

**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)
_____)

R.10-05-006

**PREHEARING CONFERENCE STATEMENT OF THE
CALIFORNIA INDEPENDENT SYSTEM
OPERATOR CORPORATION**

On February 10, 2011, ALJ Allen issued a ruling that, among other things, revised the Track I procedural schedule, identified a potential discovery issue concerning the renewables integration computer model being used by the California ISO (“ISO”), and set a prehearing conference for February 28, 2011 to address these issues. According to the ruling, the purpose of the prehearing conference is to: 1) allow parties to discuss which Rules Track III issues should be addressed concurrently with Track I; 2) explore which modeling runs will be available to the Commission; 3) discuss issues relating to access to computer models; and 4) discuss other scheduling issues for System Track I and Rules Track III. Parties were provided an opportunity to submit prehearing conference statements by February 23, 2011.

The ISO has concerns with the modifications to the Track I procedural schedule and the potential discovery issue identified in the ruling. Specifically, the revisions to the procedural schedule impose requirements on the ISO to submit study results in several rounds of testimony as well as suggesting the possibility that the ISO will be responsible to model additional renewable scenarios in addition to those the ISO has already agreed to run. The purpose of this prehearing conference statement is to clarify the ISO’s role in this proceeding and propose other modifications to the Track I schedule that will serve to satisfy due process concerns and not delay the issuance of a decision by year end 2011. These proposals can be further discussed at the prehearing conference.

Background

As described in the May 28, 2010 ALJ ruling in this proceeding, the purpose of Track 1 is to establish a set of uniform planning standards that will be used by the major investor-owned utilities to develop long-term system resource plans. With these plans, the Commission will “comprehensively consider the impacts of state energy policies on the need for new resources.”¹ To begin this task, the Commission’s Staff built on the work accomplished in R.08-02-007 and updated the relevant output assumptions from the 33% RPS Implementation Analysis. These updates were incorporated into the proposed Planning Standards for System Resource Plans-Part II contained in Attachment I to a June 22, 2010 Ruling in this proceeding. The Ruling sought party comment on the proposal “for a set of inputs, assumptions, methodologies, and resulting scenarios to guide long-term planning for renewables,” noting that “if adopted, the renewable resource scenarios generated by this updated renewables study will be among several required inputs to system resource plans in this proceeding.”²

Concurrently with the Staff’s efforts in refining the proposed procurement planning standards for use in this proceeding, the ISO has been working on its own tools for accommodating the state 20% and 33% RPS initiatives. Specifically, during 2009 and 2010 the ISO substantially revised its transmission planning process to reflect, among other things, the comprehensive analysis of likely renewable resource build-out scenarios that will be required for making efficient and cost effective long-term infrastructure decisions.³ The ISO is also engaged in the operational analysis of infrastructure needs to integrate the large amount of renewable resources that are forecast for interconnection to the ISO controlled grid between 2010 and 2020. As part of this initiative, the ISO published its 20% RPS Integration Report in September 2010 and is engaged in modeling 33% RPS renewable scenarios. Both the ISO’s transmission planning and renewable integration efforts are based on plausible assumptions about future transmission and generation resource needs, and the ISO has worked closely with the Commission’s Staff and ISO stakeholders, many of whom are parties to this proceeding, in crafting the resource scenarios to be used in its transmission planning and integration studies. The

¹ May 28, 2010 Ruling at page 2.

² June 22, 2010 Ruling at page 3.

³ The ISO’s revised transmission planning process became effective on December 20, 2010.

ISO is pleased to work collaboratively with the Staff and parties to this proceeding in structuring renewable resource scenarios that will be useful both for ISO operational needs and for future procurement needs in this case.

However, because of the considerable uncertainty associated with renewable resource build out assumptions over a ten year planning horizon, the identification of resources needed to integrate renewables is an iterative process that can begin with incremental resource procurement requirements developed during this LTPP cycle and then should be refined in subsequent LTPP proceedings as additional data becomes available. For this reason, the ISO believes that modeling multiple resource scenarios (whether by the ISO or the IOUs) in this case, beyond the 3-4 total scenarios that the ISO has agreed to run by June 2011, will add little useful information and could detract from the purpose of Track 1. Of the renewables scenarios developed by the Staff, the ISO selected the trajectory and the environmentally-constrained cases including a limited set of sensitivities as the “bookends” that will provide sufficient data points for the Commission’s consideration. The ISO remains willing to model up to two additional scenarios at the direction of the Staff and parties.

The scoping ruling issued on December 3, 2010 appeared to recognize the ISO’s collaborative role in producing study results that could then be incorporated into resource planning assumptions to be used by the IOUs in developing system resource plans. The Track 1 schedule contained in that ruling established March 11 as the date by which the ISO would file its study results, with a workshop in late March. In April, parties would be given an opportunity to request an evidentiary hearing and submit comments on the study results. That schedule identified “testimony” to be filed in June and hearings, “if necessary,” to be held in July. This schedule appeared to contemplate the same format for ISO study results to be introduced informally through a workshop informational session and then party comments, consistent with the prior process. Any testimony and requested evidentiary hearings apparently would have focused on the proposed use of the ISO study results in establishing the procurement planning standards, not on the ISO study itself. The ISO’s only concern with the December 3 scoping ruling was the implication that multiple renewable scenarios were to be run by the ISO and produced in March, 2011. These concerns were expressed at the December 20, 2010 prehearing

conference where the ISO again stressed that two scenarios- the trajectory and environmentally constrained cases- would be run by late March or early April, with one or two additional cases by June. Since the December pre-hearing conference, the ISO continued to work with CPUC staff to clarify the scenario inputs in order to develop the necessary detailed wind, solar and load profiles which are necessary inputs to the step 1 and step 2 analyses. Additionally, the ISO has collaborated with Staff and parties by incorporating some requested enhancements into the development of the solar profiles and forecast error methodologies. The ISO believes this evolving process is the best way to achieve a reasonable result. The ISO has been performing its study efforts in a transparent way and has made use of a study work and review group for intermediate steps along the way.

