

**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
Western Los Angeles Basin.

Application 14-11-012

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

Roger E. Collanton
General Counsel
Anthony Ivancovich
Deputy General Counsel
Anna McKenna
Assistant General Counsel
Jordan Pinjuv
Counsel
California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630
Tel.: (916) 351-4429
Fax: (916) 608-7222
jpinjuv@caiso.com

Attorneys for the California Independent
System Operator Corporation

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Table of Contents

I.	Introduction.....	1
II.	Discussion.....	1
	i. SCE’s RFO Requirements for DR Resources Were Reasonable Based on Local Capacity Requirement Needs and Commission Decisions.....	1
	ii. The 20-Minute Maximum Response Time for DR Resources Is Rooted in Established Reliability Requirements.....	2
	iii. Residual Procurement Should Be Based on Identified Reliability Needs.....	3
	iv. Sierra Club’s Recommendation to Limit Gas-Fired Generation Procurement to 1,000 MW Would Significantly Reduce the Reliability Benefits of the RFO.....	5
	v. There Is No Basis to Revisit Need Determinations in D.13-02-15 and D.14-03-004.....	6
III.	Conclusion and Recommendation	7

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I. Introduction

In the March 3, 2015 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’s) application for Approval of the results of its 2013 local capacity requirements (LCR) request for offers (RFO) for the western Los Angeles basin (LA Basin). This Reply Brief addresses (1) the establishment minimum requirements for local resource adequacy needs, (2) the recommendation that gas-fired generation (GFG) resources be capped at a maximum capacity of 1,000 megawatts and (3) the lack of any need to revisit the Commission’s need determinations in Decisions D.13-02-015 and D.14-03-004.

II. Discussion

- i. SCE’s RFO Requirements for DR Resources Were Reasonable Based on Local Capacity Requirement Needs and Commission Decisions.*

Several parties take issue with the RFO’s minimum requirements for DR resources. Specifically, parties challenge (1) the institution of a 20-minute maximum response time for DR resources to count toward local capacity requirements and (2) the nature of the consultation

process between SCE and the CAISO to assure that RFO resources met identified reliability constraints.¹

ii. *The 20-Minute Maximum Response Time for DR Resources Is Rooted in Established Reliability Requirements.*

EnerNoc errs in stating that “[n]either the Commission nor the CAISO have adopted rules or requirements in order for DR resources to qualify as local capacity resources through a RA proceeding [] or for participation in the wholesale markets.”² To the contrary, the CAISO has established minimum standards for local capacity area resources in its Federal Energy Regulatory Commission (FERC) approved tariff based on North American Electric Reliability Corporation (NERC) reliability standards.

CAISO Tariff Section 40.3 specifically identifies that the CAISO will conduct an annual Local Capacity Technical Study³ to determine the amount of Local Capacity Area Resources needed to meet identified contingencies.⁴ The CAISO applies methods for resolving contingencies consistent with NERC Reliability Standards and the CAISO Reliability Criteria.⁵ The tariff specifies a maximum manual adjustment time of 30-minutes after the first contingency to prepare for the system for the next contingency.⁶ This 30-minute requirement applies to all resources, not solely demand response. Based on the CAISO tariff and the NERC Reliability Standards, it is clear that the 1-hour response time initially included in the SCE RFO would not have been sufficient to meet local capacity requirements. The CAISO has stated on numerous

¹ See Opening Brief of EnerNoc, Inc. (EnerNoc), pp. 23-30; Opening Brief of the California Large Energy Consumers Association (CLECA), p. 13-16; Opening Brief of Powers Engineering, Inc. (Powers Engineering), p. 19.

² Opening Brief of EnerNoc, p. 28.

³ Terms not otherwise defined herein are used as defined in the CAISO tariff.

⁴ CAISO Tariff Sections 40.3.1 and 40.3.1.1.

⁵ CAISO Tariff Section 40.3.1.1

⁶ CAISO Tariff Section 40.3.1.1(1).

occasions that in order to manually readjust the system within the NERC-mandated 30-minute window, some amount of time must be reserved for operator action and market dispatch.⁷ The institution of a 20-minute window for DR resources to respond allows 10-minutes for CAISO operator adjustment and market dispatch.

iii. Residual Procurement Should Be Based on Identified Reliability Needs.

