

**BEFORE
THE CALIFORNIA PUBLIC UTILITIES COMMISSION**

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 PROPOSED TRACK 2 AND TRACK 4 PROCEDURAL SCHEDULES**

In accordance with the comment schedule established by ALJ Gamson at the September 4, 2013 prehearing conference (PHC), the California Independent System Operator Corporation (ISO) hereby submits comments on the proposed procedural schedules for Tracks 2 and 4 that were discussed at the PHC.

I. BACKGROUND

The May 21, 2013, Revised Scoping Ruling (Revised Scoping Ruling) established the following testimony and possible hearing schedules for both Tracks 2 and 4:

Track 2

- September 20, 2013 - SCE and the ISO submit deterministic and/or stochastic study results in opening testimony.
- November 1, 2013 - all other parties submit opening testimony and response to SCE and ISO
- November 15, 2013 - rebuttal testimony
- December 2-13, 2013 - evidentiary hearings
- March 2014 - proposed decision

Track 4

- August 5, 2013 - ISO submits study results and opening testimony
- August 26, 2013 - SCE (and other parties conducting power flow studies) submit study results and opening testimony
- September 23, 2013 - all parties submit opening testimony and response to SCE and the ISO (and other parties)

- October 7, 2013 - rebuttal testimony
- October 28-Nov. 1, 2013 - evidentiary hearings, if needed
- December 2013 – interim decision issued, if no evidentiary hearings
- February 2013 – interim decision issued, if evidentiary hearings are held

The ISO’s deterministic and stochastic Track 2 studies, which evaluate system flexibility and operational needs for new resources, are based on the updated scenarios described in the D.12-12-010. For the purposes of these studies, the ISO modeled the amount of local resources authorized by the Commission in D.13-02-015 (for the LA Basin/Moorpark local areas) and D.13-03-029 (for the San Diego local area) (collectively “the local area decisions”).

The Revised Scoping Ruling also initiated Track 4, which was intended to evaluate additional local area needs in the event that the San Onofre Nuclear Generating Station (SONGS) remained offline for an extended period of time.¹ The modeling assumptions for the Track 4 studies conducted by the ISO were attached to the Revised Scoping Ruling and closely align with the assumptions approved in the local area decisions. It was the ISO’s understanding that the purpose of Track 4 was to identify the incremental local area needs using the LCR study methodology approved in the local area decisions and the identified study assumptions.

On June 7, 2013, while the ISO’s Track 2 and 4 studies were underway, SCE announced the permanent SONGS retirement. This event removed any uncertainty regarding SONGS return to service, and added a layer of complexity to the ISO’s task because it became clear that an in-depth evaluation of transmission alternatives had to be undertaken in the 2013-2014 transmission planning process. The draft results of these studies will not be available until January 2014, with preliminary results available as early as December 2013. The recommended transmission alternatives will be submitted to the ISO’s Board of Governors for approval in March 2014.

In light of the intervening SONGS closure, the ISO submitted testimony on August 5 that shows the need for incremental local resources with SONGS offline, but does not include transmission alternatives that could reduce the need for conventional or

¹ The studies underlying the resource procurement authorizations in D.13-02-015 and D.13-03-029 assumed that SONGS was online during the study period.

other types of local resources (including additional reactive support). The ISO suggested that additional testimony regarding the recommended transmission alternatives be submitted in March 2014, with a decision on additional local resource procurement issued in July 2014. Although not specifically discussed, the ISO's testimony implicitly suggested that the Track 4 procedural schedule be adjusted so that parties would have an opportunity to respond to the ISO's additional testimony before a decision on incremental local procurement was issued.

On August 26, 2013, SCE, SDG&E, and the City of Redondo Beach submitted testimony containing power flow study results. Both the SCE and SDG&E study results showed local area needs similar to the levels identified by the ISO, but also recommended that the Commission issue a decision authorizing immediate additional resource procurement, presumably in accordance with the existing Track 4 schedule.

