Senior Counsel

California Independent System

Operator Corporation

250 Outcropping Way

Folsom, CA 95630

Tel: (916) 608-7143

Fax: (916) 608-7222

jsanders@caiso.com

Attorneys for the California Independent
System Operator Corporation

Dated: March 3, 2014

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On February 11, 2014, ALJ Gamson issued a proposed decision (PD) in Track 4 of the Long-Term Planning Process (LTPP) proceeding. The California Independent System Operator Corporation (ISO), an active participant in Track 4, supports the decision and believes that it reasonably balances the diverse interests of the many parties who submitted testimony and otherwise participated in the proceeding.

The ISO is particularly encouraged by the PD’s explicit findings that the ISO correctly modeled the assumptions in the scoping memo and that ISO’s study methodology and results should be used as the basis for authorizing additional procurement.¹ This finding correctly includes the ISO’s power flow modeling, including the limiting contingency for the SONGS study area, and the use of the ISO’s Local Capacity Technical Analysis as the basis for determining local capacity needs.² The PD appropriately supports the ISO’s recommendation that SCE and SDG&E should be authorized to procure “no-regrets” levels of additional resources immediately to address resource needs in the SONGS study area.³

¹ PD at pp. 25-27.

² *Id.*, 46-48.

³ PD at p. 92 (SCE); 95 (SDG&E).

At the same time, the PD also recognizes that the ISO's study did not include a number of supply and demand considerations that would reduce local capacity needs, such as transmission solutions being evaluated in the 2013-2014 transmission planning cycle. The PD correctly cites to ISO witness Millar's testimony that supported the interim procurement amounts requested by SDG&E and SCE, rather than authorizing a comprehensive amount of procurement meant to address all residual resource needs.⁴

Nonetheless, because the PD does propose to make two adjustments to the ISO's residual need calculation, the ISO submits these brief comments for consideration in the final decision.

Given the PD's Reliance on Indicators that are Likely to Reduce Local Capacity Needs, It is Critical that the Commission Closely Track Resource Development Relied Upon in Planning Assumptions Underpinning This Decision and the Procurement Authorized in this Decision.

As noted above, the PD (1) finds that the ISO correctly modeled the assumptions set forth in the scoping memo, and (2) for the most part, finds that various parties' requests to make adjustments to these assumptions in order to reduce local capacity needs should be considered as "directional indicators" of possible future events that would lower the residual need finding.⁵ However, one adjustment to residual need adopted by the PD was in response to the ISO's position regarding load shedding as a long term planning solution. The PD agrees with the ISO that long term reliance on a load-shedding special protection scheme (SPS) is not appropriate, and also recognizes that the ISO will address this issue in a grid planning standards stakeholder initiative commencing in early 2014.⁶ Nonetheless, the PD finds that it is not appropriate- **at this time-** to authorize additional resource procurement to address the possibility of load

⁴ *Id.*, p. 80.

⁵ See, *e.g.* Section 3.3.4 with respect to the demand forecast.

⁶ PD, pp. 44-46.

shedding in response to the overlapping N-1-1 contingency that is the binding constraint for the SONGS study area. Consequently, the PD proposes to reduce residual local capacity needs by 588 MW, while retaining the option to reconsider the appropriate level of procurement in the future.

The ISO accepts this adjustment to the residual local needs assessment as part of the PD's approach to determining a prudent level of resource procurement at the present time, recognizing that the future is uncertain and that alternative assumptions could also come to pass. For example, as the PD notes, an alternative analysis could have authorized procurement that would have addressed the N-1-1 contingency *in lieu* of load-shedding, but found that the Mesa loop-in would reduce local capacity needs.⁷ Similarly, the PD could have agreed with certain parties' arguments that higher levels of demand response or energy efficiency should have been assumed, and that would similarly offset the resources needed to avoid load-shedding. Due to the numerous possible combinations of resource development that could reduce local resource needs, the PD engages in a thoughtful analysis and adopts minimum/maximum procurement levels.⁸

Because the ISO recommended that the Commission not authorize procurement for the entire amount of residual local need **at this time**, the ISO does not take issue with the PD's recommended adjustment with respect to the need for load shedding in response to the N-1-1 contingency. The ISO supports the notion that at least a portion of the aggressive preferred resource development approach advocated by many parties could materialize and reduce local area needs.

⁷ *Id.*, p. 70.

⁸ *Id.*, pp. 65-84.

However, the ISO remains concerned that resource development may lag behind the milestone dates needed to ensure that resources are in place in time to meet the specific target dates driven by the OTC compliance requirements. This is true of all resource types. If resources are not materializing at the necessary pace, it will be critical to address deficiencies expeditiously, or grid reliability will be in jeopardy.

For this reason, the ISO supports a process to track preferred and conventional resource development, transmission upgrades, and load forecasts with a feedback loop in each LTPP cycle. The ISO recommends that this commitment be made in the final decision, with feedback used to inform issues to be resolved in LTPP R.13-12-010. The ISO looks forward to working with the CPUC, the CEC and interested parties in developing such a tracking mechanism.

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