

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Continue Electric
Integrated Resource Planning and Related
Procurement Processes.

Rulemaking 20-05-003
(Filed May 7, 2020)

**REPLY COMMENTS OF THE INDEPENDENT ENERGY PRODUCERS
ASSOCIATION ON THE PROPOSED DECISION ADOPTING THE 2023
PREFERRED SYSTEM PLAN**

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SUMMARY OF RECOMMENDATIONS

- Revive the proposal to locate LDES facilities on the site of existing gas-fired projects;
- Allow bridge procurement to compensate for delays in completion of contracted Diablo Canyon replacement resources;
- Reject Form Energy's proposal to authorize a Tier 3 advice letter for requests to approve utility-owned storage facilities.

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The Independent Energy Producers Association (IEP) offers these brief comments in reply to the comments submitted on the Proposed *Decision Adopting 2023 Preferred System Plan and Related Matters, and Addressing Two Petitions for Modification*, issued on January 10, 2024 (PD).

**I. THE PD SHOULD BE MODIFIED TO CONSIDER PROPOSALS TO ADD
LONG-DURATION ENERGY STORAGE AT THE SITES OF EXISTING GAS-
FIRED GENERATING UNITS**

Several parties, including IEP, noted that the PD omitted any mention of an idea presented in Administrative Law Judge Julie Fitch’s ruling of October 5, 2023.¹ The ruling asked for comments on a proposal to site long-duration energy storage (LDES) facilities at the site of existing gas-fired power plants. While details of this arrangement remain to be worked out, the obvious benefits of this type of arrangement compel a further consideration of this idea. A co-located storage unit could offset the physical and administrative reduction in capacity that thermal units experience when ambient temperatures reach high levels.² As the capacity factors

¹ Comments of Middle River Power LLC; Comments of the California Energy Storage Alliance, pp. 5-6; Comments of the Western Power Trading Forum, pp. 2-4; IEP Comments, pp. 3-4.

² In the Resource Adequacy proceeding, R.23-10-011, the Commission’s Energy Division and others have proposed an Unforced Capacity (UCAP) approach that would reduce the Qualifying Capacity of thermal units for heat-related effects.

of existing gas-fired units decline, the associated storage facility could allow the combined facility to make full use of the interconnection and potentially the deliverability of the existing generator. The storage facility could also allow the gas unit to operate more efficiently, reducing emissions of greenhouse gases and criteria pollutants.

This proposal might also mesh well with the evaluation by the California Independent System Operator (CAISO) of the PD's proposed sensitivity portfolio, which assumes the retirement of 15.9 GW of existing gas generation capacity by 2039. Due to the location of aging gas-fired units in load centers, the costs of constructing transmission for new replacement facilities, likely located outside of load centers, will be much higher than retaining and repurposing the existing interconnections. If LDES facilities are already located at the sites of the retired units, however, the costs of at least some of those transmission upgrades will be avoided. Adding LDES at the sites of existing thermal plants could also provide an orderly transition to the retirement of roughly half of the existing gas fleet.

IEP respectfully urges that this proposal should be re-inserted into the Decision. If it is too late to make this adjustment to the PD, the Commission should commit to consider this proposal promptly in this proceeding and to incorporate this concept in the 2024 Preferred System Plan.

II. BRIDGE PROCUREMENT SHOULD BE AUTHORIZED TO ACCOUNT FOR DELAYS IN THE IN-SERVICE DATES FOR DIABLO CANYON REPLACEMENT RESOURCES

The PD rejects the Petition for Modification of Southern California Edison Company (SCE) and Pacific Gas and Electric Company (PG&E) that sought a two-year extension of the deadline for procuring the resources to replace a portion of the capacity that will be lost when the Diablo Canyon units retire. The new replacement resources will continue to be required to be online by June 1, 2025.

For a variety of reasons, the current market for supply resources is very tight, in large part because problems related to supply chains and interconnection processes have resulted in unexpected delays in in-service dates for many projects. Several parties suggested that load-serving entities (LSEs) whose contracted resources encounter delays that push their in-service dates beyond June 1, 2025, should have the option to cover their deficiencies by procuring

“bridge” resources,³ as the Commission has authorized for delays for projects procured to meet Mid-Term Reliability requirements,⁴ and as the PD proposes for procurement of long-lead time (LLT) resources.⁵

Under the current market circumstances, when projects are delayed for a variety of legitimate reasons, IEP agrees that the PD should be modified to provide for this bridge procurement if Diablo Canyon replacement resources are unable to come online by June 1, 2025. Bridge procurement should be a temporary remedy to ensure that reliability is maintained until the market returns to a more normal supply of resources.

