

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)

Clean Coalition's Reply Brief on Track 1 Issues

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I. INTRODUCTION

The Clean Coalition is a California-based nonprofit organization whose mission is to accelerate the transition to local energy systems through innovative policies and programs that deliver cost-effective renewable energy, strengthen local economies, minimize environmental impacts, and enhance energy security.

To achieve this mission, the Clean Coalition promotes proven best practices, including the vigorous expansion of Wholesale Distributed Generation (WDG) — a market segment defined by renewable energy generation that connects to the distribution grid and serves local load. The Clean Coalition drives policy innovations that remove barriers to effective procurement, interconnection, and compensation. Furthermore, the Clean Coalition actively supports the deployment of Intelligent Grid (IG) market solutions — such as demand response, energy storage, forecasting, and communications — to complement higher levels of clean local energy generation.

The Clean Coalition is active in proceedings at the California Public Utilities Commission, the Federal Energy Regulatory Commission, and related federal and state agencies throughout the United States. The Clean Coalition also designs and implements WDG and IG programs for local utilities and governments around the country.

Long Term Procurement Planning (LTPP) has long been a policy platform of the Clean Coalition, with the specific goal of ensuring that LTPP reflects a long-term plan for the major deployment of much needed cost effective and rapidly deployable WDG projects, in concert with IOU planning and future proofing of distribution grid upgrades to facilitate full deployment of

WDG as well as intelligent grid solutions. We also remain committed to ensuring that California's renewable portfolio standards (RPS) mandates are fully included in LTPP, both at the current 33% 2020 standard and in preparation for ongoing RPS trajectories towards 2030 and 2050. This reply brief will be discussing points of interest to the Clean Coalition and providing support to other parties and recommendations as to how this Commission should proceed in Track 1.

II. Recommendations

The Clean Coalition respectfully submits the following recommendations for consideration:

- The Commission, the ISO and utilities should strongly consider using preferred resources to fill any LCR shortfalls in Southern California;
- The Commission should consider using these preferred resources (including energy storage) as certain solutions;
- The Commission, the ISO and utilities should strongly consider the rigorous use of preferred resources with the potentially difficult transmission access issues in mind for the Los Angeles Basin;
- The Commission should strongly consider energy storage to be a preferred resource, pursuant to R. 10-12-007 and AB 2414.

III. Specific Replies on Parties Opening Briefs

a. The ISO is Discounting State Policies Relating to Preferred Resources and Loading Order

The Clean Coalition supports many of the positions taken by parties such as the Sierra Club, NRDC and CEJA. Specifically, the Clean Coalition agrees that the ISO and several utilities are discounting many state policies relating to preferred resources. As the Sierra Club discussed in their opening brief, "CAISO's approach puts the thumb on the scale that favors the construction of new natural gas plants and disregards the state's loading order. Rather than promoting strict adherence to the loading order, CAISO assumes that the state's policies for preferred resources,

including energy efficiency, demand response programs, distributed generation and CHP, will not pay sufficient dividends in the Western Los Angeles Basin.” (pg. 2).

The ISO and this Commission should continue to promote the use of these preferred resources as well as compliance with the state’s loading order policy, rather than supporting their stated use of natural gas plants or other status quo technology. The Clean Coalition believes that intelligent grid solutions (DG, DR, EE and ES), along with other parties, will be the best and most cost-effective solutions to meeting any LCR needs in the Los Angeles area. There are very significant quantities of such resources that can be anticipated with a high degree of certainty, as we will describe in detail below. The benefits of a DG+IG future include the following:

- Enhance grid reliability;
- Provide cost-effective energy for ratepayers;
- Create domestic clean energy jobs;
- Minimize environmental impacts and
- Increase our energy security.

These benefits should be taken into strong consideration by the ISO and this Commission.

b. Any Replacement of OTC Plants Should Include the Use of Preferred Resources

The California Cogeneration council (CCC) stated in their opening brief that “the[y] recognize that, if preferred resources are to meet LCR needs, they must be developed in the areas where LCR capacity is needed and in the time frame required to provide the necessary local reliability. (pg. 11). We support CCC’s position that preferred resources need to be developed where capacity is needed to fully realize all locational benefits. These resources have the capacity to fill shortfalls anticipated in this region, as the Clean Coalition has continuously advocated for in this Track and in Track 2. The ISO and this Commission should recognize these realities, as it relates both to OTC plants and SONGS.

Alternatives to possible expected shortfalls in existing generation are immediately available through the use of preferred resources. Each offers significant capabilities to address system needs at critical demand periods that are deployable before 2013 peak season, and cumulatively greater capacities in the medium term to meet requirements consistent with the

State's Long-Term Energy Efficiency Strategic Plan, RPS targets, Energy Action Plan Loading Order preferences, and broader development of Intelligent Grid systems. Achieving these targets will greatly reduce or eliminate the need for generation and related services provided by SONGS and regional OTC plants. Partial early implementation can be sufficient to meet all or most of the operational requirements in the interim while avoiding long term capital investment in facilities that would become redundant once the efficiency and renewable targets were reached.¹

c. Certainty Regarding Preferred Resources

There are very significant quantities of preferred resources that can be anticipated with a high degree of certainty. Numerous small resources (such as preferred resources) are not subject to the high “all-or-nothing” risks that central station resources can pose. The Clean Coalition's estimated (certain) potential of preferred resources meeting needs for the Southern California region (SDG&E and SCE service areas) are as follows:

