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 (Filed March 22, 2012)

REPLY COMMENTS OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION ON STANDARDIZED PLANNING ASSUMPTIONS AND STUDY SCENARIOS

I. INTRODUCTION

Along with many other parties, the ISO submitted comments on October 5, 2012, regarding the planning assumptions and scenarios proposed in the September 20, 2012 ACR. In addition to other concerns, the ISO made several key recommendations: 1) the Commission needs to identify the scenario that will be used to determine system resource needs in the LTPP proceeding Track II; 2) there is a need to develop a realistic operational reference case which should not include uncommitted energy efficiency programs; and 3) the Commission must identify the details and capability of demand response assumptions for purposes of accurate modeling.

The ISO has reviewed the comments submitted by other parties and for the most part, could find no basis upon which to revise these recommendations, or any of the other concerns addressed in initial comments. Consistent with the arguments advanced in the Track 1 evidentiary proceeding, many parties insist that the Replicating TPP scenario not be used for any

purposes.[1] Others argue that the proposed scenarios do not reflect adequate amounts of preferred resources, including forecasts of energy efficiency levels based on BBEES levels.[2] Several parties support an expansion of the longer planning horizon to include a 50% by 2050 renewable scenario, a suggestion that runs completely counter to the ISO's position that a "second planning period" extensive study effort is not warranted. The ISO has addressed these issues in initial and technical comments, as well as testimony in Track I and will not repeat its concerns in these reply comments.

II. REPLY COMMENTS

A. Scenario Analysis

In R.10-05-006 the ISO studied four renewable scenarios that were developed by the Commission as well as an ISO-developed scenario based on the Commission's high load trajectory sensitivity scenario. The September 20 ACR describes four scenarios as "high priority" and a second tier of two scenarios to be modeled as time allows. The high priority scenarios include the Base, Replicating TPP, Early SONGS retirement and High DG/HIGH DSM. As noted above, the ISO urges the Commission to develop a realistic operational scenario based on the Stress Peak Case using an explicit 1-in-2 high load forecast, as well as identifying the "need" scenario.[3] In addition, the ISO suggests that in order for the Commission to issue a decision on residual system needs by year end 2013, the number of scenarios that the ISO will be able to analyze must be limited to four, with one or sufficient sensitivities to evaluate alternatives of any scenario where needs are observed. CEERT's suggestion that a "true" scenario analysis must include multiple sensitivities resulting in as many as 96 "scenario

[1] See, *e.g.* Clean Coalition at page 6; Sierra Club/Union of Concerned Scientists at page 3; CEJA at page 7
[2] See, *e.g.* NRDC at page 3.
[3] The Replicating TPP scenario could also be used because the mid-level unmanaged load and 1-in-5 peak weather conditions are comparable to the 1-in-2 weather conditions and high unmanaged load.

outcomes" is disconcerting at best, simply cannot be accomplished in any reasonable timeframe, and is completely unnecessary.[4] The approach followed in R.10-05-006, where the ISO studied a limited number of scenarios, should be used in Track II.

In addition, the ISO's Track II operational flexibility studies largely will be based on a deterministic methodology, augmented by stochastic results developed through the ISO's continued efforts with the working group. The deterministic methodology can be used to identify cases where potential needs exist. Using stochastic study methods, can attempt to quantify comparative risk of shortages.

B. Uncommitted Energy Efficiency

The ISO remains concerned that overly optimistic assumptions about uncommitted energy efficiency can lead to under-procurement, and therefore cautions against adopting recommendations that urge even higher levels of uncommitted energy efficiency than the CEC high levels assumed in the High DG/DSM scenario.[5] The ISO also supports the Replicating TPP case as an alternative operational scenario and notes that uncommitted energy efficiency is not reflected in that scenario. However, having reviewed the incremental impacts of energy efficiency savings described in the *Energy Efficiency Adjustments for a Managed Forecast: Estimates of Incremental Uncommitted Energy Savings Relative to the California Energy Demand Forecast 2012-2022* and circulated to the parties on August 1, 2012, the ISO believes it would be appropriate to model the low incremental energy efficiency savings described in the report. Although these forecasts of uncommitted energy efficiency contain a higher degree of speculation than the other components of the CEC adopted forecasts, the ISO observes that

[4] CEERT comments, page 6.
[5] See, *e.g.*, NRDC comments urging that BBES program results be included in the High DG/DSM scenario even though excluded from the CEC estimate of incremental energy efficiency, page 7.

efforts have been taken by the CEC to develop more realistic uncommitted energy efficiency ranges that could be relied upon for procurement purposes.

C. Specific Responses to Other Parties

1. Clean Coalition

The Clean Coalition, at opening comments pages 3-4, supports a 48%-55% RPS assumption by 2050 based, in part, on "cost benefit projections" without citation or further explanation. Similarly, Clean Coalition states that the "full range of DG + IG options" is a "cost-effective solution" but provides little information about storage technologies that form the basis for this statement.

At page 5 Clean Coalition comments that "the retirement of existing facilities on the transmission system will free up the transmission capacity used by these facilities" but provides no basis for this statement. For example, what facilities are being referred to? If these are once-through cooled units in local capacity areas, it is not clear what transmission would be "freed up." If this is a reference to other types of generation, perhaps coal-fired units, the reference to transmission capacity is still unclear and should not be used for the purposes of developing the LTPP scenarios.

Clean Coalition also recommends that Governor Brown's 12GW DG goal be incorporated into all the scenarios.[6] While this may be a laudable goal, incorporating such a DG level into all scenarios clearly heightens the risk of under-procurement and provides the Commission with no reference point as to procurement needs with lower DG assumptions.

Finally, Clean Coalition quotes ISO CEO Steve Berberich regarding the SONGS outage and possible transmission planning issues, but, once again, fails to provide a reference for these

[6] Clean Coalition comments, page 7.

comments. Without additional context, the ISO suggests that the Commission not rely on the Clean Coalition recommendations regarding the implications of the SONGS outage.[7]

2. DRA

The ISO takes issue with DRA's implicit premise that the ISO analyzed the high load trajectory scenario in the prior LTPP proceeding "because no other scenario showed need, and thus, it was the only way to study how operating flexibility might be needed in the future." DRA goes on to opine that the Replicating TPP scenario and the Stress Peak sensitivity are "designed in search of a flexibility need that does not exist using the current methodology," and expresses concern that the ISO "will continue to cite flexibility need in numerous locations without clearing indicating that the flexibility need is the product of an unreasonably high load forecast."[8]

These assertions are unfounded and provide no guidance for developing the scenarios needed for procurement decisions. The purpose of a scenario analysis is to test different assumptions, not just picking and choosing assumptions as DRA and other parties suggest. A 1-in-5 high load scenario is not an "unreasonable" assumption. Indeed, basing resource procurement on a system that is only adequate 50% of the time (as in the 1-in-2 load forecast) is not ideal but, as discussed in the ISO's opening comments, the 1-in-2 high load forecast can provide operational insights.

[7] *Id.,* page 12.
[8] DRA comments, page 2.

Respectfully submitted,

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