With regard to Track 2, the ISO has completed its deterministic system studies but the stochastic studies are not yet completed. Be that as it may, the ISO's recommendation that the Track 4 decision be delayed until the results of its transmission studies become available has implications for Track 2 as well. As noted in the Revised Scoping Ruling, there is interaction between the local needs identified in Track 4 and any residual operational flexibility needs in Track 2 because resources located in the local areas may help address system flexibility needs.² Thus, due to the need to conduct a more in-depth assessment of local needs in Track 4, the ISO's recommendation at the PHC was that Track 2 procedural schedule and a decision on system needs be delayed until after the Commission issues a decision in Track 4 regarding the need for additional local resource procurement.

II. PROPOSED PROCEDURAL SCHEDULES

Track 2-ISO Proposed Schedule Changes

At the PHC, and later in a follow-up email to the service list, the ISO proposed that the current Track 2 schedule be deferred such that there would be no testimony submitted or evidentiary hearings held in 2013. Instead, the ISO suggested that the Track 2 system flexibility needs be addressed in 2014 so that any Track 4 decision(s) that have

² Revised Scoping Ruling, pages 4-5.

been issued can inform the ISO's system flexibility studies. By deferring the Track 2 system studies until after the Track 4 local resource information is available, the ISO would also be able to incorporate any updated scenarios that might be developed during late Q3 and Q4 2013. The ISO will use these updated scenarios (if any) for the Track 2 studies that would take place during 2014, with study results on system flexibility and operational needs submitted through testimony in Q3 2014. The Commission would then be able to issue a decision as to system resource needs by the end of 2014.

Track 4- ISO Proposed Schedule Changes

At the PHC, the ISO suggested that, in lieu of submitting testimony regarding transmission alternatives in March 2014, this testimony could be submitted in January 2014. As explained in the ISO's follow up email, this submittal could lead to a decision in late Q2 or early Q3 2014.³

In the follow-up email, the ISO noted that with respect to the SCE and SDG&E requests for immediate procurement authorization, the ISO would not object to an interim decision regarding the narrow issue as to whether the additional procurement requested by these parties should be authorized before the ISO's transmission studies are completed. However, this interim procurement authorization should be contingent upon the ISO's transmission study results, given the very distinct possibility that transmission alternatives could change the need for local resources in the study area.⁴

Should the Commission determine that an evidentiary hearing is required on the issue of additional resource procurement authorization, the ISO would encourage this hearing to be very limited in scope and scheduled for only 1-2 days by focusing on the merits of a limited but immediate authorization as proposed by SCE and SDG&E. This will permit the ISO to continue its transmission evaluations and not divert needed resources to a lengthy hearing process regarding the interim procurement request.

³ During the PHC, the ALJ filled in some rough procedural dates for the ISO's proposed schedule for illustrative purpose, as follows (Tr. 310:28-312:14):

- ISO testimony filed January 30, 2014
- No hearing approach: February 15 comments, February 25 reply comments; hearing approach: reply testimony March 1, rebuttal testimony March 15
- No hearing- proposed decision approximately end of May
- With hearing- evidentiary hearings in April, briefs in May, proposed decision in August

⁴ This recommendation appears to be consistent with SCE's Track 4 testimony (Exhibit SCE-1) at page 4.

Track 4-ALJ Proposed Schedule Changes

The ALJ asked for comments on a proposed Track 4 schedule that differs from the ISO's suggestions at the prehearing conference and in the follow-up email:

- 1) There will be an interim decision issued on the current schedule (likely early next year, depending on whether there is an evidentiary hearing) with an expected level of capacity needed to replace SONGS;
- 2) The decision would include the assumptions about what resources are expected to be in place, and that would include:
 - a. Resources already approved, planned, pending approval, or otherwise anticipated;
 - b. Transmission upgrades proposed by SCE and SDG&E but not yet formally studied or put forth by the ISO in the transmission planning process;
 - c. Facilities to provide voltage support;
 - d. Resources expected to retire; and,
 - e. Other resources which may be identified in the record.
- 3) The decision would then authorize procurement of resources to meet the identified need on an interim basis specifying the type of resources or types of resources to be procured and provide a process for such procurement.
- 4) The decision would also set a policy for any additional procurement which may be necessary after review of the TPP.
- 5) The decision would provide a method for SCE and SDG&E to procure more or less than authorized in the interim decision.
- 6) After the CAISO submits its transmission planning process study results to the Commission, parties could comment on whether any changes are needed to the interim decision.