Unexpectedly and in stark contrast to the December 3 Track I procedural schedule, the February 10 Track I schedule assumes the need for an evidentiary hearing and sets up a rigid timeframe that includes the ISO as an active party to the case. Specifically, this schedule commits the ISO to: 1) file testimony on April 13; 2) hold a workshop on April 20; 3) file testimony in June with the study results from additional scenarios which presumably may have been proposed by other parties; and 4) participate in a full-blown evidentiary hearing, including possible reply testimony, briefs and reply briefs. This format for study results presentation is quite different than the collaborative process. Furthermore, the modified procedural schedule appears to focus the Track 1 evidentiary hearing on the reasonableness of the ISO's model and the study results of numerous renewable scenarios run by the ISO and the IOUs, rather than how the results will be used to develop system procurement plans.

The ISO believes that if there is to be an evidentiary hearing in Track 1, its purpose should be exploring the means by which the ISO study results can be used to make procurement decisions that will facilitate the integration of renewable resources. The ISO proposes to provide its study results using the collaborative format that has previously been used in Track 1, rather than the formal evidentiary process contemplated by the revised schedule. However, the ISO is aware that the Commission must create a robust evidentiary record that includes information about the ISO's model and how the renewables scenario cases were developed and produced. Thus, in the next section the

ISO proposes a revised schedule for its participation in this proceeding that resolves its concerns while meeting the Commission's evidentiary needs. The ISO's schedule uses the timeframe set forth in the February 10 ruling so that the proposed changes will not delay the hearing or decision.

Proposed Procedural Schedule

April 20, 2011- The ISO will present the results of its analysis of the trajectory and environmentally-constrained scenarios at a workshop. Supporting data will be provided to the parties at that time, if not previously provided.

April 29, 2011 and May 6, 2011- Consistent with the February 10 schedule, by April 29 parties may file comments and make recommendations as to the one or two additional cases that might be valuable for the ISO to run. A ruling will be issued by May 6 determining whether any additional cases are requested but not to exceed two additional cases.

June 20, 2011 The ISO will complete any necessary analysis and issue the additional scenario results as well as a narrative description of the study methodology, input and profile assumptions, and all of the other materials that have previously been provided to the parties. This information will be discussed in a workshop to be held in late June, 2011 and supporting data will be made available.

July-August, 2011- The ISO will serve its 33% RPS renewable integration study results and narrative description on all parties with brief supporting testimony and will make a panel of witnesses available at the evidentiary hearing for cross-examination on the results and underlying methodology.

The ISO has no proposed changes to the rest of the schedule but does not intend to participate in further rounds of testimony or reply testimony.

Discovery

The February 10 ruling identified a February 1, 2011 ISO response to a data request from L. Jan Reid in which the ISO advised Mr. Reid that the computer software developed under a commercial licensing agreement with Battelle/Pacific Northwest National Laboratory (PNNL) could not be made available to other parties. The ruling

noted that this response raises potential issues related to CPUC Rules 10.3 and 10.4 and Pub. Util. Code Section 1822.

In the interest of resolving this concern, the ISO has contacted Battelle/PNNL and obtained their agreement that parties may directly obtain the same computer software used by the ISO under licensing arrangements similar to the ISO's. The ISO also understands that Battelle/PNNL is willing to run Step 1 studies upon request. Thus, similar to the PLEXOS computer model used by the ISO for the Step 2 production simulation runs, parties are free to obtain the same software used by the ISO and run their own scenarios, or have the model runs performed for them. All of the ISO's inputs and assumptions have been made publicly available, as described in the other responses to Mr. Reid's data requests. These details can be discussed at the prehearing conference.

On a going forward basis, the ISO sees little need for formal discovery. The ISO will invite party participation in the development of its analysis whenever possible.⁴ In addition, the ISO will present its study results in workshops, answer questions and respond to comments. If the ISO is to produce the study results on the timetable that will support completion of Track 1 by the end of the year, numerous rounds of discovery are simply not practicable or desirable. Again, the ISO is happy to assist the Commission and the parties in making its renewable integration model available as an analytical tool for use in making long-term procurement decisions, but will do so informally and collaboratively.

⁴ For example, the ISO recently published a market notice seeking party input on the resource modeling that will be used in the input dataset to the production simulation models being developed for the two renewable resource scenarios that will be finished in April.

The ISO will fully support its 33% RPS results on the record of this proceeding, and will informally provide all information necessary to evaluate the reasonableness of using the model in developing the procurement standards. The ISO's proposed schedule and informal discovery approach accomplishes this purpose.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on February 23, 2011, I served, by electronic and United States mail, a copy of the foregoing Prehearing Conference Statement Of The California Independent System Operator Corporation to each party in Docket No. R.10-05-006.

Executed on February 23, 2011
at Folsom, California

Anna M. Pascuzzo

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