III. APPROVAL OF UTILITY-OWNED ENERGY STORAGE SHOULD REQUIRE AN APPLICATION

Form Energy goes beyond identifying “factual, legal, or technical errors” in the PD, as instructed by Rule 14.3 of the Commission’s Rules of Practice and Procedure, to offer some suggestions for improving the Integrated Resource Plan (IRP) process.⁶ One of Form Energy’s suggestions requires a response.

Form Energy recommends that the Commission should allow investor-owned utilities (IOUs) to submit Tier 3 advice letters for approval of utility-owned LDES projects that are applying for federal funding from the Department of Energy or have a Commercial Operation Date in 2028 or earlier. Form Energy argues that the Tier 3 approval process “will allow for a more expeditious process while still providing the Commission sufficient oversight to ensure that proposals are reasonable for California ratepayers.”

Utility-owned storage projects, however, require special scrutiny for several reasons. The Commission has long wrestled with the role that utility-owned resources should play in a competitive market structure. During the transition to a competitive market structure in the early years of this century, the Commission addressed utility-owned generation (UOG) by setting up

³ Solar Energy Industries Association/Large-scale Solar Association’s Comments, p. 9; SCE’s Comments, pp. 5-6; San Diego Gas & Electric Company’s Comments, pp. 3-4.

⁴ See D.23-02-040, p. 89 (Ordering Paragraph No. 8); D.21-06-035, p. 97 (Ordering Paragraph No. 10).

⁵ PD, pp. 98-99.

⁶ Form Energy was not alone in not focusing on the errors in the PD. Parties devoted a large proportion of the comments to either agreeing with the PD’s determinations or briefing other issues in the IRP.

several measures to minimize the risk that ratepayers would wind up improperly subsidizing UOG projects and to protect the emerging competitive market structure from the distortions created when utilities are both buyers and sellers of wholesale energy.⁷ Even with these measures in place, the Commission agreed that “continued reliance on UOG . . . is incompatible with the development of a competitive market model that stimulates private investment”⁸ The Commission also endorsed a “competitive market first” approach, under which “all long-term procurement should occur via competitive procurements, rather than through preemptive actions by the IOU, except in truly extraordinary circumstances.”⁹

To be clear, utility-owned storage projects that are selected in a fair and open competitive solicitation, in which utility-owned projects compete head-to-head with and on the same basis as the projects of independent, non-utility developers, can avoid some of these concerns. There might also be special circumstances where the security of sensitive utility facilities might justify utility-owned projects. But as a general matter, utility-owned generation and storage projects require close scrutiny and careful consideration to ensure that cross-subsidies and market distortions will not result if they are approved. A Tier 3 advice letter does not provide for discovery by interested parties, require supporting sworn testimony, allow for cross-examination of witnesses, or provide other earmarks of due process. Public participation in the review of advice letters is greatly constrained compared to the more open application procedure.

The Commission has in recent years allowed for an expedited review of utility-owned storage projects that were needed to respond to extreme weather and resource shortages. Although that expedited approach identified some projects that were unreasonably costly in relation to their value,¹⁰ the more thorough application process should be the default as market conditions become more normal.

For these reasons, the PD should not be modified to reflect Form Energy’s proposal.

⁷ PG&E and SCE are also the Central Procurement Entities for Local Resource Adequacy capacity (D.20-06-002, p. 35), and although the utility personnel providing the CPE functions are supposed to be walled off from the procurement side and all affected personnel are subject to a code of conduct, it’s hard to be completely assured that no leakage of sensitive information can occur.

⁸ D.07-12-052, p. 200.

⁹ D.07-12-052, p. 209 (emphasis in original).

¹⁰ *E.g.*, Res. E-5304.

IV. CONCLUSION

For the reasons stated in these comments, IEP respectfully asks for the PD to be modified to:

- Revive the proposal to locate LDES facilities on the site of existing gas-fired projects;
- Allow bridge procurement to compensate for delays in completion of contracted Diablo Canyon replacement resources;
- Reject Form Energy's proposal to authorize a Tier 3 advice letter for requests to approve utility-owned storage facilities.

After making these changes, the Commission should approve the PD as modified.

Respectfully submitted,

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