The ALJ also presented the parties with a list of seven topics that should be addressed in Track 4 testimony. Parties were asked to address these issues in their September 23 testimony, including supplemental testimony filed on that date by the ISO, SCE, SG&E and the City of Redondo Beach.

III. THE ISO'S COMMENTS AND RECOMMENDATIONS

The ISO has no additional comments or recommendations about its proposed deferral of Track 2 study results, testimony and hearing into 2014 so that the Track 4 study results and any interim or final decisions can inform the system needs analysis.

With respect to Track 4, the ISO appreciates that the ALJ's proposed schedule accommodates the ISO's request to submit transmission alternatives through additional testimony that supplements its August 5 needs analysis. In some ways the two proposed schedules are not very different. Both the ISO and ALJ proposals contemplate an interim decision before the ISO submits additional testimony, with a final decision that would make adjustments based on the ISO's transmission recommendations.

However, there is a very important difference between the two. The ISO's proposal contemplates a very limited scope for the interim decision: the request by SCE and SDG&E that procurement for some level of resources be authorized immediately. The ISO believes that this issue could be addressed without an evidentiary hearing, or if needed, a very short hearing solely focused on whether it would be reasonable to authorize some level of additional procurement before the more holistic final decision is issued that would include consideration of the ISO's transmission testimony. According to the ISO's proposal, the more "full-blown" hearing would likely take place early in 2014 once the parties had an opportunity to respond to the ISO's supplemental testimony. This schedule would allow the ISO and other parties to concentrate resources on the later hearing and not the one prior to the issuance of the interim decision.⁵

On the other hand, it appears that the ALJ's proposed schedule could lead to two rather "full-blown" hearings. Given the additional topics to be addressed in testimony, as well as the issues that will be included in the interim decision, it seems likely that there could be a lengthy hearing before the interim order is issued. Then, after the ISO submits its transmission alternatives, parties could also seek the opportunity to have a lengthy hearing on the issue of whether the interim decision should be adjusted, based on the ISO's transmission information that would be considered for the first time. This could push the final decision beyond the early Q3 2014 timeframe contemplated in the ISO's schedule.

⁵ For the purposes of either any proposed schedule changes, the ISO also assumes that Track 1 issues- particularly the ISO's study methodology and the modeling assumptions set forth in the Revised Scoping Ruling- will not be re-litigated in Track 4.

The ISO prefers its proposed schedule. However if, under the ALJ's schedule, the second inquiry - based on the ISO's transmission study results - could be limited in scope and focus strictly to the need for adjustments to the interim decision, the ISO's concerns about delay and resources could be alleviated. It seems that the second inquiry could be more focused if the Commission had information about the ISO's transmission alternatives before the interim decision is issued.

To that end, the ISO has an alternative recommendation as to the ALJ's proposal. The ISO would be able to provide additional testimony about the transmission alternatives under consideration- and the resource needs associated with each alternative- prior to the time that Commission issues an interim decision. This information would not be study results; as noted above, these will not be available until December at the earliest. However, the information that the ISO can provide would elaborate on the scope of the ongoing ISO analysis, and the potential changes in local area needs that would occur if transmission upgrades were added to the system. This information would inform the interim decision and, assuming that the decision takes these alternatives into consideration, the method for SCE and SDG&E to procure more or less than authorized in the interim decision could be specifically addressed in a narrowly-focused second inquiry.

The ISO proposes this schedule as a Track 4 alternative:

- September 23, 2013 - interveners submit testimony; SCE, SDG&E, the ISO and the City of Redondo Beach submit testimony on the additional topics
- October 7, 2013 - ISO submits testimony about transmission alternatives under consideration
- November 6, 2013 - parties submit rebuttal testimony
- November 18-22, 2013 - evidentiary hearing, if necessary
- Interim decision issued in Q1 2014
- March 2014 - ISO submits Board approved transmission plan
- Parties can comment on whether the interim decision should be modified and whether additional hearings are needed based on the ISO transmission plan

IV. CONCLUSION

The ISO appreciates this opportunity to address these scheduling issues and provide assistance with development of a schedule that will expeditiously and comprehensively address resource needs without SONGS.

Respectfully submitted,

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