EnerNoc contends that any residual preferred resource procurement by SCE should be delayed until the Commission “addresses the shortcomings in the 2013 LCR RFP [sic] procurement process, which include a clear understanding of the resource obligations between the Commission and the CAISO and a determination that the issues around wholesale market participation of DR resources have been resolved in a manner to permit meaningful resource participation (including, but not limited to, a final decision on the supply-side integration working group report in R.13-09-011 (DR) and an order of the [FERC] approving the CAISO’s Reliability Services Initiative (RSI).” As a basis for this, EnerNoc points to SCE’s consultations with the CAISO in accordance with Commission’s directive in D.13-02-015 to “meet the identified reliability constraint identified by the CAISO” and “use the most up-to-date effectiveness ratings.”

During these consultations, the CAISO relayed the information above regarding NERC and CAISO reliability requirements for manual readjustment of the system in Local Capacity Technical Studies. The CAISO also relayed information regarding the Commission’s minimum four-hour requirement for DR resources to count toward system resource adequacy

⁷ See, for example, Reporter’s Transcript in SCE’s Application for Approval of the Results of Its 2013 Local Capacity Requirements Request for Offers for the Moorpark Sub-Area, p. 493, lines 7-11.

requirements.⁸ These consultations were requested by the Commission and the information given by the CAISO was based on publicly available reliability requirements.

Although the CAISO agrees that the outcome of the Commission's DR proceeding and the CAISO's RSI filing will provide additional structure to the resource adequacy requirement framework for DR and other resources, this is not a compelling reason to delay additional procurement of preferred resources that were identified as needed for the local reliability requirements for the western LA Basin. The electric industry is in a state of transition with regard to integrating new resources and maintaining resource adequacy and related revenue streams, but the CAISO and the Commission are required to preserve reliability regardless of technological shifts in the industry. Instead of arbitrarily delaying future preferred resource procurement, the Commission should actively track additional procurement needs and authorize SCE to fill those needs with preferred resources as appropriate. As stated in the direct testimony of CAISO witness Neil Millar, "The Commission should continue to rely on the comprehensive analysis prepared by the CAISO through its annual transmission planning processes, which identifies the local needs and assesses the impacts of preferred resources, transmission being developed, and conventional resource procurement."⁹ Put briefly, need should drive residual preferred resource procurement, because the Commission has a significant interest in maintaining reliability while leading the transition to a cleaner electric resource portfolio.

⁸ See the Commission's 2015 Filing Guide for System, Local and Flexible Resource Adequacy (RA) Compliance Filings, issued September 9, 2015. <http://www.cpuc.ca.gov/NR/rdonlyres/70C64A46-89DE4D90-83AB-93FD840B4251/0/Final2015RAGuide.docx>.

⁹ Exhibit CAISO-2, p. 5.

iv. Sierra Club's Recommendation to Limit Gas-Fired Generation Procurement to 1,000 MW Would Significantly Reduce the Reliability Benefits of the RFO.

To test the ability of the RFO resources to meet identified reliability concerns, the CAISO studied the selected RFO resources in its 2014-2015 transmission plan analysis of the LA Basin and San Diego local capacity areas. This analysis indicated that SCE's selected RFO resources are necessary, but not sufficient on their own, to meet the local reliability needs in the LA Basin and San Diego areas through 2024.¹⁰ Specifically, the CAISO identified a 268 megawatt (MW) residual deficiency in 2024 given the resources before the Commission for approval.¹¹

Sierra Club proposes the Commission limit SCE's total GFG resource procurement to 1,000 MW, despite D.14-03-004's finding that this was a minimum procurement level for GFG resources.¹² This proposal would result in the immediate rejection of contracts that account for 738 MW of the 1,382 MW in GFG capacity for which SCE seeks approval in this Application.¹³ While the Sierra Club proposal allows for replacing some of this capacity with a smaller GFG facility (up to 360 MW total), this reduction in capacity will significantly increase residual need in the LA Basin and San Diego areas through 2024. Instead of rejecting contracts that are needed for long-term reliability, the Commission should focus on filling the SCE's residual preferred resources procurement requirements in a manner that meets long-term capacity needs.