- **Distributed Generation (DG):** 100+ MW additional in the next year for SDG&E, and much greater potential² in the following years and neighboring areas;
- **Energy Storage (ES):** 20+ MW, providing fast ramping equal to 50 MW of conventional generation; 50 MW of load shifting storage in SDG&E territory;
- **Demand Response (DR):** 100 MW additional in the next year³ for SDG&E, and much greater potential in the following years and neighboring areas.
- **Energy Efficiency (EE):** 50+ MW additional in the next year, 500 MW below SDG&E peak (2007) by 2016. Efficiency achieved by SCE would allow additional pass-through of excess generating capacity.

“SCE agrees with the general proposition that the amount and location of EE, DR, renewable resources, CHP, and DG in SCE's service area in the future is uncertain.” (pg. 5). As we have established above, the certainty regarding preferred resources is higher than SCE has

¹ The Commission and the IOUs jointly developed the California Long-Term Energy Efficiency Strategic Plan, updated in 2011. It calls for 25 percent of existing homes to reach 70 percent reduction in energy usage by 2020, and 50 percent of existing commercial buildings to reach zero net energy by 2030. The Plan also calls for a 50 percent reduction in air conditioning loads by 2020. Governor Brown's April 25, 2012 Executive Order B-18-12 calls for immediate steps toward 50 percent of California state government buildings to reach zero net energy by 2025.

² SDG&E has over 1,500 MW of commercial rooftop PV potential and twice as much ground based and residential rooftop. SDG&E CSI projects alone are on track to provide over 100 MW by 2016. SCE has over 100 MW of commercial rooftop PV online by the end of this year. LADWP announced a 150 MW program.

³ SCE projects that it will have 1,900 MW of DR by 2014

demonstrated in this proceeding. While some parties believe that preferred resources in Southern California is uncertain, the Clean Coalition wishes to emphasize that preferred resources are not only a certain solution, but is also the best solution available, providing the most benefits to ratepayers.

d. Transmission Upgrades

“...construction of new or upgraded transmission facilities “may not be viable in the urban Los Angeles area.” (SCE Opening Brief, pg.)

SCE has continuously made the argument that preferred resources in the SCE service area are uncertain. The Clean Coalition has consistently rebutted that preferred resources should be highly considered in this region, especially in light of potential transmission issues that could arise in the SCE service territory. Transmission upgrades to this region, as have been stated by other parties in this proceeding including SCE, will cost ratepayers millions of dollars to build and an uncertain timeline as to when these upgrades will be completed. Since many of the decisions that need to be made regarding capacity need to be made quickly, resources that have a short lead time and can be deployed quickly should have preference in this case. The ISO, this Commission and SCE should be supporting the use of resources that would not require millions of dollars in transmission upgrades and uncertain timeframes to utilize. Preferred resources will save the ratepayers potentially millions of dollars in transmission access charges by providing services close to where the services are needed.

e. This Proceeding Does Not Fully Consider Preferred Resources

“Accordingly, under the clear terms of the OIR and EAP II, this proceeding must fully consider the ability of energy efficiency, demand response, energy storage, distributed generation and other renewables to meet Local Capacity Requirements (LCR) before it commits to allowing any new fossil-fired generation.” (Community Environmental Council Opening Brief, pg. 3).

The Clean Coalition is in full agreement with the Community Environmental Council and parties with similar positions. This proceeding clearly does not prefer renewables to meet any LCR in Southern California and is in fact supporting status quo. California’s focus should be shifting towards renewables rather than continue to use conventional resources such as fossil fuel generation. Preferred resources offer a diverse range of attributes that can be best suited to

meeting the local capacity requires specific to each location and circumstance, as we have already discussed in this brief.

Development of diversified resource solutions enhances long term system reliability and energy security while establishing experience in ongoing modernization of the State's often dated electrical system. Strong consideration should be given to the procurement of preferred resources wherever practical with broader State economic development and environmental goals in mind. Not only is this practice more cost effective for the ratepayer, but it will also bring California closer to meeting its stated renewable goals, such as the RPS and 12 GW of DG goal as well as any goals set forth by AB 32.

IV. Energy Storage

There were few parties who discussed the clear benefits of using energy storage in opening briefs. However, the Megawatt Storage Farms, Inc. clearly favored energy storage when they call for a decision to be made on Energy Storage's position in the loading order. (Megawatt Storage Farms, Inc., pg. 3). The Clean Coalition also takes the strong position that energy storage should at the very least be a consideration in this proceeding, as this proceeding has been working in conjunction with the parties in R. 10-12-007 to develop ES in compliance with AB 2415, as was also suggested by Megawatt Storage Farms. The Clean Coalition recognizes the benefits that ES provides in conjunction with the other named preferred resources and recommends that Energy Storage (ES) be considered a "preferred resource" alongside Demand Response and distributed generation. The full range of DG + IG options, which includes energy storage, represents highly responsive marginal demand and supply; this is a cost-effective solution that should be fully considered in the long-term procurement planning process.

Respectfully submitted:

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