¹⁰ Exhibit CAISO-1, p. 4. These findings are based on several important assumptions developed in the 2014-2015 transmission plan including (1) the timely development of CAISO-approved transmission solutions, (2) the procurement, approval and development of the maximum authorized long-term procurement plan resources by San Diego Gas & Electric Company and (3) the development and implementation of Additional Achievable Energy Efficiency and demand response at levels previously approved by the Commission.

¹¹ Exhibit CAISO-1, pp. 4-5.

¹² D.14-03-004, p. 3.

¹³ Sierra Club calls for the rejection of one combined cycle facility (640 MW) and the Stanton Energy Reliability Center (98 MW). This figure does not include Sierra Club's proposed rejection of SCE's selected demand response offers.

v. *There Is No Basis to Revisit Need Determinations in D.13-02-15 and D.14-03-004.*

Powers Engineering simultaneously asserts that the Commission should revisit its determinations of need in D.13-02-015 and D.14-03-004 and that CAISO's 2014-2015 Transmission Plan cannot be used to assert that SCE's need is unchanged.¹⁴ To be clear, the CAISO's 2014-2015 Transmission Plan is the only power-flow analysis on the record in this proceeding. The Transmission Plan analysis indicates that the Commission's prior need determinations combined with the CAISO's approved transmission solutions would be sufficient to meet future reliability needs.¹⁵ The Transmission Plan analysis also shows a residual short position with SCE's selected RFO results.¹⁶ This confirms that the Commission's initial need determinations were appropriate and reasonably accurate to help address the identified long-term capacity needs.

Powers Engineering argues that the Commission should reject the CAISO's Transmission Plan, which undergoes a rigorous stakeholder vetting, close coordination on assumptions and scenarios with the Commission and the California Energy Commission, approximately fifteen months of internal analysis before final approval by the CAISO Board of Governors. Instead, Powers Engineering suggests that the Commission's previous need determinations should be revisited based on Mr. Powers' personal analysis of load growth, CAISO-approved transmission projects and other non-GFG projects.¹⁷ Powers Engineering presents no power flow analysis to support these contentions. In fact, Powers Engineering explicitly cites to factors that were

¹⁴ Opening Brief of Powers Engineering, pp. 3-12.

¹⁵ Exhibit CAISO-1, Exhibit 1, p. 149. See Scenario No. 1 presented in the table titled "LTPP Procurement, DR and AAEE Scenarios."

¹⁶ Exhibit CAISO-1, Exhibit 1, p. 149. See Scenario Nos. 2 and 3 presented in the table titled "LTPP Procurement, DR and AAEE Scenarios."

¹⁷ Opening Brief of Powers Engineering, pp. 3-6, 9-12.

accounted for in the 2014-2015 CAISO Transmission Plan to support his contentions.¹⁸

Essentially, Powers Engineering requests that the Commission update the analysis conducted in the long-term procurement planning proceeding, but then reject consideration of the CAISO Transmission Plan, which actually provides the updated analysis he requests.

III. Conclusion and Recommendation

For the reasons set forth above and in its Opening Brief, the CAISO supports approval of the SCE-selected RFO resources and authorization for SCE to procure additional preferred resources as necessary to meet local capacity requirements and its minimum procurement authorization in D.14-03-004.

Respectfully submitted

By: /s/ Jordan Pinjuv

Roger E. Collanton

General Counsel

Anthony Ivancovich

Deputy General Counsel

Anna McKenna

Assistant General Counsel

Jordan Pinjuv

Counsel

California Independent System

Operator Corporation

250 Outcropping Way

Folsom, CA 95630

Tel.: (916) 351-4429

Fax: (916) 608-7222

jpjuv@caiso.com

Attorneys for the California Independent
System Operator Corporation

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¹⁸ Opening Brief of Powers Engineering, p. 5 (“The demand forecast used by the CAISO in its 2014-2015 Transmission Plan projects a 2020 SCE peak demand that is 1,348 MW less than the 2020 SCE peak demand projected in the 2009 forecast.”) The CAISO notes that the Mesa Loop-in project and other transmission solutions cited by Powers Engineering have also been factored into the 2014-2015 Transmission Plan power flow analysis.